



TOFAŞ

TÜRK OTOMOBİL FABRİKASI A.Ş.

Tofaş 2023 Annual Report

**WE ARE PROUD AND THRILLED TO BE ADVANCING FOR
A CENTURY ON THE PATH LED BY THE GREAT LEADER ATATÜRK,
IN THE LIGHT OF THE REPUBLIC.**

As Koç Group, we believe that the best way to celebrate our Republic is through work, production and the achievement of excellence.

We continue, with the same determination, to serve with love and devotion for our country, to protect and defend the Republic entrusted to us by Atatürk, along with its principles and values, acting with the responsibility of carrying the values of the Republic to future generations.



TÜRKİYE'S LEADING AUTOMOTIVE COMPANY

THROUGH ITS COMMITMENT TO TECHNOLOGY, DIGITALIZATION, QUALITY, AND EFFICIENCY, TÜRKİYE'S LEADING AUTOMOTIVE COMPANY TOFAŞ CONTINUES TO CREATE VALUE FOR THE COUNTRY'S ECONOMY, INDUSTRIAL BASE, AND R&D KNOW-HOW.

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ABOUT TOFAŞ



Tofaş's production capacity, export performance, R&D competencies, and workforce of nearly six thousand make it one of Türkiye's leading industrial concerns.

Türkiye's trailblazing automotive manufacturer, Tofaş was founded in 1968. 24.3% of Tofaş's shares are traded on Borsa İstanbul and are included in both the BIST 30 and the BIST 100 indexes; control of the remaining shares is divided equally between Koç Holding Stellantis. Tofaş's publicly-traded shares are also included in Borsa İstanbul's Corporate Governance and Sustainability indexes. Headquartered in İstanbul, Tofaş's production operations are carried out in Bursa at a plant with 350 thousand m² of enclosed space situated on nearly 1 million m² of grounds.

Tofaş's plant produces the Fiat Egea family's sedan, hatchback, station wagon, cross and cross wagon models. Tofaş exports more than half of the vehicles it produces to different countries in the world. Committed to being a leading player in all segments of its home market in line with customer expectations, Tofaş offers a broad portfolio of brands and products that include five brands (Fiat, Alfa Romeo, Jeep®, Maserati, Ferrari) for which it is the Turkish representative.

In its capacity as a key production and R&D center for the Stellantis Group, Tofaş contributes directly to the growth and development of Türkiye's engineering ecosystem by

strengthening its own product-development capabilities globally. With its expertise and knowledge in developing vehicles from scratch, the Tofaş R&D Center not only oversees the production of models manufactured at the Tofaş plant but also participates in the product-development processes of different models within the Stellantis Group. The center is likewise a major exporter of engineering services for global product-development projects. Continuing to broaden the scope of its operations by addressing the global demand for automotive software, Tofaş R&D develops connectivity-based mobility solutions. Productivity-driven digital optimization is key to Tofaş's smart-factory transformation and a strategic priority for the company. To maintain its competitive edge, Tofaş constantly tailors its production practices in response to technological advances and to shifting market needs.

As a corporate member of the National Climate Platform, Tofaş supports the transition to a low-carbon economy. As part of the ongoing carbon-transformation program, Tofaş plans to make its plant net-zero company by 2050. Committed to this goal, Tofaş joined the Science Based Targets Initiative in 2022 and developed a comprehensive roadmap. The company's path toward being net zero by 2050 includes increasing the use of green materials, expanding electrification in products, implementing energy efficiency projects, and embracing circular economy principles.

Tofaş aims to build upon its sustainable success by leveraging over half a century of experience, robust R&D, technological innovation, and skilled human resources to create value for customers. The company strives to be a global leader that employees and business partners are proud to be associated with.



TOFAŞ FILM

VISION

To be a leading automotive company that creates the best value and mobility solutions for customers.

MISSION

To improve people's quality of life by providing them with the products and services that best suit society's need for mobility.

ABOUT THE KOÇ GROUP AND STELLANTIS



Founded in 1926, the Koç Group today is Türkiye's biggest industrial concern and services-provider on such measures as total revenues and exports, Borsa İstanbul market capitalization, and jobs created. It is an engine of the Turkish economy with combined revenues corresponding to about 9 of national income while also accounting for about a 7 share of Türkiye's export trade. Koç Holding is the only Turkish company included in the Fortune Global 500. The company adheres to international standards of corporate governance, customer satisfaction, sustainability, and social responsibility in the conduct of its operations. This commitment, combined with strong competitive advantages, positions Koç Holding as a leader in the high-growth sectors of energy, automotive, consumer durables, and finance.



Formed in 2021 from the merger of Fiat Chrysler Automobiles and PSA Group, Stellantis is a sustainability-focused mobility-technology company with a global reach. The Stellantis Group has operations in 30 countries, boasts 14 automotive and 2 mobility brands, and employs a diverse workforce in which more than 160 nationalities are represented. Stellantis's brand portfolio is structured so as to offer unique and sustainable solutions which embrace electrification, connectivity, autonomous driving, and shared mobility and which also address customers evolving needs. As a leader in vehicle electrification and automotive software development, Stellantis advances confidently towards realization of the "Dare Forward 2030" commitments that underpin the group's "Net 0 Carbon" by 2038 transformation and goal of being an unrivaled global force in value creation. The total asset size of Stellantis, whose net sales reached EUR 190 billion, surpassed EUR 202 billion as of the end of 2023.

MILESTONES



1968

- Tofaş Türk Otomobil Fabrikası A.Ş. is incorporated as a joint venture of Koç Holding and Fiat of Italy.

1971

- Tofaş's Bursa plant opens and begins production of the Murat 124.

1974

- Tofaş's exports begin with shipments of the Murat 124 to Egypt.

1976

- The Murat 131 goes into production.

1977

- The Şahin goes into production.

1981

- Kartal and Doğan models go into production.

1990

- The Tempra goes into production.

1991

- Tofaş commences domestic production of engines for the Tempra series.

1993

- Tofaş's one-millionth vehicle rolls off the Tempra assembly line.

1994

- With the production of the Fiat Uno, a vehicle for the B segment is introduced to the market for the first time in Türkiye.
- Tofaş R&D is established.

1995

- With the Tempra model, Türkiye's first large-scale export to European markets takes place.

1998

- Participating in its first global automobile project with its contributions to the Fiat Palio, Tofaş begins managing a world-spanning supply chain.

1999

- Marea and Brava models go into production.



2000

- The Fiat Doblò goes into production

2001

- Tofaş becomes the Turkish representative for Fiat Auto's Alfa Romeo brand.

2002

- The Palio series is given a makeover and the Albea goes into production.
- Tofaş Museum of Cars and Anatolian Carriages opens in Bursa.

2003

- Koç Fiat Kredi Finansman A.Ş., a captive financing company set up jointly by the Koç and Fiat groups, becomes a wholly-owned subsidiary of Tofaş as a result of its acquisition of all of that company's shares.

2005

- Work begins at Tofaş on the company's "Minicargo Project", whose aim is to develop a new light commercial vehicle for Fiat, Peugeot, and Citroën.
- With the incorporation of Fer Mas Oto Ticaret A.Ş., a wholly-owned Tofaş subsidiary, Tofaş becomes the official representative for Ferrari and Maserati in Türkiye.
- The Fiat Linea goes into production.

2006

- Tofaş introduces a World Class Manufacturing (WCM) program at its Bursa plant in order to bring its operations into compliance with lean-manufacturing standards and practices.
- Tofaş's Fiat Linea is voted an AutoBest award.
- The new Fiat Doblò receives the "Commercial Vehicle of the Year" award.

2007

- Tofaş begins producing Fiorino Minicargo models for Fiat and the PSA Group.

2008

- The Bursa plant's production capacity is upped to 400,000 vehicles a year.

2009

- Tofaş becomes the first among 175 FCA plants around the world to achieve World Class Manufacturing Silver status.
- The Fiat Doblò receives the "Commercial Vehicle of the Year" award.

MILESTONES



2011

- The “Commercial Vehicle of the Year” award is bestowed on the Fiat Fiorino by the International Van of the Year jury.
- The Cargo version of the New Fiat Doblò is voted “Light Van of the Year” in the UK’s Van Fleet World series of awards and also receives the year’s environment award.

2012

- Tofaş becomes the representative for Jeep in Türkiye after Fiat acquires a majority stake in Chrysler.
- The Opel Combo, a multi-brand model developed by Tofaş based on the New Fiat Doblò platform, goes on sale in many European and other markets.

2013

- Tofaş achieves World Class Manufacturing Gold status.

2014

- Tofaş begins exporting the Fiat Doblò to North American markets as the “Ram ProMaster City”.

2015

- The Fiat Egea Sedan goes on sale in Türkiye and around the world.
- At the Private Sector R&D Centers Summit organized by the Ministry of Science, Industry and Technology, the Tofaş R&D Center is cited as the best R&D center in the Turkish automotive industry and also places third among the country’s best R&D centers in all categories.

2016

- The Fiat Egea Project’s Hatchback and Station Wagon models go into production.
- The Fiat Egea is voted “Best-Buy Car Of The Year In Europe” at AutoBest 2016.
- Record-breaking performance makes Tofaş the Turkish automotive industry’s leading manufacturer and exporter.
- Tofaş brings home first-place honors for the second time at this year’s Private Sector R&D Centers Summit conducted by the Ministry of Science, Industry and Technology. The company also ranks first among Turkish entrants in the European Commission Joint Research Center’s R&D Investment Score List.

2017

- Tofaş once again ranks first among Turkish entrants in the European Commission Joint Research Center’s R&D Investment Score List. This is the third year in a row that the company’s success has been so honored.



2018

- Connectivity technology Fiat Connect offered for sale. A digital platform that makes it easier for Fiat owners to interact with their vehicles, Fiat Connect was developed by Tofaş in collaboration with external startups.

2021

- Completely renewed and equipped with the best technologies available in its class as well as with a Firefly engine, the Egea model family and its newest member the Egea Cross go on sale in Türkiye.
- The Tofaş R&D Center places second in the “R&D: Big R&D Centers” category in the Ministry of Industry and Technology’s R&D and Design Centers Awards series. Tofaş is the only automotive company to make it into the ranking.
- In Turkishtimes’ “R&D 250” survey of companies in Türkiye ranked according to their R&D expenditures, Tofaş places among the top three firms.
- Stellantis is born as a result of a merger of FCA and PSA.

2022

- Fiat Egea’s latest-model “Cross Wagon” as well as automatic-transmission & hybrid-engine equipped versions of Egea’s Sedan, Hatchback, Cross, and Cross Wagon models go on sale.
- Tofaş’s production of Fiat Egea models reaches 1 million units. The millionth Egea rolling off the company’s assembly line is an hybrid-engine equipped Cross.

- Tofaş R&D Center’s newly-created Product-Development & Software branch commences operations in İzmir Institute of Technology’s Technopark İzmir Software Center.
- The “Koç Fiat Sigorta” initiative that began as an agile-team project in line both with anticipated developments in customers’ automotive-industry expectations and with Tofaş’s own mobility priorities is transformed into a Koç Fiat Kredi subsidiary.

2023

- Tofaş joins the Science-Based Targets Initiative, an international platform whose aim is to counter the adverse effects of the climate crisis.
- To mark the 100th anniversary of the Republic of Türkiye, Tofaş adds a special “Cumhuriyet 100 Yaşında” (“The Republic Is 100 Years Old”) logo to all new domestically-produced models rolling off the assembly line.
- Tofaş passes an important milestone on its production odyssey with the manufacture of its 7 millionth vehicle.
- Tofaş’s Fiat brand has made the company the market leader for five years in a row.
- On the occasion of the first centenary of the Turkish Republic (1923) Tofaş introduced a limited-edition “Hundredth Anniversary Special Series” of the Fiat Fiorino, of which only 1,923 units are to be made.

KEY FINANCIAL AND OPERATIONAL HIGHLIGHTS

In 2023 Tofaş bolstered its strong position in the Turkish automotive industry with TL 127.6 billion in sales and a home market share of 15.7%.

OPERATIONAL HIGHLIGHTS	2022	2023
Export Sales (TL thousand)	56,580,671	25,124,652
Domestic Sales (TL thousand)	64,404,976	97,507,870
Other Income from Operational Activities (TL thousand)	3,033,409	4,968,478
Cumulative Production Volume (units)	263,747	239,428
Sales (units)	270,271	261,288

FINANCIAL HIGHLIGHTS(TL THOUSAND)	2022	2023
Total Assets	73,799,094	78,667,295
Shareholders' Equity	25,849,068	36,879,584
Sales Revenues	124,019,056	127,601,00
EBITDA	18,115,118	19,666,722
Profit Before Tax	10,778,351	18,326,525
Net Profit	9,374,039	15,083,439

88%

Share of local production in domestic sales

16.3%

Tofaş's share in Türkiye's automotive production

60 thousand

Number of vehicles exported in 2023

the leader for 5 years

Fiat is the leader in passenger and light commercial vehicles for 5 years.

15.7%

The leader of Türkiye's automobile market with the Fiat brand

8 years

The most preferred automobile in Türkiye for 8 years in a row.

100%

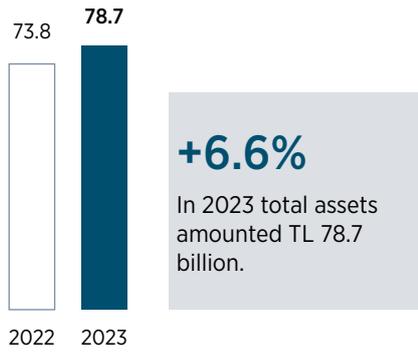
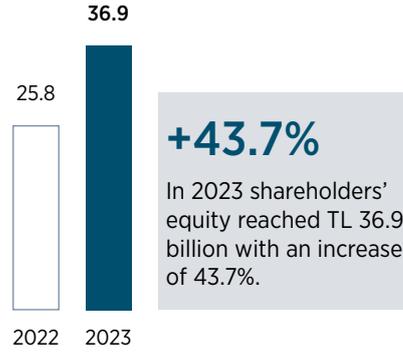
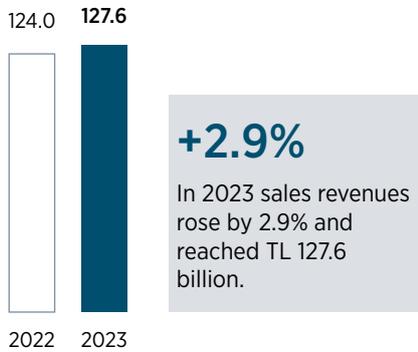
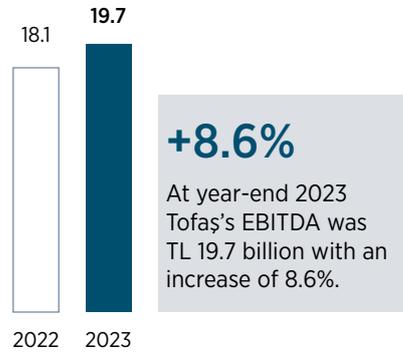
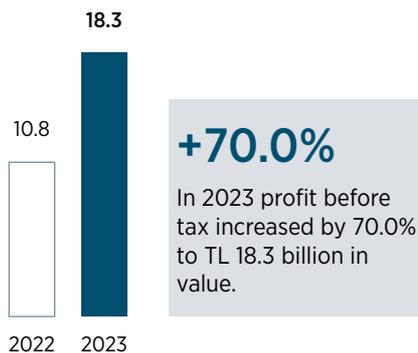
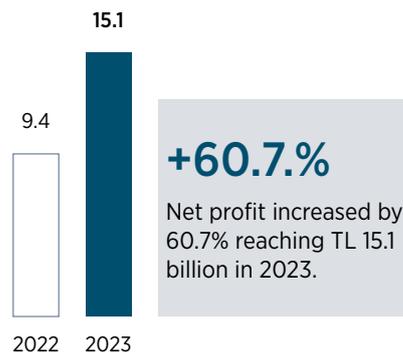
Waste recovery

0.290 tonCO₂eq

Emissions per vehicle produced

2.61 m³/vehicle

Water consumption per vehicle

TOTAL ASSETS (TL BILLION)**SHAREHOLDERS' EQUITY (TL BILLION)****SALES REVENUES (TL BILLION)****EBITDA (TL BILLION)****PROFIT BEFORE TAX (TL BILLION)****NET PROFIT (TL BILLION)**

5 YEARS THE MARKET LEADER

STRENGTHENING ITS POSITION ACROSS ALL THE BRANDS IN ITS PORTFOLIO, TOFAŞ REMAINED THE HOME MARKET LEADER FOR THE FIFTH YEAR IN A ROW.





AGENDA OF THE ORDINARY GENERAL ASSEMBLY MEETING

AGENDA OF 56th ORDINARY GENERAL ASSEMBLY MEETING OF TOFAŞ TÜRK OTOMOBİL FABRİKASI ANONİM ŞİRKETİ TO BE HELD ON 28 MARCH 2024

1. Opening and election of Meeting Chairman,
2. Reading, discussion and approval of 2023 Activity Report prepared by the Company's Board of Directors,
3. Reading of Independent Audit Report Summary related to 2023 accounting period,
4. Reading, discussion and approval of Financial Statements related to 2023 accounting period,
5. Approval of replacement of the member of Board of Directors within the year under Article 363 of Turkish Commercial Code,
6. Acquittal of each Member of the Board of Directors for 2023 activities of the Company,
7. Approval, approval with amendment or rejection of the Board of Directors' proposal on distribution of 2023 profits and the date of profit distribution prepared as per the Company's Profit Distribution Policy,
8. Determination of the number and office term of the members of the Board of Directors, appointment of the members of the Board of Directors according to the determined number, appointment of the independent members of the Board of Directors,
9. Informing the Shareholders on and approval of "Remuneration Policy" for Members of the Board of Directors and Top-Level Managers and the payments made within the frame of such policy as required by Corporate Governance Principles,
10. Determination of annual gross remunerations of the Members of the Board of Directors,
11. Approval of selection of Independent Auditing Organization by the Board of Directors as per the Turkish Commercial Code and Capital Market Board regulations,
12. Informing the Shareholders on donations made by the Company in 2023 and setting an upper limit for donations to be made in 2024 within the scope of the Company's Donation and Sponsorship Policy,
13. Informing the Shareholders on assurances, pledges, securities and indemnities supplied by the Company and its affiliates in favor of third parties and the profits and
14. Authorization of the Shareholders holding the management control, members of the Board of Directors, top level managers and their spouses and relatives by blood and affinity up-to-second-degree within the frame of Articles 395 and 396 of the Turkish Commercial Code and informing the Shareholders on the transactions of this nature carried out in 2023 as per the Capital Market Board Corporate Governance Communiqué,
15. Informing the Shareholders about the Company's a low-carbon transition plan,
16. Wishes and opinions.

(CONVENIENCE TRANSLATION OF A REPORT ORIGINALLY ISSUED IN TURKISH)
**INDEPENDENT AUDITOR'S REPORT ON THE ANNUAL REPORT OF
 THE BOARD OF DIRECTORS**



Güney Bağımsız Denetim ve SMMM A.Ş.
 Maslak Mahallesi Eski Büyükdere Cad.
 Orjin Maslak İş Merkezi No: 27
 Kat: 2-3-4 Daire: 54-57-59
 34485 Sarıyer/İstanbul Türkiye

Tel: +90 212 315 3000
 Fax: +90 212 230 8291
 ey.com
 Ticaret Sicil No: 479920
 Mersis no: 0-4350-3032-6000017

To the Shareholders of Tofaş Türk Otomobil Fabrikası A.Ş.

1) Opinion

We have audited the annual report of Tofaş Türk Otomobil Fabrikası A.Ş. ("the Company") and its subsidiaries ("the Group") for the period of January 1, 2023 - December 31, 2023.

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

2) Basis for Opinion

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

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

We have expressed an unqualified opinion in our auditor's report dated February 13, 2024 on the full set consolidated financial statements of the Group for the period of January 1, 2023 - December 31, 2023.

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

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

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

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

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

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

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

The name of the engagement partner who supervised and concluded this audit is Mehmet Can Altıntaş.

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

Mehmet Can Altıntaş, SMMM Partner

March 4, 2024
 İstanbul, Türkiye

CHAIRMAN'S ASSESSMENT



As a corporate group that is almost as old as the Republic of Turkey itself, we have staunchly defended progressive Republican values for nearly a century and will continue to do so.

Ömer M. Koç
Chairman of the Board of Directors

It was with the utmost delight and pride last year that we celebrated the 100th anniversary of the founding of Republic that Mustafa Kemal Atatürk established with a vision that was far ahead of its time and is still valid today. As a corporate group that is almost as old as the Republic of Turkey itself, we have staunchly defended progressive Republican values for nearly a century and will continue to do so. Vehbi Koç, our group's founder of beloved memory, once said "I exist only if my country exists; if democracy exists then we all exist." Recognizing that dictum as one of our core corporate principles, we will continue to strive even harder in our efforts to spearhead our country's economic and social development.

Most unfortunately, we began the new year with a dreadful catastrophe. In February, two massive earthquakes struck our country's southeast and claimed the lives of tens of thousands of our citizens, the pain of whose loss is still fresh in our hearts. May God have mercy on their souls; to the grieving families. Responding immediately, the Koç Group as a whole mobilized and deployed its resources to aid the families. Next, we built four "Hope Town" container cities in Adiyaman, Hatay, İskenderun, Kahramanmaraş, and Malatya, each capable of accommodating five thousand people. We continue to support those living in stricken areas even as I write this.

THE GLOBAL ECONOMY PERFORMED BETTER THAN EXPECTED.

2023 is over but the repercussions of the year are not. The security risks posed by Russia's war against Ukraine, where a dearth of meaningful efforts to bring about a reconciliation makes it unlikely that peace will be restored any time soon, have been exacerbated by the conflict in Gaza where a humanitarian crisis is unfolding. Today we are unfortunately witnessing what happens when the Palestinian question, which has been a festering source of tension in the region for decades, is treated by Western governments as if it did not exist.

Given that the global economy has been repeatedly hammered by a global pandemic, by war in Ukraine, by production and supply chain disruptions, and by soaring commodity, food, and energy prices since 2020, it performed rather better than could have been expected in 2023. The shock effects of the previous four years have receded and while most countries' central banks are determined to rein in inflation by tightening money supplies and raising interest rates, such measures haven't brought the global economy to a standstill as some feared they would.

Global inflation eased in 2023 after reaching a four-decade high in 2022. Global growth, which the IMF judges expanded by 3.1% last year, continued to differ significantly from region to region. The eurozone limped in with a mere 0.5% expansion for example while even with soaring interest rates, America's economy likely grew by a much more robust 2.5%. The real engine, once more, was Asia. China may no longer contribute as mightily to global growth as it once did, but it still commands the high ground in numerous strategic technologies. Meanwhile India, Asia's other titan, is muscling up fast, as it attracts foreign capital that expands both its production capacity and global market share.

DECISIVE CHANGES AT HOME SIGNALLED A RETURN TO RATIONAL POLICYMAKING.

After the May parliamentary elections, Turkey's new economic policymakers adopted a more rational approach. This led to decisive changes, particularly in the realm of monetary policy, alongside broader reforms. In June, our country's central bank began a sharp upward trajectory in its policy rate, eventually reaching 42.5% by year's end from an initial 8.5%. This tightening, alongside the unveiling of a medium-term plan seen as credible, offered some respite to jittery markets amidst stubbornly high inflation, which ultimately finished the year at 64.77%.

That said, a rapidly growing budget deficit and persistently high current account deficit are complicating the task of economic policymakers, who are grappling with the aftermath of devastating earthquakes. Despite a decline in energy and gold imports in 2023, the CAD remains stubbornly high due to insufficient export and service revenues. Economic policymakers are attempting to balance domestic demand without causing a sharp slowdown while simultaneously trying to reduce the CAD and keep the depreciation of the Turkish lira below the inflation rate. The national economy grew by 4.7% in the first nine months of the year, largely driven by domestic demand. However in view of last year's efforts to restrain domestic demand, growth most likely slowed in Q4 2023 and will continue to do so into 2024.

TURKEY'S AUTOMOTIVE MARKET BROKE NEW RECORDS LAST YEAR.

Driven by a year-on-year 9% increase overall and by an 18% surge in cars, the Turkish automotive industry rebounded to pre-pandemic levels in 2023 with total output reaching 1,468,393 units. Despite modest economic growth across the globe but especially in its primary European markets, the industry's exports were also up by 13% YOY and weighed in at USD 36 billion in value. This performance made the sector the country's export champion with a 15.8% share of total exports.

Powered by the 2023 recovery, the domestic automobile and light commercial vehicle market surged to record levels, posting a 57.4% YOY increase to reach 1,232,635 units. This growth was nourished by remarkably strong car sales (967,341 units, up 63.2%); however even LCV sales (265,294 units, up 39.2%) fared respectably well.

TOFAŞ DEFENDED ITS STRONG MARKET POSITION ACROSS ALL ITS BRANDS.

A key player in the Turkish automotive industry, Tofaş continued to perform strongly in 2023. Because of the company's focus on improving its production and R&D capabilities, the Tofaş plant ranks among the Stellantis Group's top-performing factories worldwide based on industrial metrics. Having completed its 55th year in operation, Tofaş passed a major milestone in 2023 when the 7 million vehicle rolled off its assembly line. The company also accounted for a significant 16% share (240,000 units) of the automotive industry's total output and a 6% share (60,000 units) of its total automotive exports.

With its Fiat brand commanding a 16.2% share of Turkey's passenger & light commercial vehicle market while also registering noteworthy growth in all of its brands, Tofaş defended its standing as the sector's leader for the fifth year in a row. Face-lifted versions of the Fiat Egea, a completely home-grown automobile developed and manufactured by Tofaş, did us proud as the country's most popular car for the eighth year in a row.

Two agreements that are of the utmost importance to Tofaş's future were initialed last year. The first of these was a framework agreement between Koç Holding and the Stellantis Group that was concluded in March; the second was a share-acquisition agreement between Tofaş and Stellantis Turkey that was signed in July. The strategic collaborations embodied in these agreements are powerful affirmations of the great confidence that Koç Holding and Stellantis have both in Tofaş and in our country. We expect that all agreement-related formalities, including competition-authority approval, will be completed before the end of 2024.

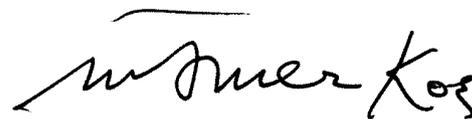
WE'RE GEARING UP FOR THE FUTURE.

Leveraging its ability to manage rapidly-changing business dynamics, its sustainably-nurtured corporate competencies, its rational approach to investment, and its competitive strengths, Tofaş continues to advance confidently into the future while also proactively readying itself for that future through complementary digital-transformation, agile-management, and decarbonization initiatives.

The European Union's 2050 carbon-neutrality goal, outlined in the European Green Deal, is hastening the automotive industry's transformation. Tofaş conforms to both national and international climate policies while also maintaining its corporate commitment to carbon-neutral facilities. Tofaş prioritizes a management model that generates value through a holistic approach that is mindful of the social and environmental as well as of the economic aspects of its operations. Last year's inclusion of Tofaş's shares in the BIST Sustainability 25 Index of Turkey's 25 most sustainability-focused publicly-traded firms is evidence of the company's strong sustainability performance.

We will continue to contribute to a more prosperous world by undertaking projects that support social development within the overall framework of United Nations Sustainable Development Goals while also increasing our own shareholder value by consistently improving our environmental, social, and corporate governance performance and further strengthening our human resources which, because they are central to all of our operations, are our most valuable asset.

With these thoughts in mind, I extend my heartfelt gratitude to our employees and business partners as well as to all the other stakeholders who contributed to Tofaş's exceptionally successful results last year.



Ömer M. Koç
Chairman of the Board of Directors

BOARD OF DIRECTORS



ÖMER M. KOÇ
Chairman



SAMIR CHERFAN
Vice Chairman of the Board
of Directors



CENGİZ EROLDU
Board Member - CEO



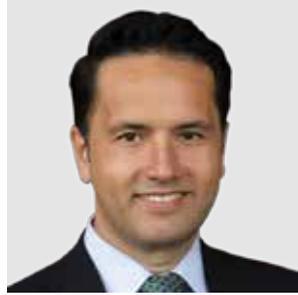
TEMEL KAMİL ATAY
Board Member



KENAN YILMAZ
Board Member



SILVIA VERNETTI BLINA
Board Member



POLAT ŞEN
Board Member



GIORGIO FOSSATI
Board Member



SERGIO DUCA
Independent Board Member



NESLİHAN TONBUL
Independent Board Member

For the CV's of the Board Members, please see page 106

BOARD OF DIRECTORS MEMBERS WHO HELD OFFICE DURING THE REPORTING PERIOD

BOARD OF DIRECTORS		TERM OF OFFICE	
Name	Position	From	Until
Ömer M. Koç	Chair	14.03.2023	14.03.2024
Samir Cherfan	Vice Chair	14.03.2023	14.03.2024
Cengiz Eroldu	Member & CEO	14.03.2023	14.03.2024
Temel Kâmil Atay	Member	14.03.2023	14.03.2024
Isabelle Véronique Lerat	Member	14.03.2023	03.08.2023
Silvia Verneti Blina	Member	03.08.2023	14.03.2024
Kenan Yılmaz	Member	14.03.2023	14.03.2024
Melih Poyraz	Member	14.03.2023	18.07.2023
Polat Şen	Member	18.07.2023	14.03.2024
Giorgio Fossati	Member	14.03.2023	14.03.2024
Sergio Duca	Independent Member	14.03.2023	14.03.2024
Neslihan Tonbul	Independent Member	14.03.2023	14.03.2024

^{ç)} Following the election date of the Board of Directors, terms of office have been taken into consideration. (16 March 2021 - 16 March 2022 and 15 March 2022 - 15 March 2023)

DUTIES, AUTHORITIES AND LIMIT OF AUTHORITIES OF THE BOARD OF DIRECTORS

- Both the Chair and Members of the Board of Directors shall be authorized with specified duties and authorizations defined in Article 11 of the Articles of Association and related articles of the Turkish Commercial Code.
- Furthermore, the regulation concerning Executive Board Decisions is available in the 10th article of the Articles of Association.
- The regulation concerning Auditing is contained in the 13th article of the Articles of Association.

DIVIDEND DISTRIBUTION POLICY

Our Company distributes dividends in accordance with the related provisions of Turkish Commercial Code, capital markets regulations, tax regulations, other related regulations and dividends distribution article of Articles of Association. Dividends are distributed with a policy which is balanced and consistent in terms of the interests of shareholders and the Company in accordance with Corporate Governance Principles.

As a basic principle and to the extent possible based on the applicable regulations and financial resources, net distributable profit within a certain period calculated based on the market expectations, long-term company strategy, investment and financing policies, profitability and cash position and in accordance with Capital Markets Regulations is distributed to the shareholders in the form of cash and/or bonus share provided that it can be covered from the legal reserves.

The intention is to complete dividends distribution in maximum one month after the General Assembly meeting and the date of dividends distribution is determined by the General Assembly. General Assembly or the Board of Directors, if authorized, can decide on distribution of dividends in installments in accordance with the Capital Markets Regulations.

As per the Articles of Association, Board of Directors can distribute dividends in advance provided that it is authorized by the General Assembly and acts in accordance with Capital Markets Regulations.

There is no privilege regarding distribution of dividends. Dividends are distributed equally regardless of the whole current shares or their dates of issuance and acquisition.

This is to inform our esteemed Shareholders.

2023 PROFIT DISTRIBUTION PROPOSAL

In accordance with the consolidated Balance Sheet and Income/Loss Statement that has been drawn up pursuant to the CMB Communiqué Serial:II-14.1 on Principles of Financial Reporting in the Capital Market and Communiqué Serial:II-19.1 on Dividends, our Company booked a consolidated net profit of TL 15,083,439,000 in 2023. The donations and charitable grants made to foundations and associations during the reporting period amounted to TL 49,255,713 based on the purchasing power as of 31 December 2023.

It is hereby proposed that; Cash dividends in the total amount of TL 10,000,000,000 corresponding to a rate of 2000.00% (gross) be paid out of the net profit for the period to our Shareholders after deducting the legal liabilities in accordance with the provisions of the Turkish Commercial Code, Capital Market legislation, and the Company's Articles of Association and the Dividend Policy.

Resident corporate entities and non-resident corporate entities deriving dividends via a workplace or permanent representation in Türkiye be paid out a cash dividend at a rate of 2000.00% (gross) and in the amount of TL 0.20 Gross=Net for each share with a nominal value of TL 0.01,

Our other shareholders be paid out a cash dividend at the rate of 2000.00% and in the amount of TL 0.20 gross and TL 0.18 net per share with a nominal value of TL 0.01, and;

The beginning date of dividend distribution be set as 04 April 2024.

We hereby propose that the dividend distribution and timing be resolved as proposed above.

According to the developments in the financial markets and the development of our company's liquidity, in the second half of the year, in case favorable conditions arise, it has been decided to separately evaluate additional dividend distribution opportunities with the decision of the extraordinary general assembly.

2023 DIVIDEND DISTRIBUTION TABLE

TOFAŞ TÜRK OTOMOBİL FABRİKASI A.Ş. 2023 Dividend Distribution Proposal Table (TL)

1.	Paid-in/Issued Capital		500,000,000
2.	Total Legal Reserves (According to Tax Book) **		1,013,110,828
If there is dividend privilege in the Articles of Association, information regarding this privilege			No
		According to CMB	According to Tax Book
3.	Current Period Profit	18,326,525,000	18,739,160,966
4.	Taxes Payable (-)	3,243,086,000	2,754,363,447
5.	Net Current Period Profit (=) ***	15,083,439,000	15,984,797,518
6.	Losses in Previous Years (-)		
7.	Primary Legal Reserves (-)		
8.	NET DISTRIBUTABLE CURRENT PERIOD (=)	15,083,439,000	15,984,797,518
9.	Donations Made during the Year (+)	49,255,713	
10.	Donation-Added Net Distributable Current Period Profit on which First Dividend is Calculated	15,132,694,713	
11.	First Dividend for Shareholders		
	- Cash ****	10,000,000,000	25,000,000
	- Stock		
	- Total	10,000,000,000	25,000,000
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 for Shareholders		9,975,000,000
16.	Secondary Legal Reserves	997,500,000	997,500,000
17.	Statutory Reserves		
18.	Special Reserves		
19.	EXTRAORDINARY RESERVES	4,085,939,000	4,987,297,518
20.	Other Distributable Resources	0	0
	- Retained Earnings		
	- Extraordinary Reserves		
	- Other distributable reserves in accordance with the Law and the Articles of Association		0
21.	Legal Reserves from Other Distributable Resources	0	0
	- Retained Earnings		
	- Extraordinary Reserves		
	- Other distributable reserves in accordance with the Law and the Articles of Association		0

*The amount represents the registered nominal capital. In the records prepared according to the Tax Law (VUK), there is a capital inflation adjustment difference of TL 12,043,390,146.

** The amount represents the nominal legal reserve. With the application of inflation accounting, there is a total inflation adjustment difference of TL 2,958,512,143 related to the legal reserves in the records prepared according to the Tax Law (VUK).

*** In the records prepared according to the Tax Law (VUK), TL 15,984,797,518 of the current year's profit is included in the Retained Earnings Resulting from Inflation Adjustments account. Although the relevant account has a balance of TL 15,430,521,165.39, there is a sufficient amount in inflation adjustment amount in Equity items in order to cover decrease of TL 554,276,352.61.

**** The first dividend amount is calculated based on the registered nominal capital.

TOFAŞ TÜRK OTOMOBİL FABRİKASI A.Ş. 2023 DIVIDEND RATES TABLE

SHARE GROUP	DIVIDEND AMOUNT		TOTAL DIVIDEND AMOUNT (TL)/ NET DISTRIBUTABLE CURRENT PERIOD PROFIT	DIVIDEND TO BE PAID FOR SHARE WITH PAR VALUE OF 1 TL	
	CASH (TL)	STOCK (TL)	RATE (%)	AMOUNT (TL)	RATE (%)
NET *					
A (real person)	20,988,759		0.14	18.0000	1,800.00
A (legal entity)	3,762,276,294		24.94	20.0000	2,000.00
D	3,407,037,424		22.59	18.0000	1,800.00
E	2,185,925,153		14.49	18.0000	1,800.00
TOTAL	9,376,227,629	0	62.16		

(1) There is no privileged share group in profits

(2) Dividend amounts to be distributed to A, D and E groups are shown as consolidated.

(3) No withholding tax will be applied as Group A shares which correspond to 37.62% of the capital belong to full-fledged legal persons.

And as Group A shares which correspond to 0.23% of the capital belong to full-fledged real persons, 10% withholding tax will be applied,

(4) 10% withholding tax is applied by taking into account that all Group D shares belong to limited liability real persons.

(5) 10% withholding tax is applied accepting that all Group E public shares belong to real persons.

REMUNERATION POLICY FOR TOP-LEVEL MANAGERS AND MEMBERS OF THE BOARD OF DIRECTORS

This policy document defines the remuneration system and practices for the members of the board of directors and top-level managers with administrative responsibilities as defined by CMB regulations.

Fixed wages payable to members of the board of directors are designated by the ordinary general assembly every year.

Executive board members are paid in accordance with the policy applicable for top-level managers and detailed below.

Within the frame of the Corporate Governance Committee's judgment, additional benefits can be provided to members who are assigned with the performance of certain roles for supporting the Company's operations by virtue of the functions they undertake, which will be in addition to the fixed remuneration determined by the General Assembly.

Performance-based payments are not used for remuneration of independent members of the board of directors.

Members of the board of directors are paid based on the period from assignment to resignation. Expenses of the members of the board of directors related with the benefits they provide for the company (transportation, telephone, insurance, etc.) are covered by the company.

Remuneration for Top-Level Managers consists of fixed and performance based components.

Fixed wages of Top-Level Managers are determined in accordance with international standards and legal liabilities based on macroeconomic market data, wage policies applicable in the market, size of the company, long-term objectives and individual positions.

Bonuses payable to Top-Level Managers are based on bonus base, company performance and individual performance. The criteria are as follows:

- **Bonus Base:** Bonus Base is updated every year and varies according to the positions of managers and volume of business. Bonus base is updated based on the top-management bonus policies applicable in the market.
- **Company Performance:** Company performance is calculated every year by measuring the financial and operational (market share, exports, international operations, efficiency etc.) objectives of the company in terms of achievement at the end of the year. The basic principles while defining the company objectives are ensuring that achievements are sustainable and improvements are made as compared to the previous year.
- **Individual Performance:** When assessing individual performance, individual and collective goals that senior executives set together with their respective teams and managers and key performance indicators are taken into account. In measuring individual performance, long-term sustainable improvement also in non-financial areas is a key principle that is pursued.

In case of resignation of a top-level manager, a certain amount of bonus can be paid based on the term of assignment, term of assignment as a top-level manager, benefits provided, last target bonus before resignation, wages paid in the last year and bonus data.

Total amounts paid to Top-Level Managers and Members of the Board of Directors based on the principles listed above are submitted to the information and/or approval of the shareholders at the next general assembly meeting.

This is to inform our esteemed Shareholders.

SIGNIFICANT SHARE OF TÜRKİYE AUTOMOTIVE INDUSTRY PRODUCTION

IN 2023 TOFAŞ ACCOUNTED FOR A
16% SHARE (239,428 VEHICLES) OF
TÜRKİYE'S AUTOMOTIVE INDUSTRY
PRODUCTION.



CEO'S ASSESSMENT



Our company took steps that are crucially important to its future; it also achieved successful business results such that 2023 will be remembered as a significant year in its corporate history.

Cengiz Eroldu
Managing Director & CEO

Dear shareholders and stakeholders,

Sad to say, 2023 began with a dreadful tragedy that deeply distressed us all. The pain caused by the severe earthquakes that struck our country in February will never be forgotten. Since day one, Tofaş has been supporting relief efforts and doing everything it can to help address the needs of the disaster's victims. Having established Umut Kent container cities, each capable of accommodating 20 thousand people, in earthquake-affected areas of five provinces, Koç Holding and Koç Group companies continue to support those affected by the disaster. In the Hatay, Adıyaman, and Malatya container cities we also opened Tofaş Basketball Schools whose aim is to give kids affected by the disaster access to sports and, even more importantly, to instill in them a mindset and outlook that will help them succeed in every aspect of life and not just on the playing field. As a company, Tofaş will continue its efforts to renormalize life for the disaster's survivors and to create enduring value for them as well.

On a more positive note, 2023 was immensely significant for us all as the 100th anniversary of the founding of the Republic of Türkiye. We took great pride in celebrating the first centenary of the gift which Mustafa Kemal Atatürk bestowed on us all and which transformed our nation's destiny forever.

Looking back at the global macroeconomic conditions of the year now behind us, what with efforts to restore price stability through tighter monetary policy and higher interest rates at home and with mounting geopolitical risks abroad, the road ahead in 2023 remained just as murky as it had been in 2022.

Though confronted by a competitive and dynamic automotive industry market in which change is being driven as much by challenging economic conditions as by technological advances, our company took steps that are crucially important to its future; it also achieved successful business results such that 2023 will be remembered as a significant year in its corporate history.

FIAT: BRAND LEADER FOR THE FIFTH YEAR IN A ROW

With a production run of 240 thousand units, Tofaş accounted for 16% of the Turkish automotive sector's total output in 2023. The company also became the industry leader: 88% of home-market sales were of domestically-manufactured vehicles and 60 thousand units were shipped abroad. Tofaş also proudly passed an important milestone on its production odyssey with the manufacture of its 7

millionth vehicle.

Tofaş is positioned in the Turkish automobile and light commercial vehicle market with five brands, whose combined sales of 200,204 units gave it a 16.2% market share last year. The 193,622 units that our Fiat brand sold gave it a 15.7% passenger & LCV market share and clinched its market-leader standing for the fifth year in a row. In the automobile and LCV segments, Fiat sold 125,346 and 68,276 units corresponding to 13% and 25.7% shares of those markets respectively. The Egea, a car developed and manufactured in-house by Tofaş itself, sold 68,276 units and commanded a market share of 25.7%. The Fiat Egea also did us proud last year when the 500,000th vehicle rolled off the assembly line onto our country's roads, further demonstrating Tofaş's ability to make superior design and technology affordably accessible to a mass market.

In addition to a Limited edition of the Fiat Egea, Fiat also celebrated the first centenary of the Turkish Republic (1923) with a limited-edition "Hundredth Anniversary Special Series" of the Fiat Fiorino, of which only 1,923 units will be made. To mark the same occasion, a "Cumhuriyet 100 Yaşında" ("The Republic Is 100 Years Old") logo was added to all new domestically-manufactured models rolling off our assembly lines. Bidding farewell to the Fiat Doblò as its manufacture ceases as a consequence of our plant's revamped production plan, a fifth-generation version of that iconic van went on sale in our country. Still more progress was made in the LCV market electrification process with the introduction of all-electric E-Doblò and E-Scudo models. The 500e, which was the first milestone in Fiat's EV journey and which picked up numerous awards soon after its launch, also sparked great interest in our country last year.

Jeep sales were up 50% in 2023, a year in which we registered noteworthy growth across all our premium models. In addition to e-Hybrid models of the Jeep Renegade and Jeep Compass, we also began selling the Jeep Avenger, an ecofriendly compact that received the prestigious "European Car of the Year" accolade in 2023. Powered by the introduction of a Plug-in Hybrid Q4 version of the new compact SUV Tonale as well as by new versions of the Giulia and Stelvio, our sales of Alfa Romeo models tripled last year.

Having experienced a remarkable 12-fold increase over the past three years, sales of Maserati, a prestigious brand in the luxury segment, topped 600 units in 2023. The second-generation Maserati GranTurismo also went on sale in our country last year.

Looking at the 2023 financial results of the strong operational performance outlined above, we see that Tofaş's revenues were up by 3% year-on and reached TL 127.6 billion while its net profit grew by 61% and weighed in at TL 15.1 billion.

Turning now to other matters, the signing of two strategic-cooperation agreements—a framework agreement between Koç Holding and Stellantis Group and a share-acquisition agreement between Tofaş and Stellantis Türkiye—are major events in our company's history. We expect that agreement-related formalities will be completed before the end of 2024 and we will be keeping the public aware of important developments as they unfold.

OUR COMPETITIVE EDGES: R&D, INNOVATION, AND TECHNOLOGICAL KNOW-HOW

As one of the most advanced facilities of its kind owned by any member of the Stellantis Group, the Tofaş R&D Center has both the competency and the responsibility for developing the group's new vehicles. As a company that spends more on R&D than any other in Türkiye, Tofaş will also be looking to expand the scope of its center's operations and R&D ecosystem and to increase its R&D exports in response to global needs for automotive software.

As of end-2023, the Tofaş R&D Center had completed 21 of 32 EU projects on its calendar. The scheduling of eight new projects last year brings the number currently in progress to 19. Through such projects, the center collaborates with more than four hundred international universities, research institutions, and industrial concerns in the development of innovative automotive industry technologies and processes. In addition to the EU projects, the center is also currently working on nine nationally-funded TÜBİTAK projects in the areas of AI-supported manufacturing, advanced materials, EVs, and sustainability-related issues. The Tofaş R&D Center has so far applied for 237 patents (33 of them in 2023 alone) in such areas as product and service-related vehicle components and production systems among others. To date, the center has been awarded 111 patents.

The Tofaş R&D Center is currently working on various projects in such areas as infotainment system software, connectivity, calibration, data science, and AI applications at the product development & software branch that it opened in the Izmir Institute of High Technology's Technopark Izmir Software Center.

Our company's digital transformation projects continue to gain momentum. We have undertaken more than 1,700 of these projects over the last five years—300 of them in 2023 alone—in line with our efforts to optimize factory operations and make them “smarter” through the deployment of digital applications. The Optimus Production Digital Transformation Program that we initiated to foster an in-house digital mindset across our organization came in second place in the “Large-Scale Enterprises” category of the “Productivity Project Awards” competition organized by the Ministry of Industry and Technology. We also attach great importance to the human resources aspects of this digital transformation. Through Tofaş Academy for example we provide needs-based training resources to expand our company-wide digital competencies. We also conduct in-house entrepreneurship programs to encourage people to develop projects capable of creating added value not just for our own company but across the automotive industry as a whole.

A DIVERSIFIED ARRAY OF CONNECTED-VEHICLE SOLUTIONS THAT IMPROVE THE DRIVING EXPERIENCE

We're constantly looking for innovative ways to give vehicle owners the best possible end-to-end driving experience, such as connected-vehicle and associated ecosystem solutions that deliver value-adding services and address insurance needs.

In 2023 we continued to enrich Fiat Connect with the addition of new functions that make it even more useful to vehicle owners. Developed in-house by Tofaş, Fiat Connect is Türkiye's first and most capable vehicle-connectivity software system. We plan to make this technology accessible to increasingly broader audiences by

incorporating it into our other vehicle brands and models in 2024 and beyond.

Looking ahead, we'll continue to invest in connectivity solutions while also focusing on new ownership and usage-based business models. We'll also continue to lead the market forward by expanding our existing vehicle-financing and insurance business lines with the addition of the software and connectivity-based solutions that we develop.

FOR A MORE LIVABLE TOMORROW...

Our approach to sustainability management centers on minimizing our environmental impact through responsible production, increasing our positive social impact, and creating long-term value while also prioritizing stakeholder engagement as we do so.

Our constant efforts to improve our environmental, social, and corporate governance performance are attested to by the regular inclusion of Tofaş's shares in the BIST Sustainability Index. In keeping with the Carbon Transformation Program that Koç Holding initiated to combat the climate crisis through specific, actionable target identification and fulfillment, we have joined the international Science Based Targets Initiative, whose aim is to counter the adverse effects of the climate crisis. Tofaş has set a company-wide target of reducing its total Scope 1 and Scope 2 carbon emissions by 50% by 2030 through projects aimed at improving energy efficiency and generating and using solar power, with the ultimate goal of becoming net zero by 2050.

Tofaş consistently ranks among the top three automotive plants in the Stellantis Group on the basis of safety, quality, efficiency and similar performance indicators. We regard having a workplace environment which is safe and healthy and which promotes learning and progression for all employees as among our core responsibilities.

Similarly, we promote social wellbeing by prioritizing sports and education projects designed to support the healthy growth and development of young people. Through our “Basketball City” Bursa-based Tofaş Sports Club, we give young people everywhere in the country an equal opportunity to take part in sports and to benefit from the resources and means that we provide for them to do so. Through our “Next-Generation Tofaş” project, we have been using basketball as a way to make a difference in the lives of hundreds of kids in Bursa over the last eight years and continue to do so. Through our “Neighborhood Courts” project, we're providing resources for everyone to play basketball at 46 locations in Bursa. As evidenced by the record-breaking number of visitors in its 20th year of operation, public interest in the Tofaş Museum of Cars and Anatolian Carriages that we established in Bursa as part of our efforts to protect our country's cultural heritage motivates us to do even more while also increasing our responsibility to do so.

MOVING EVEN MORE CONFIDENTLY INTO THE FUTURE...

Drawing on its experience and expertise, Tofaş will continue to maintain a strong position in the face of the operational volatilities and uncertainties that lie ahead while also ensuring that the company remains the transformative leader of the ongoing evolution of Türkiye's automotive industry.

In closing, I take this opportunity to extend my sincerest thanks to our shareholders, employees, suppliers, dealers, and customers as well as all our other stakeholders for their confidence in our company and for their support and contributions to its success.

Very truly yours,



Cengiz Eroldu
Managing Director & CEO

SENIOR MANAGEMENT



CENGİZ EROLDU
Board Member & CEO



FABRIZIO RENZI
Financial Director (CFO)



ZEKİ ERDAL ŞİMŞEK
Factory Director



GIUSEPPE MASCIOTTO
R&D Director



ALTAN AYTAÇ
Fiat Business Unit Director



ÖMER ÖZGÜR ÇETİNOĞLU
Information and
Communication Technologies
Director



HASAN ERDOĞAN
Mobility Solutions Director



MAHMUT KARACAN
Sales Director



DOĞU ÖZDEN
Financial Planning and
Control Director

See page 108 for the CVs.



YÜKSEL ÖZTÜRK
Purchasing Director*



SABRİ ERKAN POLAT
Vehicle Engineering Director



ORÇUN SARICA
Human Resources and
Industrial Relations Director



ÖZGÜR SÜSLÜ
Alfa Romeo and Jeep® Brand
Director
Fiat Marketing Director



HÜSEYİN ŞAHİN
After Sales and Spare Parts
Director



RECEP TEMİZEZEN
Production Director



ONUR YALÇIN
Supply Chain Director



ARZU YAZGAN
Corporate Communications
Director



İSMET KAĞAN YILDIRIM
External Relations Director



SİNAN YILDIRIM
Quality Director

* Supply Chain Director Onur Yalçın will leave his position as of 1 March 2024, and Yüksel Öztürk will be appointed to replace him. As of the same date, Ersan Ferruh Arar will begin to serve as Purchasing Director.

TOFAŞ 2023 HIGHLIGHTS

JANUARY

SCIENCE-BASED TARGETS INITIATIVE JOINED

Tofaş applies for membership and joins the Science-Based Targets Initiative (SBTI), an international platform whose aim is to counter the adverse effects of the climate crisis.

FEBRUARY

KAHRAMANMARAŞ EARTHQUAKES RESPONSE



- Ten Fiat Doblò vehicles were donated to AFAD to support that agency's relief efforts in the region.
- Tofaş Sports Club began providing free training to children attending the Tofaş Basketball Schools in the Umut Kent container cities that Koç Holding and Koç Group companies erected in earthquake-stricken areas. The club's basketball team also donated all the gate proceeds from its first game after the earthquakes to support relief efforts.



Severe earthquakes strike Kahramanmaraş's Pazarcık township on 6 February 2023, causing massive losses of life and property across ten of Türkiye's provinces. Tofaş responds immediately and contributes to vital relief efforts to help bind the region's wounds.

- Tofaş deployed a 17-strong search & rescue and medical team to coordinate with AFAD in support of rescue efforts in earthquake-devastated areas. Tofaş also provided logistical support for a 60-strong S&R team from Italy upon their arrival in Türkiye.
- Material aid donated by Tofaş and its employees was likewise dispatched by the company and delivered to earthquake victims.
- Local Tofaş dealerships that escaped damage from the earthquake made their own premises available for the provision of shelter and food to people who were affected. Tofaş coordinated with its local dealerships and after-sales teams to ensure that its customers in the region had access to urgent vehicle repair & maintenance services. Initially in Kahramanmaraş and then elsewhere, container dwellings were set up on dealership-owned properties to serve as accommodations for vehicle-service personnel.

- Tofaş Sports Club basketball schools based in the Umut Kent container cities that Koç Group companies set up in devastated areas in Adiyaman, Hatay, and Malatya in coordination with AFAD provided basketball training to children affected by the earthquakes.

MARCH

TOFAŞ AND STELLANTIS SIGN FRAMEWORK AGREEMENT

Tofaş and Stellantis sign a framework agreement that calls for combining Stellantis-owned Citroën, DS Automobiles, Opel, and Peugeot brands' commercial activities in Türkiye under a single roof.

TOFAŞ CEO CENGİZ EROLDU SECURES SECOND TERM AS HEAD OF OSD, TAKES ON AS VP AT YASED

Tofaş CEO Cengiz Eroldu is reelected Automotive Manufacturers Association (OSD) president, a position he assumed in 2022. He also becomes vice president of the International Investors Association (YASED).

ALL-ELECTRIC FIAT 500E DEBUTS IN TÜRKİYE



The “La Prima by Bocelli” version of the Fiat 500e, the new, all-electric Fiat 500, goes on sale in Türkiye.

RESTYLED & UPGRADED ALFA ROMEO GIULIA & STELVIO DEBUT IN TÜRKİYE



Newly-enhanced versions of Fiat’s Alfa Romeo Giulia and Stelvio models go on sale in Türkiye.

REPLICA OF ATATÜRK’S FIAT ZERO GIFTED TO RMK MUSEUM



Tofaş has a car identical to the Fiat 12/15 HP (also known as the “Fiat Zero”) brought from Turin, Italy and donates it to the Rahmi M. Koç Museum. The vehicle is the same as the one assigned to Anafarta Group Commander Mustafa Kemal by the Ottoman War Ministry in 1915.

APRIL

CENTENARY-EDITION LOGO ON TOFAŞ-MANUFACTURED VEHICLES



To mark the 100th anniversary of the Republic of Türkiye, Tofaş adds a special “Cumhuriyet 100 Yaşında” (“The Republic Is 100 Years Old”) logo to all new domestically-produced models rolling off the assembly line.

TOFAŞ U18 CELEBRATES 2ND PLACE IN FIRST-EVER BCL EVENT



The first-ever FIBA Youth Basketball Champions League was hosted in Bursa by Tofaş.

ECOFRIENDLIEST ALFA ROMEO IN TÜRKİYE



A Plug-in Hybrid Q4 version of Alfa Romeo’s Tonale compact SUV goes on sale in Türkiye.

TOFAŞ 2023 HIGHLIGHTS

JEEP INTRODUCES RENEGADE AND COMPASS E-HYBRID OPTIONS IN TÜRKİYE



In line with its goal of selling only EVs by 2030, Jeep introduces new e-Hybrid options for its Renegade and Compass models in Türkiye.

MAY

NEXT-GENERATION MASERATI GRANTURISMO DEBUTS IN TÜRKİYE



A next-generation version of the Maserati GranTurismo featuring a completely redesigned look, exhilarating performance, and cutting-edge technology goes on sale in Türkiye.

TOFAŞ BIDS FAREWELL TO THE DOBLÒ



After a historic and remarkable 23-year production run, the last Fiat Doblò rolls off the company's assembly line in Bursa.

JUNE

NEXT-GENERATION FIAT DOBLÒ GOES ON SALE



The fifth-generation Fiat Doblò makes its debut in Türkiye.

TOFAŞ DEALERSHIP MEETING

Fiat, Alfa Romeo, and Jeep dealership and service network representatives gather in Cyprus for the 2023 Tofaş Dealerships Meeting.

JULY

500 THOUSAND FIAT EGEAS ON TÜRKİYE'S ROADS

Turkish-market sales of the Fiat Egea developed and manufactured by Tofaş cross the half-million threshold.

LIFE HAS STARTED IN "HOPE CITY" IN THE EARTHQUAKE ZONE



Families affected by the devastating earthquakes in Adiyaman, Hatay, and Malatya begin moving into the Hope City container cities built by Koç Group companies in collaboration with AFAD. Providing temporary shelter for 20,000 individuals, these towns are the product of a concerted effort nourished by the material resources of Koç Group companies and by the dedication, expertise, and know-how of 115,000 group employees, including volunteers from Tofaş. Partnering with the Turkish Basketball Coaches Association (TÜBAD), Tofaş Sports Club begins providing basketball training at Tofaş Basketball Schools located in Hope City container cities to children impacted by the February earthquakes. The trainers were selected from among local coaches in affected areas.

PIONEERING SOLUTION REDEFINES AUTOMOBILE RENTAL NORMS



Fiat launched an automobile subscription service in partnership with Sixt. The first of its kind to be offered by an automotive manufacturer in Türkiye, the Tofaş Car Subscription System gives customers the same convenience and flexibility of a subscription-based business model available in other sectors.

TOFAŞ'S 7 MILLIONTH VEHICLE



Tofaş passes yet another landmark in its automotive-industry journey when the 7 millionth vehicle rolls off its assembly line.

ALFA ROMEO QUADRIFOGLIO 100TH ANNIVERSARY SPECIAL SERIES

The Alfa Romeo Design Center unveils Giulia and Stelvio models for inclusion in the Quadrifoglio 100th Anniversary Special Series celebrating the 100th birthday of the iconic Quadrifoglio (Four-Leaf Clover) logo.

STELLANTIS TÜRKİYE / TOFAŞ SHARE ACQUISITION PROJECT CONTINUES TO MOVE FORWARD



On 1 March 2023, the Stellantis Group and Tofaş signed a framework agreement setting out the basic principles governing the acquisition of shares in Stellantis Otomotiv Pazarlama A.Ş. With the completion of an exhaustive examination of the details involved in this project to bring all of Stellantis-owned brands' commercial activities in Türkiye under a single roof, the two firms take the next step by signing a share acquisition agreement.

SEPTEMBER

NEW LIMITED-EDITION FIAT EGEEA



Closely monitoring the needs and expectations of customers as it continues to develop its popular Fiat Egea model, Tofaş introduces a new "Limited" version that will be available for sale in Sedan and Cross body types.

TOFAŞ 2023 HIGHLIGHTS

FIAT FIORINO CELEBRATES TÜRKİYE'S CENTENNIAL WITH LIMITED EDITION



Tofaş commemorates the centenary of the Turkish Republic (1923) with a limited-edition “Hundredth Anniversary Special Series” of the Fiat Fiorino. Featuring a color scheme inspired by the Turkish flag and the “Republic Is 100 Years Old” logo on both the interior and exterior, only 1,923 units of this special Fiorino will be produced.

JUBILANT FIRST-CENTENNIAL SPIRIT ON TOFAŞ DAY



Tofaş employees and their families gather at the factory for Tofaş Day in celebration of the 100th anniversary of the Turkish Republic. Attended by about 15 thousand people, the day gives company personnel and their loved ones a chance to tour the factory and enjoy various fun activities.

FOUR DECADES OF REPUBLIC CELEBRATIONS IN BURSA



The Tofaş Bursa Museum of Cars and Anatolian Carriages hosts an exhibition of photographs documenting annual public celebrations of Republic Day in the city of Bursa between 1930 and 1970.

OCTOBER

INNOVATIVE PAY-AS-YOU-GO-AFTER-SALES SERVICES MODEL

Fiat launches its “Smart Service” system based on a “Pay-as-you-go” business model. This system, the first of its kind in the Turkish automotive industry, allows Egea owners to receive comprehensive authorized service for two years with fixed-price monthly payments based on actual mileage.

ALL-ELECTRIC JEEP AVENGER ARRIVES IN TÜRKİYE



Crowned “Car of the year in Europe” Jeep’s first all-electric vehicle the Jeep Avenger goes on sale in Türkiye.

TOFAŞ'S FIRST INTEGRATED REPORT

Tofaş publishes its first integrated report, presenting a sustainability-focused comprehensive review of its environmental, social, and financial operations and performance in 2022.

TOFAŞ BASKETBALL TEAM DONS FIRST-CENTENARY UNIFORMS



Tofaş Basketball Team players appear on court kitted out in new uniforms specially designed to mark the 100th anniversary of the Republic of Türkiye.

NOVEMBER

TOFAŞ DEALERSHIP MEETING



Fiat, Alfa Romeo, and Jeep dealers and authorized service providers from all over Türkiye convene for the year's dealership meeting in Istanbul.

FIAT 500X GETS ECOFRIENDLY MAKEOVER WITH HYBRID ENGINE OPTION

A revamped Fiat 500X compact SUV arrives in Türkiye with ecofriendlier options and enhanced comfort for drivers and passengers. Offered in a variety of versions, the updated model promises a more sustainable and enjoyable driving experience.

DECEMBER

FIAT E-DOBLÒ AND E-SCUDO IN TÜRKİYE



Two new and all-electric E-Doblò and E-Scudo models go on sale in Türkiye.

AWARDS & RECOGNITIONS

BTSO EXPORT AWARD



At a Bursa Chamber of Commerce & Industry ceremony held to honor chamber members who create the most added value for the Turkish economy, Tofaş received an award in the “Exports” category.

TÜRKİYE’S EXPORT CHAMPIONS



At a Turkish Exporters Assembly ceremony honoring Türkiye’s export champions, Tofaş ranked ninth among the country’s top 1,000 exporters based on their 2022 performance.

ULUDAĞ EXPORTERS’ ASSOCIATION PLATINUM AWARD



At the 2023 Export Champions Award Ceremony held to honor association members based on their export performance in 2022, Tofaş received a “Platinum Exporter” award from the Uludağ Automotive Industry Exporters’ Association.

TOFAŞ #1 IN BURSA

In the 26th edition of the survey of Bursa’s 250 biggest firms that the Bursa Chamber of Commerce & Industry conducts to determine the state of the city’s economy, Tofaş ranked first based on its net sales revenues.

SUSTAINABILITY AWARD



In the year’s round of Platin Global 100 awards handed out based on the results of a survey conducted by Platin, a monthly business magazine, and PSOS, a global market research and consulting firm, Tofaş received a Sustainability award in the Automotive Industry category.

TOFAŞ BECAME ONE OF THE COMPANIES THAT RECEIVED THE MOST PATENTS

According to the findings of Turkishtime's 2022 R&D 250 survey of Turkish firms' R&D outlays and performance, Tofaş invested more in R&D than any other company in Türkiye last year. Tofaş also ranked among the country's patent champions with 75 patent awards of its own.

OSD ACHIEVEMENT AWARD



In the "Technology" category of the 2022 iteration of Achievement Awards handed out by the Automotive Manufacturers Association (OSD), Tofaş's 71 registered patents ranked its second among firms with the most patents awarded in their name.

TİSK "SHARED TOMORROWS" AWARD



"Pusula", Tofaş's innovative digital competency and next-generation career management system that realigns talent development and career management processes, earned the company an award in the "The future of our business" category of the "Shared Tomorrows" series of awards given out by the Turkish Confederation of Employer Associations (TİSK).

3 MESS "WORK SAFETY STARS" AWARDS



In the series of "Work Safety Stars" awards handed out by Turkish Employers' Association of Metal Industries (MESS), Tofaş earned an award in the "Digital OHS" category for its "Maintenance Digital Assistant" project and in the "OHS Ambassadors" category for its "Cutting Equipment Maintenance Safety" project. Tofaş also received a special award acknowledging the contributions that its innovative work-safety systems and practices have made to the Work Safety Stars program since the program's inception.

FELIS & CRYSTAL APPLE AWARDS FOR 500e LAUNCH CAMPAIGN



The launch campaign of 500e, Fiat's first 100% electric automobile, earned Tofaş a MediaCat Felis award in the "Integrated (Automotive) Category" as well as a Crystal Apple from the Advertising Association.

INVESTOR RELATIONS



With their average trading value up by 164% in 2023, Tofaş’s shares significantly outperformed the 113% rise in the BIST 100 index last year.

SHAREHOLDING STRUCTURE

24.3% (by value) of Tofaş shares are traded on the Borsa İstanbul stock exchange, with Koç Holding and Stellantis controlling equal stakes in the remainder. Publicly-traded Tofaş shares are included in both the BIST 30 and the BIST 100 indexes as well as in the BIST Corporate Governance and the BIST Sustainability indexes. Tofaş submits responses to Carbon Disclosure Project climate-change and water-security questionnaires.

IPO:	1 July 1991
Ticker symbol:	TOASO
Paid-in capital:	TL 500,000,000
Registered capital ceiling:	TL 1,000,000,000

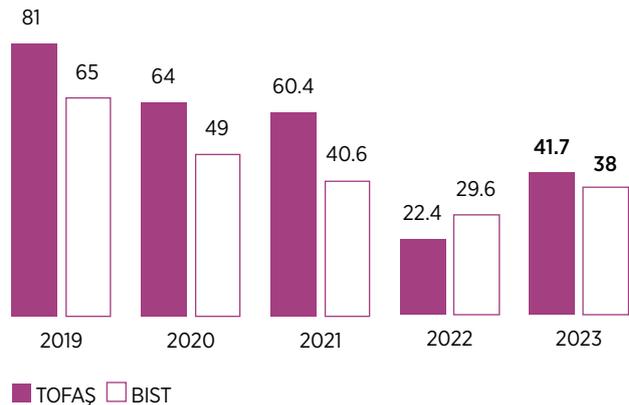
2023 trading highlights

Closing:	TL 210.0
Market capitalization:	USD 3.56 billion
Intraday high:	TL 309.6
Intraday low:	TL 133.28
% held by international investors:	41.7%
Average trading volume:	USD 24.5 million

DEVELOPMENTS IN INTERNATIONAL INVESTORS' OWNERSHIP OF PUBLICLY-TRADED TOFAŞ SHARES

As of end-2023, 41.7% of Tofaş’s shares were held by foreign shareholders while the average foreign-investor share of BIST-traded companies was 38% as of the same date.

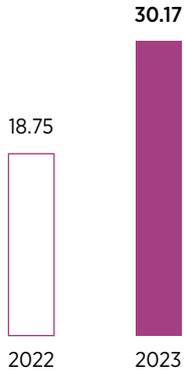
PERCENTAGE OF PUBLICLY-TRADED TOFAŞ SHARES HELD BY INTERNATIONAL INVESTORS (%)



SHARE PERFORMANCE

With their average trading value up by 164% in 2023, Tofaş's shares significantly outperformed the 113% rise in Borsa İstanbul's BIST 100 index last year. On the basis of their twelve-month performance however, Tofaş shares gained 31% in value in 2023 while the BIST 100 index was up by 35.6%.

EARNINGS PER SHARE (TL)



TOFAŞ, BIST 100 AND INDUSTRIAL INDEX DAILY MOVEMENT ACCORDING TO CLOSING VALUES, 31.12.2020=100



WHY TOFAŞ?

STRONG DOMESTIC MARKET POSITION

- Fiat Türkiye's automotive market leader for five years in a row
- Extensive Turkish-market presence with extensive five-brand portfolio of vehicles & products capable satisfying customer expectations in every segment

VALUE-ADDING PRODUCTION

- One of the biggest R&D centers in the Stellantis ecosystem
- One of the most efficient, and most flexible production centers in the entire Stellantis ecosystem

GUARANTEED EXPORT CONTRACTS

- Euro-based costs
- High export earnings
- Take or pay guarantees

SOLID FINANCIAL POSITION

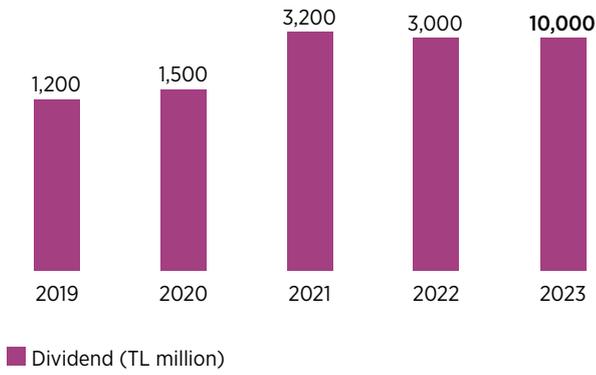
- Increased profitability supported by pricing & cost discipline
- Robust balance sheet supported by free cashflow

OUTSTANDING PROFITABILITY SHARED WITH INVESTORS

- Historically high dividend payout

INVESTOR RELATIONS

DIVIDEND PAYMENT PERFORMANCE



In 2023 Tofaş paid out a lump-sum gross dividend of TL 3,000 million on its 2022-year profits. The aggregate value of Tofaş-paid dividends between 2018 and 2023 amounts to TL 9.8 billion. The Tofaş Board of Directors has proposed paying out a total dividend of TL 10 billion on its 2023-year profits. This corresponds to a rate of return of 66.3% per share.

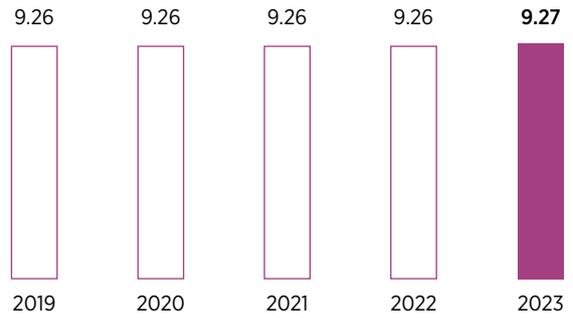
CORPORATE GOVERNANCE AT TOFAŞ

The implementation of corporate governance principles as a dynamic process made necessary by developments in capital markets is a matter of decisive and increasing importance for Tofaş. Having committed itself to compliance with the Capital Markets Board’s published corporate governance principles and adopted corporate governance as an inhouse corporate culture, Tofaş conducts its operations making such improvements and changes as emergent conditions may require. Tofaş takes a sustainable approach in the conduct of its corporate governance practices in keeping with the principles of transparency, accountability, fairness, and responsibility as spelled out in the Capital Markets Board’s Corporate Governance Communique.

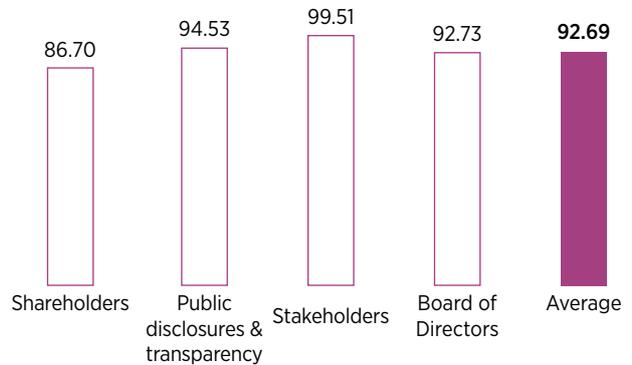
Tofaş has its compliance with corporate governance principles independently audited in a process in which its practices are individually rated under the headings of “Shareholders”, “Public disclosure and transparency”, “Stakeholders”, and “Board of Directors”.

Saha Kurumsal Yönetim ve Kredi Derecelendirme Hizmetleri A.Ş., a corporate governance and credit rating services provider, periodically reviews and updates Tofaş’s corporate governance rating. According to a Saha-issued 26 October 2023 corporate governance report, Tofaş had been assigned a corporate governance rating of 9.26 based on a review of the company’s performance as of that date.

CORPORATE GOVERNANCE RATING



BREAKDOWN OF CORPORATE GOVERNANCE RATING (%)



2023 CORPORATE GOVERNANCE RATING



RELATIONS WITH CORPORATE INSTITUTIONAL INVESTORS

The Tofaş Institutional Investor Relations Department held a total of four analyst meetings in 2023. These webcast meetings were attended by members of senior management and consisted of a presentation of all the year's quarterly results announced as of that date.

In addition to these four analyst meetings, a total of 169 other meetings with 68 institutional investors and 101 financial analysts in the form of company visits, teleconferences, and investor conferences in Türkiye and abroad took place during 2023. Tofaş representatives took part in two video conferences and personally attended three investor conferences in other countries, in the course of which they met with representatives of 39 mutual funds.

Tofaş's official investor relations webpages in Turkish and English are located at the addresses given below. These pages provide access to current information about analysts' presentations concerning the interpretation of the company's quarterly financial results, financial reports, a calendar of investor relations activities, and other matters that may be of importance to investors.

Institutional Investor Relations Department:

Mehmet A. Ağyüz, CFA

Investor Relations Manager

Telephone: +90 212 275 3390 Extension: 2751

Email: mehmet.agyuz@tofas.com.tr



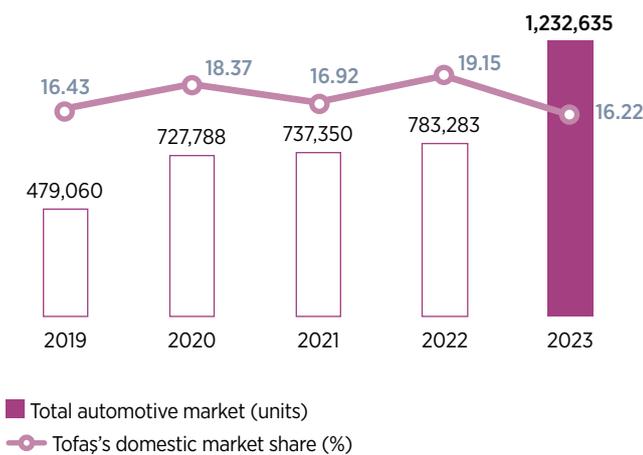
INVESTOR RELATIONS
WEB PAGE

THE TÜRKİYE AUTOMOTIVE INDUSTRY AND TOFAŞ



Retail sales of cars and light commercial vehicles in Türkiye were up by 57.4% in 2023 as compared with 2022 and numbered 1,232,635 units sold.

TOFAŞ'S DOMESTIC MARKET POSITION



DOMESTIC RETAIL SALES

Retail sales of cars and light commercial vehicles in Türkiye were up by 57.4% in 2023 as compared with 2022 and numbered 1,232,635 units sold.

The principal factors nourishing demand for vehicles last year were (1) resolution of pent-up demand which had resulted from reduced vehicle availability attributable to shrinking markets and to supply-chain disruptions in 2018-2019 and (2) consumers' desire to protect the purchasing power of TL assets whose value was being eroded by high inflation.

Pent-up demand, high inflation, and a weakening Turkish lira fueled robust vehicle sales, which were also driven by consumers seeking to preserve their purchasing power. Despite tightened CBRT monetary policy pushing interest rates higher in the final quarter, demand remained strong and surged 43% year-on-year.

With combined sales of 199,899 units, Tofaş's Fiat, Fiat Professional, Jeep®, Alfa Romeo, Maserati, and Ferrari brands together accounted for a 16.2% share of the overall market in 2023 and corresponded to a year-on rise of 33.2%.

In 2023, the Fiat brand was once again the market leader as measured by total passenger and light commercial vehicle sales.

PASSENGER VEHICLES

Total car sales in Türkiye were up by 63.2% year-on and numbered 967,341 vehicles sold.

In 2023 Tofaş sold a total of 131,625 cars, and got a 13.6% share of the Turkish retail market for passenger vehicles.

With a total of 193,622 units sold giving it a 15.7% share of the overall 2023 market, the Fiat brand handily defended its leadership of the car & LCV segments.

A total of 124,140 vehicles across all Fiat Egea models were sold in 2023. Sales of 80,850 units made the Fiat Egea Sedan Türkiye's best-selling car for the eighth year in a row. Successful performance by the Fiat Egea Cross, a crossover model that went on sale early in 2021, contributed to the Fiat brand's overall market share as likewise did sales of Fiat Egea hatchbacks and cross wagons.

LIGHT COMMERCIAL VEHICLES

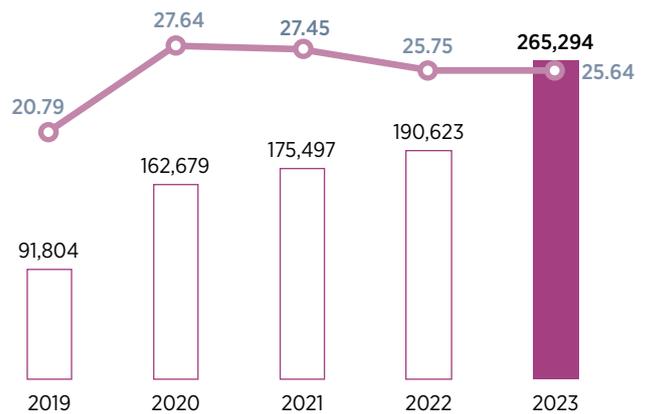
Sales in the overall LCV market increased by 39.2% in 2023 and amounted to 265,294 units sold. Tofaş's Fiat and Fiat Professional brands yet again defended their strong position with a combined 25.7% share of that market.

TOFAŞ'S DOMESTIC PASSENGER VEHICLES MARKET POSITION



■ Passenger vehicles market (units)
 ○ Tofaş's domestic passenger vehicles market share (%)

TOFAŞ'S DOMESTIC LIGHT MARKET VEHICLES MARKET POSITION

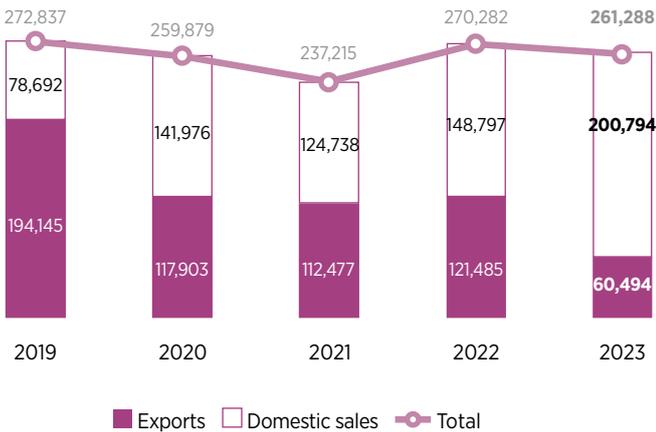


■ Light commercial vehicles market (units)
 ○ Tofaş's domestic light commercial vehicles market share (%)

FINANCIAL RESULTS



TOTAL SALES (THOUSAND UNITS)



PRODUCTION

The 239,428 vehicles that Tofaş produced in 2023 corresponded to 16.3% of the Turkish automotive industry's total output.

SALES

Total retail sales of cars and LCVs in Türkiye were up by 57.4% in 2023 and numbered 1,232,635 units sold. Car sales (967,341) increased by 57.4% as compared with 2022 while LCV sales (265,294) grew a somewhat more robust 39.2%. Tofaş's combined sales to the retail market were up by 34.3% and amounted to 199,899 units as of year-end Owing mainly to the winding-up of the Fiat Doblò contract with the transfer of the vehicle's manufacturing operations to Spain, Tofaş's exports were down by 50.2% in 2023 and amounted to 60,494 units shipped abroad. This performance corresponds to a 5.9% share of the country's automotive exports on the measure of numbers of units sold.

PRODUCTION (UNITS)

	2019	2020	2021	2022	2023
Egea	146,103	151,736	116,679	134,844	171,072
Doblò	76,529	68,798	77,520	85,021	9,885
MCV	41,565	30,096	34,345	43,882	58,471
Total	264,197	250,630	228,544	263,747	239,428

The 239,428 vehicles that Tofaş produced in 2023 corresponded to 16.3% of the Turkish automotive industry's total output.

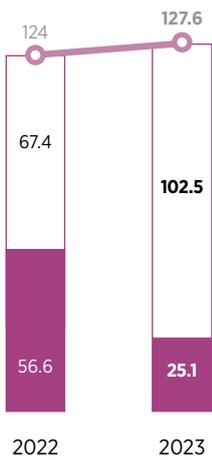
SALES (UNITS)	Domestic Sales			Export Sales			TOTAL		
	2022	2023	CHANGE %	2022	2023	CHANGE %	2022	2023	CHANGE %
Automobiles	100,722	132,774	31.8	39,109	42,696	9.2	139,831	175,471	25.5
Light Commercial Vehicles	48,064	68,019	41.5	82,376	17,798	-78.4	130,440	85,817	-34.2
Total	148,786	200,793	34.95	121,485	60,494	-50.2	270,271	261,288	-3.3

SALES (UNITS)	2022	2023	CHANGE (UNITS)
Domestic Sales	148,786	200,794	52,007
Manufactured	142,338	176,939	34,601
Egea	97,078	125,054	27,064
Doblò	24,321	9,643	-14,678
Fiorino	21,361	42,242	20,881
Imported	6,448	23,855	17,406
Ducato	2,383	7,411	5,028
Fiat 500	165	1,244	1,079
Jeep®	2,346	3,757	1,411
Ulysse	2	1,053	1,051
Scudo	232	1,865	1,633
New Doblò	-	5,805	5,795
Alfa Romeo	880	2,016	1,136
Panda	84	114	30
Maserati	312	553	240
Ferrari	44	37	-7
Exports	121,485	60,494	-60,991
Tipo	7,890	25,242	-17,352
Tipo HB and SW	30,452	17,454	-12,998
Doblò	32,806	245	-32,561
Ram Doblò	27,755	1,528	-26,227
Fiorino	22,574	16,010	-6,564
Others	8	13	5
Total	270,271	261,288	-8,984

FINANCIAL RESULTS



SALES (TL MILLION)



■ Exports □ Domestic sales ● Total

Tofaş's total sales were up by 3% in 2023 and amounted to TL 127,601 million in value.

Vehicle demand was fueled by pent-up consumer interest stemming from the market contraction of 2018-2019. Supply chain disruptions during the pandemic further limited vehicle availability. This accretion, coupled with the ongoing expansion of e-commerce, drove sales. High inflation, coupled with the Central Bank's low-interest rate policy, spurred consumers to invest in tangible assets like housing and vehicles to protect their assets. This dynamic also bolstered domestic demand for light vehicles. The result of these dynamics is that Tofaş's domestic retail sales grew by 33% to around 200 thousand units sold. Though light commercial vehicle exports contracted sharply by 78.4% in 2023 due to the end of Doblò production operations at Tofaş, automobile exports saw a 9.2% increase compared to the previous year and helped reduce the overall decrease in exports to 50.2%. Increased automobile exports were driven primarily by robust penetration of Middle Eastern and North African markets.

SALES (TL THOUSAND)

	2022	2023	CHANGE %
Export Sales	56,580,671	25,124,652	-55.6
Domestic Sales	64,404,976	97,507,870	51.4
Other Income from Operational Activities	3,033,409	4,968,478	63.8

EXPORTS

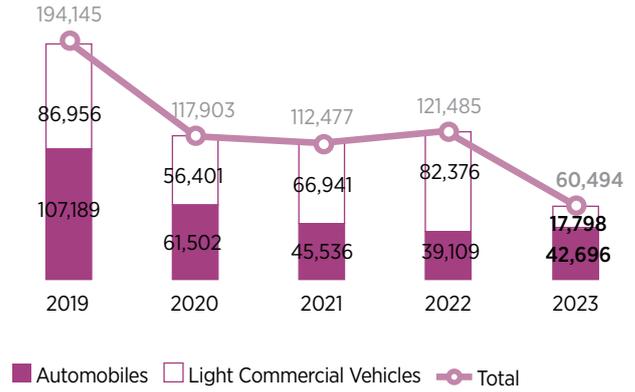
The easing of supply chain disruptions led to a 13.7% rebound in the 2023 European automobile market (EU, UK, and EFTA) compared to the previous year.

Among our key markets, Germany (+7.3%), France (+16.1%), Spain (+16.7%), and Italy (+18.9%) all reported positive sales growth.

The winding-up of the Doblò contract resulted in an overall 50.2% year-on-year decline in Tofaş's 2023 exports. The 60,494 units that the company shipped abroad last year however still gave it a 5.8% share of Türkiye's total export trade.

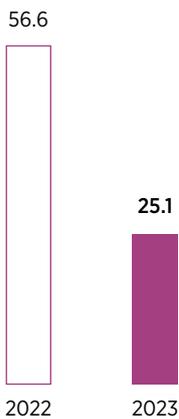
While automobile exports were up by 9% year-on in 2023, LCV exports were down by 78% year-on. The growth in automobile exports was mainly the result of strong penetration in Middle Eastern and African markets, while the decline in commercial vehicle exports was due to the termination of the Doblò contract.

EXPORTS (UNITS)

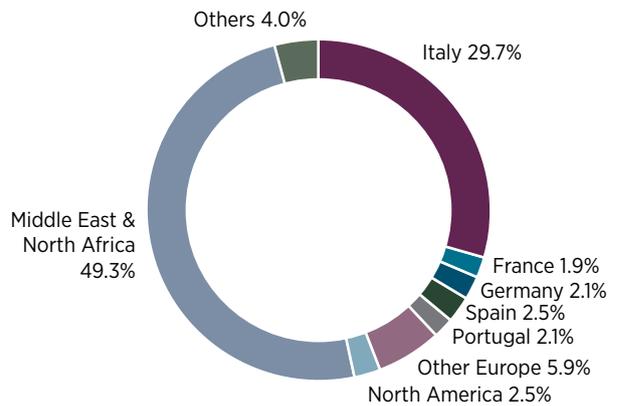


Tofaş's 2023 export receipts were down by 55.6% year-on-year and weighed in at TL 25,125 million.

ANNUAL EXPORT INCOME (TL MILLION)



DESTINATION OF EXPORTS (BASED ON UNITS SOLD)



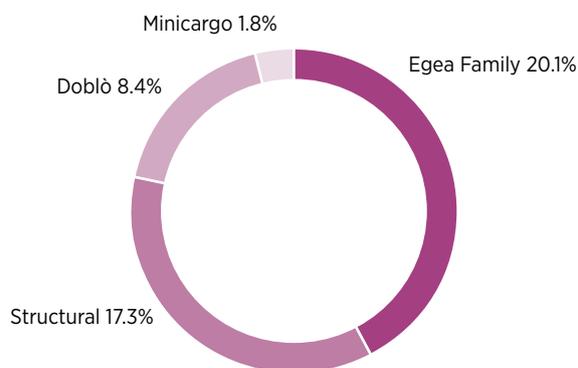
FINANCIAL RESULTS



INVESTMENTS & R&D EXPENDITURES

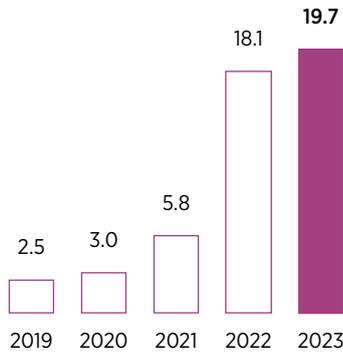
Tofaş's total investments amounted to EUR 48.6 million in value during 2023, much of it on Egea-related projects.

BREAKDOWN OF INVESTMENTS (%)



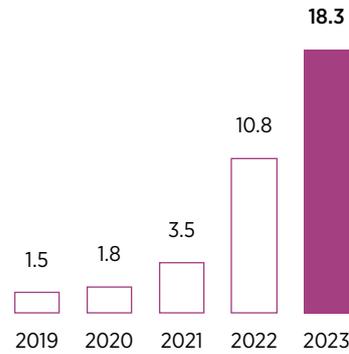
2023 INVESTMENTS	EUR (MILLION)
Egea Family	20.1
Structural	17.3
KO	8.4
Minicargo	1.8
Total	48.6

	2019	2020	2021	2022	2023
Investment outlays (EUR million)	106.6	108.3	100	46.1	48.6

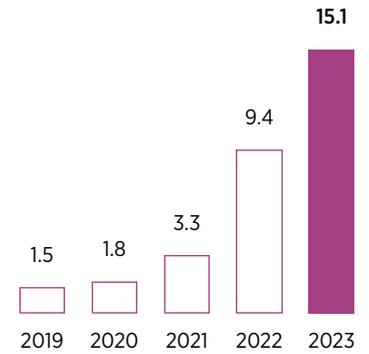
EBITDA (TL BILLION)

Tofaş's earnings before interest, taxes, depreciation, and amortization weighed in at TL 19,666,722 million in 2023. The factors contributing to this 8.6% year-on growth in EBITDA were:

- Strong domestic market performance
- Disciplined cost control
- Production flexibility

PRETAX PROFIT (TL THOUSAND)

Nourished by growth in operating profit, by a strong cash position, and by improvements in net financing costs, Tofaş's pre-tax profit increased by 70.0% to TL 18,327 million.

NET PROFIT (TL BILLION)

Net profit was up by 60.9% and amounted to TL 15,083 million.

YEARS	EBITDA		PROFIT BEFORE TAX		NET PROFIT	
	TL thousand	Change %	TL thousand	Change %	TL thousand	Change %
2022	18,115,118		10,778,351		9,374,039	
2023	19,666,722	8.6%	18,326,525	70.0%	15,083,439	60.9%

2024 OUTLOOK

	2023 Realization	2024
Total automotive market (units)	1,232,635	800,000-1,000,000
Retail sales (units)	199,899	160,000-180,000
Export sales (units)	60,492	60,000-70,000
Production (units)	239,428	180,000-210,000
Investment outlays (fixed asset) (EUR million)	48.6	200
Sustainable net profit before tax (EBIT) margin	>14.4%	>10%

BRANDS & PRODUCTS

FIAT

Egea



The Fiat Egea Sedan first appeared on roads in Türkiye and around the world in 2015. Collaboratively engineered by Tofaş R&D Center and Stellantis with Tofaş directly involved in every aspect from concept design to product development and marketing, the Fiat Egea commands a place of special importance not just for Tofaş but for the Turkish automotive industry as a whole.

The Fiat Egea is offered in a wide range of body types: Sedan, Cross, Hatchback and Cross Wagon. Featuring best-in-class handling characteristics and equipped with connectivity technologies not found in its class at all, the Fiat Egea successfully fulfills its “A good car should also be affordable” mission. Manufactured at the Bursa plant and also known as the Fiat Tipo in export markets, the Fiat Egea won the 2016 AutoBest award (European Car of the Year). In 2021, Egeas with facelifted body options and the Egea Cross went on sale. The same year, the Egea Cross was voted Türkiye’s “Car Of The Year” by the Automotive Journalists Association. The product lineup was expanded in 2022 with the addition of the Egea Cross Wagon and the introduction of automatic transmission options in both diesel and hybrid versions across all body types. The Egea Hybrid is powered by a next-generation 1.5-liter 4-cylinder turbocharged FireFly petrol engine producing 130 HP and 240 Nm of torque. It’s also equipped with a 15kW electric motor supported by a 48-volt battery. In 2023, a special “Limited” series was launched as top-of-the-line versions of the Egea Sedan and Egea Cross models.

The Fiat Egea continues its reign as Türkiye’s most popular car, a title it’s held for eight years since 2016.

500



Aby combining its sixty-six years of inherited DNA with new trends in design and timeless style, the Fiat 500 is a recognized icon of the automotive world. In 2023, HB DolceVita and Cabrio DolceVita versions of the Fiat 500 with a more economical and ecofriendly 1.0-liter Hybrid 70 HP MT engine option were put on sale in Türkiye.

500E



The Fiat 500 has been an iconic car since it first showed up on the world’s roads in 1957. Now, the all-new, fully electric Fiat 500 has arrived on the scene. The stylish and environmentally-conscious 500e is also fun to drive. It has a sleek, modern design and a zero-emissions powertrain that delivers peppy but quiet and vibration-free performance. It’s also packed with features that make it the perfect car for city driving. The Fiat 500e is the first city car in its class to offer Level 2 autonomous driving features. It also has a 42 kWh battery pack that provides a range of up to 320 km on the WLTP test cycle.

500X



Put on sale in Türkiye in 2015, the Fiat 500X is the 500 family’s crossover member. Fiat 500X’s quality, technology, active and passive safety features, and comfort options position it as one of the boldest offerings in the crossover segment. Targeting those seeking distinctive body features and performance, the 500X “Cross Plus” and “Soft Top” versions were launched in 2023. These models feature a 1.5-liter engine paired with an automatic transmission and delivering 130 HP and 240 Nm of torque.

Panda



On sale in Türkiye for two decades, the Fiat Panda is loved for its easy city driving, spacious interior, and practical features. City and Cross configurations of the Fiat Panda made their Turkish market debut in 2023. Under the hood across all trim levels is a fuel-sipping yet peppy 1.0-liter, 3-cylinder and 70 HP hybrid engine that delivers the perfect blend of efficiency and performance.

Doblò



With its durability, performance, and usability constantly being improved for over two decades, the Doblò is the front-runner of Türkiye's small commercial-vehicle class. 2023 saw the launch of the 5th generation Fiat Doblò, offering fresh design, advanced technology, and enhanced safety features. With a variety of body styles to choose from, Doblò continues to be a popular choice for Turkish businesses seeking a reliable light commercial vehicle. Production of Fiat Doblò at Tofaş has been terminated as of May 2023, and the new 5th generation Fiat Doblòs are produced on a common commercial vehicle platform at the Vigo factory in Spain.

Fiorino



The Fiorino is the outcome of a Tofaş Minicargo project that represents a milestone in the company's history. In continuous production at Tofaş since 2007, the Fiorino remains one of the most popular offerings available in Türkiye's light commercial vehicle market. Coming in 1.3 liter Multijet 95 HP diesel, 1.4 liter 77 HP petrol, and 1.4 liter petrol factory-exit LPG-convertible engine versions, the Fiorino is capable of addressing a wide range of driving needs. Production of the Fiorino is scheduled to end in June 2024 due to the new GSR-II-B homologation requirements governing vehicle safety and environmental standards that are to go into effect in both Europe and Türkiye. Its compact design suitable for city driving, onboard technology, and fuel economy make it the preferred choice of both businesses and ordinary drivers.

Ducato



With van, panel van, and minibus configurations as well as versions specifically designed for caravan enthusiasts, the Ducato easily adapts to meet the diverse needs of LCV customers. The Ducato distinguishes itself in the spacious-interior van segment for four decades with its front-wheel drive, high load capacity, and versatility. Offered with a 140-180 HP range of engine and 9-speed fully-automatic transmission options, the Ducato's high-performance technology and safety features set it apart in its class. The Ducato Co-Driver is equipped with Level 2 autonomous driving capabilities that include adaptive cruise control, autonomous emergency braking, and lane keep assist without the need for driver intervention.

BRANDS & PRODUCTS

Scudo



Introduced to the Turkish market in 2022, the Fiat Scudo Van is designed to meet the needs of modern commercial transportation. With its striking design and 5.3-meter length, the model features a 2+1 seating configuration and offers a spacious interior ideal for commercial applications. Equipped with a 2-liter 145 HP manual engine, the Scudo's 1.3-ton carrying capacity makes it an effective solution for transporting heavy loads, while its 6.1 m³ loading volume makes it suitable for tasks demanding ample cargo space.

Ulysse



Introduced in Türkiye in 2022, the Fiat Ulysse is a comfortable and spacious people carrier whose modern design, convenient features, and car-license classification make it an excellent option for large families, tourism and hospitality industry service providers, and businesses that need to transport personnel. Boasting superior safety and comfort features, the Ulysse offers versatile 8+1 seating and a roomy interior. Its 2-liter 180 HP diesel engine and automatic transmission deliver the power and ease needed for both city driving and long-distance travel.

ALFA ROMEO

Tonale



Signaling a momentous change in the Alfa Romeo brand, the Tonale combines sports-car DNA and cutting-edge technology and electrification. Awarded a five-star Euro NCAP safety rating, many Level-2 autonomous driving features that boost driving safety are standard on the Tonale. The Tonale is available in the Turkish market with two powerful engine options, both with automatic transmission: a new 1.5-liter hybrid turbo petrol engine producing 160 HP and 240 Nm of torque and a 1.6-liter diesel engine delivering 130 HP and 320 Nm of torque. In 2023 the Tonale lineup was expanded with the addition of a Plug-in Q4 hybrid version offering buyers a choice of three engine options and three well-equipped trim levels: Sprint, TI, and Veloce.

Stelvio



Alfa Romeo first entered the SUV segment in 2017 when it unveiled the Stelvio. After being given a makeover last year, the updated version of this sporty compact luxury SUV went on sale in Türkiye in March 2023.

The Stelvio takes the "Timeless Design" concept that Alfa Romeo introduced with the Tonale to new heights with the addition of cutting-edge mobility technologies. The refreshed Stelvio offers buyers a choice between special-edition Competizione and sporty Veloce trims. Both are powered by a muscular 2.0-liter four-cylinder engine boasting 280 HP, 400 Nm of torque, and an aluminum block for enhanced performance. All-wheel drive comes standard. The Stelvio boasts a 5-star Euro NCAP rating thanks to its advanced safety technology, innovative platform, and impressive 97% safety score.

Giulia



Present in the Turkish market since 2017, the Alfa Romeo Giulia was given a facelift and technology update in 2023. The refreshed Giulia is available in two distinctive versions: the Competizione launch special, featuring a 280 HP, 400 Nm torque 2.0-liter aluminum-block engine with all-wheel drive, and the excitingly sporty Veloce trim level.

JEEP®

Compass



Compass carries forward the 80-year heritage of the Jeep® brand with an array of product features, driving dynamics, and onboard technology that meet the needs of today's consumers. The Compass uniquely distinguishes itself in its class by supporting the characteristic design and driving dynamics of the Jeep® brand with advanced safety and connectivity features. In addition to the existing 4xe Plug-in Hybrid option, the Compass now includes an e-Hybrid powertrain that was introduced in April 2023. The newcomer thus gives the Compass two distinct engine choices within its class.

Wrangler



Wrangler, unquestionably one of the most important and iconic models in the history of the Jeep® brand, is equipped with a 2.0-liter 272 HP petrol engine combined with an 8-speed automatic transmission and provides superior 4x4 capabilities and comprehensive safety features. With its superior ground clearance and approach and departure angles, the Wrangler is considered to be the best in its class in terms of off-road capability.

Renegade



Designed in America and built in Italy, the Renegade is Jeep's entry in the compact SUV class. First introduced to the Turkish market in 2014, the Jeep Renegade received a significant update in 2023 that includes innovative technology and enhanced safety features and a new e-Hybrid engine option. Offering both no-charge and pure-electric driving modes, this engine option delivers both an enjoyable driving experience together with low emissions and low fuel consumption.

Avenger



Given its world premiere in 2022 as the brand's initial step towards having a fully-electric lineup by 2030, Jeep's first all-electric model the Avenger made its appearance in the Turkish market in November 2023. Awarded as the "European Car of the Year 2023", the Avenger wraps Jeep's iconic DNA in a compact package. With its Selec-Terrain system offering six driving modes (Eco, Normal, Sport, Snow, Mud, Sand), the Avenger tackles any terrain. It boasts clever storage solutions with 34 liters of space, ensuring practicality. Its seven-slot grille and two-stage headlights pay homage to the legendary Jeep Cherokee XJ, blending iconic design with modern functionality and technology.

LANCIA

In past years, the brand has made a strategic decision to exit markets outside Italy. Sales of Lancia vehicles were therefore suspended in Türkiye in 2015, though after-sales services will of course continue to be provided.

DEALERSHIP NETWORK

Nearly all Tofaş dealers are integrated facilities where new vehicle sales and after-sales services are offered to customers under one roof.



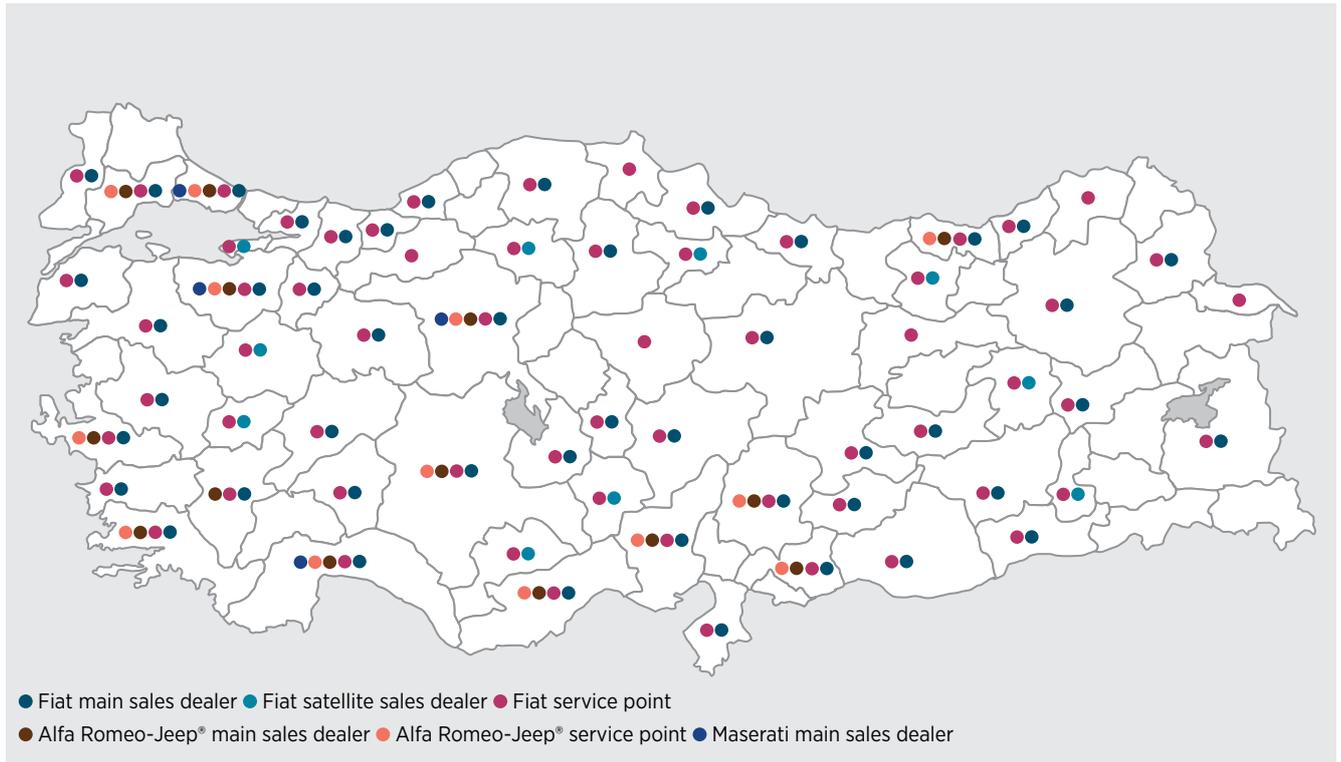
The dealership network for the brands which Tofaş represents sells new vehicles, second-hand vehicles, and spare parts and also provides maintenance & repair services. Tofaş aims to maintain continuously high levels of customer satisfaction through its advanced logistics and distribution competencies and its mature after-sales services capabilities as well as thanks to the long term, trust-based business relationships that it establishes with its dealers.

Koç Fiat Sigorta was established in 2022 to provide an excellent, problem-free customer experience by broadly taking care of mobility-related and other insurance needs in line both with customers' evolving expectations and with Tofaş's automotive-industry mobility priorities. Set up with the potential of becoming Türkiye's biggest automobile insurance

agency, Koç Fiat Sigorta offers customers a complete range of mobility-related insurance solutions. Leveraging Tofaş's extensive dealership network as well as other channels, the company provides ongoing support including convenient access to policy-related details through its Customer Contact Center and expediting claims processes. Koç Fiat Sigorta also aims to proactively shape the future of mobility insurance products, services, and processes.

Nearly all Tofaş dealers qualify as "integrated", which means that customers can find sales, services, and spare parts at a single location. Many Tofaş dealers also provide customers with such additional services as compulsory and optional motor vehicle insurance coverage and vehicle financing.

With the inclusion of the satellite and authorized service points not associated with the premises of the network's dealerships, there are 101 Fiat sales points and 126 Fiat service points located all over Türkiye.



All 71 of the Fiat dealers in the network also service the company's Alfa Romeo, Jeep® and Maserati brands. With the inclusion of the satellite and authorized service points not associated with the premises of the network's dealerships, there are 101 Fiat sales points and 126 Fiat service points located all over Türkiye. There are also 21 Alfa Romeo-Jeep® main dealerships, together with another three locations that only service the vehicles. The number of Maserati dealerships is three.

By interacting with sales representatives in real time through the company's digital channels, prospective Fiat, Alfa Romeo, and Jeep owners can visit showrooms, check vehicles out, and make purchases without having to leave home. Additionally and in keeping with the Fiat Barrier-Free Movement initiative, Fiat and Fiat Professional websites are equipped with features that make it easy for hearing-impaired visitors to interact with dealerships without the need for anyone else's assistance. Tofaş intends to bring all the dealership and service-outlet venues associated with any of its brands into compliance with its accessibility-standards by 2026.

SUBSIDIARIES & AFFILIATES

Koç Fiat Kredi provides financial-solution services for all of the automotive brands as well as for the second-hand vehicles and spare parts etc offered for sale through Tofaş.

Information about Tofaş's related-party sales and purchases is provided in footnote 27 to the financial statements. Among Tofaş's financial obligations is the carrying value of all bonds issued privately by Koç Fiat Kredi through related parties. As of 31 December 2023 this amounted to TL 2.1 billion. (31 December 2022: TL 542.5 million.)

KOÇ FIAT KREDİ FİNANSMAN A.Ş.

Koç Fiat Kredi provides financial-solution services for all of the automotive brands as well as for the second-hand vehicles and spare parts etc offered for sale through Tofaş. With its ability to provide conventional customers with one-stop and fast service without their having to leave the dealer's premises as well as online and with its own operational strengths KFK provides individual and commercial customers with financing support. In 2023, TL 10.3 billion worth of credit was disbursed by the company in order to finance purchases of 27.9 vehicles. Koç Fiat Kredi finances 22% of Tofaş's retail sales and its loan portfolio as of 31 December 2023 was worth TL 9.6 billion. Last year Koç Fiat Kredi continued to fund this portfolio by means of bank loans and marketable security issues, the total value of both of which as of year-end was TL 7.8 billion. The securities issued had a nominal value of TL 2.1 million. Koç Fiat Kredi's A1+ Short-term national (TR) and AA Long-term national (TR) credit ratings were once again confirmed in 2023 with stable outlooks in both cases.

The company is upgrading its operational infrastructure both at headquarters and in dealerships with the latest in digital technology. A one-stop, self-service mobile app and an analogous online module that customers can use to apply for loans were also developed in tandem with the upgrade project. These were likewise commissioned last year as well.

Focused on digital transformation and end-to-end value creation, Koç Fiat Kredi is also continuing to move forward with its remote customer acquisition and robotic process automation projects. The company intends to continue its digital transformation journey, expand its agile-work model company-wide, attract talented people who create value, and maintain its competitive edge both by building on lessons learned from completed projects and by benefitting from new ideas and projects as they present themselves.

HIGHLIGHTS	2023
Outstanding Portfolio (TL million)	9,635.2
Penetration (excluding big fleet sales)	22%
Penetration (total Tofaş sales)	14%
Loan applications (units)	54,600
Financed units (total)	27,900
Financed units (Tofaş)	27,300
Financed units (2 nd -hand + Iveco)	600
Financed amount (total) (TL million)	10,303.6
Profit before tax (TL million)	370.0

KOÇ FIAT SİGORTA

Koç Fiat Sigorta was established to keep pace with customers' evolving automotive insurance expectations and to align with Tofaş's mobility priorities within the automotive industry. The company's goal is to provide an excellent end-to-end customer experience by broadly taking care of mobility-related and other insurance needs.

Though launched in 2022, Koç Fiat Sigorta quickly became a leading player in Türkiye's automotive insurance market. With agreements with more than 15 insurers and working with a network of 50 dealers, the company was the largest agency in the sector as of end-2023. The company has also beefed up its sales, after-sales, claims, and customer-care center operations and processes so as to be certain of its ability to satisfy customers' insurance needs.

The sales figures of Ferrari and Maserati in Türkiye in 2023 were 39 and 533, respectively.

FER MAS OTO TİCARET A.Ş.

Set up in 2005, Fer Mas represents the Ferrari and Maserati badges in Türkiye and provides both with after-sales services.

Ferrari



In 2023 Ferrari sold a total of 39 vehicles in Türkiye. Last year Ferrari unveiled the Roma Spider, a V8-powered model, and also made the first deliveries of the Purosangue, a 4-door, 4-seater SUV that the company sees as ushering in a new era. Ferrari's limited-edition supercar, the SF90 XX, was also introduced worldwide in 2023. This car is targeted for launch in the Turkish market in 2024.

Maserati



Maserati sold 525 cars in 2023. The brand continued to conduct its sales and after-sales service operations through its Femas dealership in İstanbul as well as through its Ankara Otokoç, Bursa Mengerler, and Antalya Otokoç dealerships.

Maserati's MC20 Cielo, a convertible version of the next-generation, high-tech, ultra-light carbon fiber monocoque MC20 super sports car went on sale in Türkiye in 2023.

Maserati launched a 3,000 cc V6 petrol engine version of its iconic GranTurismo in 2023 and it went on sale in Türkiye the same year. The all-electric GranTurismo Folgore and a Folgore version of the popular Grecale luxury SUV are currently scheduled to go on sale in 2024.

R&D ECOSYSTEM STRENGTHENED BY TECHNOLOGY LEADERSHIP

THE TOFAŞ R&D CENTER'S END-TO-END VEHICLE-DEVELOPMENT CAPABILITIES AND HIGH-TECH LABS MAKE IT TÜRKİYE'S BEST AUTOMOTIVE R&D CENTER AND A MAJOR EXPORTER OF ENGINEERING SERVICES FOR PRODUCT-DEVELOPMENT PROJECTS AROUND THE WORLD.



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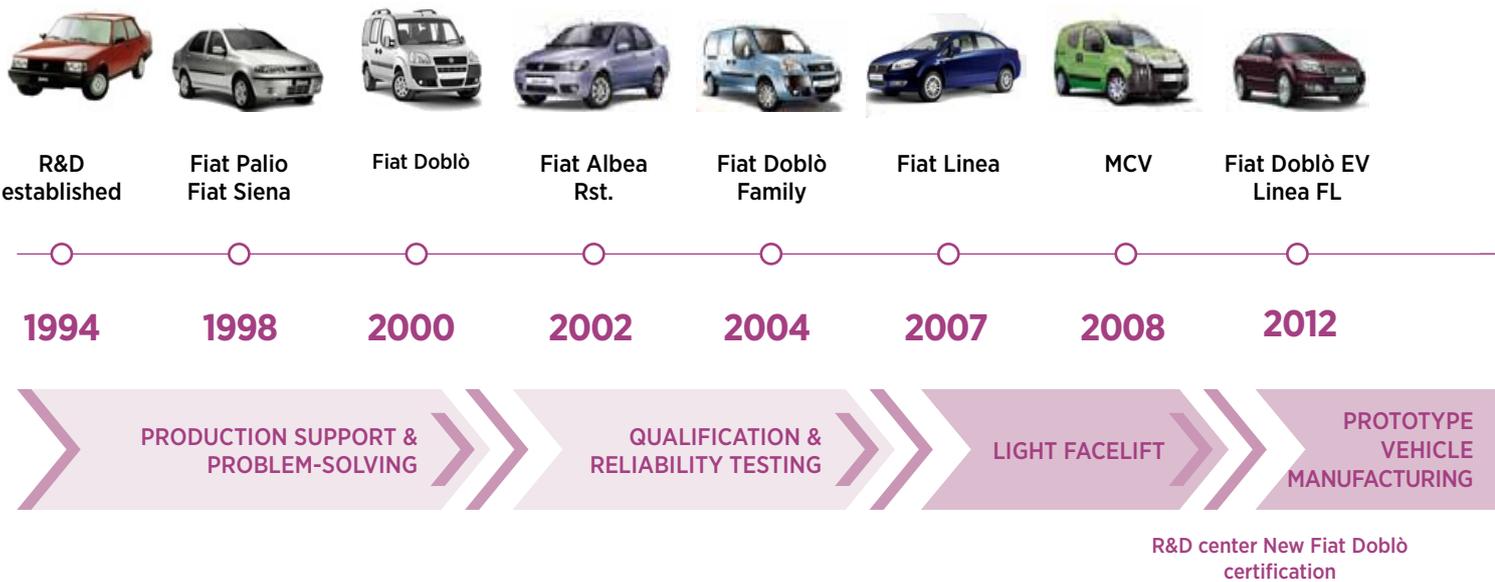
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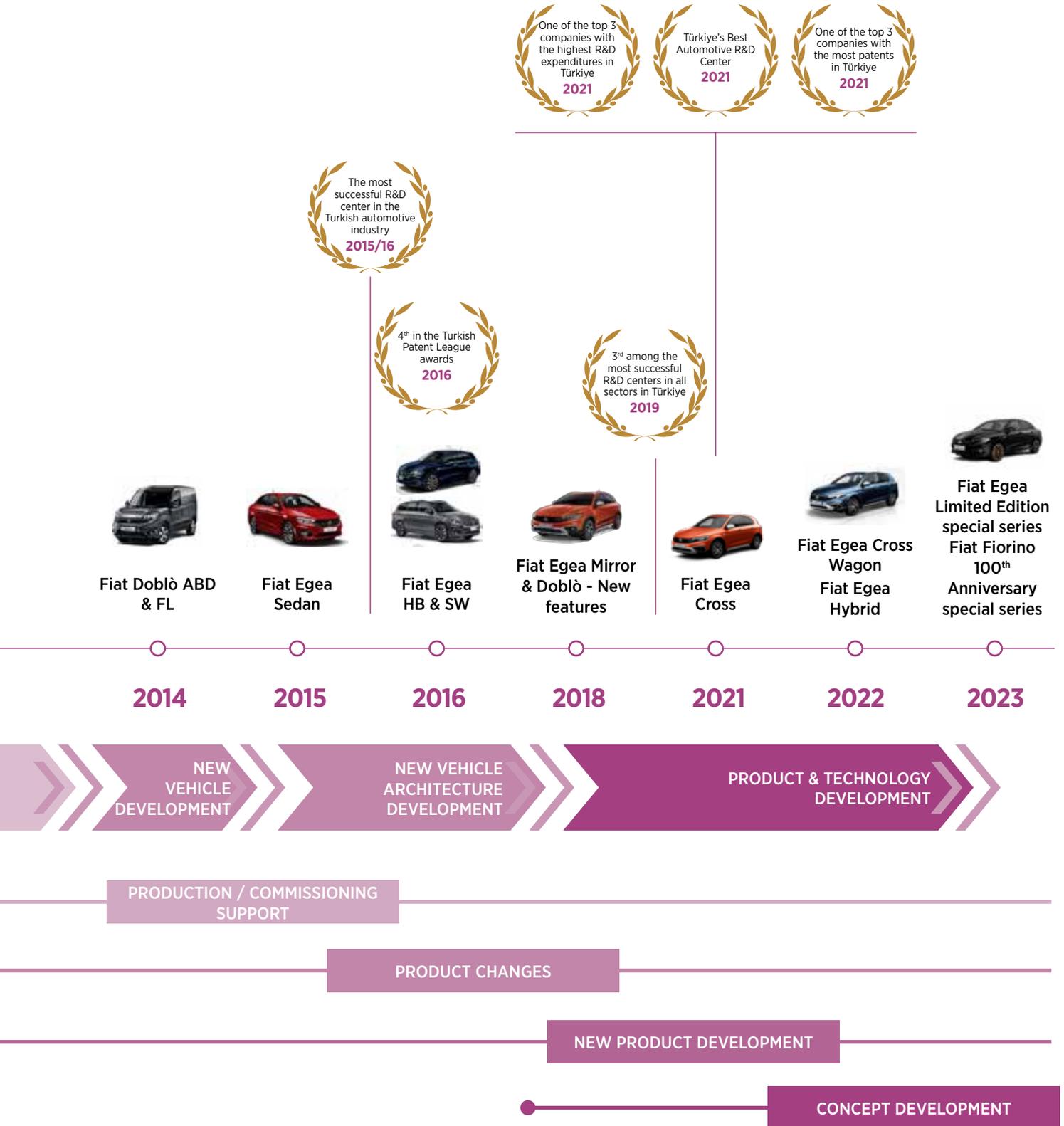
R&D OPERATIONS

TALENT DEVELOPMENT

The Tofaş R&D Center presses ahead with its activities aimed at becoming a globally competitive product and technology development center, with its research activities addressed in line with the Company’s strategic priorities and focused on three intersecting areas:

- Meeting the requirement for social mobility
- Environmental sustainability
- Increased productivity





R&D OPERATIONS



A STRONG CONTRIBUTOR TO TÜRKİYE'S R&D AND ENGINEERING ECOSYSTEM

Tofaş enjoys a commanding position among Stellantis Group R&D facilities by virtue of its product-engineering experience, its new-product development competencies, and the diverse capabilities of its high-tech laboratories.

The goal of the Tofaş R&D Center is to be a globally competitive product & technology development leader. The center focuses both on developing and marketing new products that successfully respond to market needs and on improving existing products in line with changes in technology and consumer preferences. While concentrating on continuously improving the design, performance, energy-efficiency, and sustainability of all Tofaş-produced products and services, the Tofaş R&D Center also drives innovation in the automotive industry in such areas as mobility, electrification, connected vehicles, software, and related technologies.

Tofaş regularly spends more on R&D than most other companies in Türkiye. As of end-2023, Tofaş had invested the equivalent of more than EUR 64.4 million on the Tofaş R&D Center's test laboratory and equipment. The center has become a world-class motor vehicle research and development facility with a total of 20,110 m² of laboratory and office space.

In 2023 the Tofaş R&D Center worked on adapting Egea and Fiorino engines to meet E6.4 emission standards. Besides making ongoing R&D improvements in existing models, the center also developed vehicles for two special series—Egea Limited Edition and Fiorino 100th Anniversary. In 2023 work began on the industrialization and development phases of four Stellantis Group brands whose vehicles are to be produced under the K0 Project. Additionally, Tofaş R&D was also involved in the development of various Stellantis models.

Tofaş R&D likewise functions as an engineering export center for global product projects. In addition to developing the vehicles that are manufactured by Tofaş in Türkiye, Tofaş engineers also play active roles in the product-development projects of other Stellantis Group brands and models produced throughout the world. By exporting engineering know-how in this way, Tofaş is simultaneously contributing to Türkiye's economy, industrial expertise, and R&D knowledge base.



"A DAY AT TOFAŞ R&D"

Tofaş R&D Center's workforce increased by 20% last year. As Tofaş R&D engineering teams gain deeper experience in international projects, their advanced engineering capabilities become integrated into global processes.

Of the more than 900 people on the Tofaş R&D Center's payroll as of end-2023, 120 held master's or doctor's degrees. The center's workforce increased by 20% last year. As Tofaş R&D engineering teams gain deeper experience in international projects, their advanced engineering capabilities become integrated into global processes across the Stellantis Group. Meanwhile in its efforts to constantly increase the knowledge and skills of Türkiye's own automotive industry ecosystem so as to expand national potential, the center also employs more than 300 engineers from other countries in the conduct of its operations.

Complementing its engineers' existing expertise in vehicle design, advanced materials, simulation, and mathematical modelling, the Tofaş R&D Center also focuses on developing their digital skills in order to drive innovation in areas like automotive software and connectivity. As Tofaş assumes increasingly greater responsibilities in Stellantis product development projects and gains strength on a global scale, it will also be making an increasingly greater contribution to the growth and development of Türkiye's automotive ecosystem.

INNOVATIVE APPROACHES IN PRODUCT DEVELOPMENT COLLABORATIONS

A prerequisite for Türkiye's increasing its international visibility and viability as a product development center is an ability to simultaneously address all of the elements of the R&D value-creation chain. This is why Tofaş gives special importance to joint design and development projects, to marshaling the resources of local engineering firms, and to working together with universities. Undertaking university-industry collaboration projects in parallel with its technology-development operations, Tofaş R&D collaborated with fifty different universities on more than 200 projects in the last eighteen years.

INTERNATIONALLY-FUNDED EU R&D PROJECTS

When developing products and processes, the Tofaş R&D Center engages with stakeholders in different sectors so as to ensure that the projects on which it is working are conducted effectively and that any social and/or environmental issues which may arise are dealt with. With the benefit of European Union and TÜBİTAK support and the business opportunities created by both platforms, Tofaş develops high added-value, innovative, and sustainable projects.

A leading recipient of research grants under the Horizon 2020, Horizon Europe, and Eureka programs, the Tofaş R&D Center had completed 21 of 32 program-approved projects as of end-2023; an additional 8 new projects approved in 2023 brings the total number of currently active projects to 19. Projects aimed at exploring and developing innovative technologies have so far led to collaborations with over 400 global partners- among them universities, research institutions, and leading automotive-industry concerns. Nine nationally-funded TÜBİTAK projects in the areas of AI-powered manufacturing, advanced materials, electric vehicles, and sustainability are also currently underway. The Tofaş R&D Center has so far submitted a total of 237 patent applications, 33 of which were filed in 2023. These applications are concerned mainly with vehicle components and production systems related to the company's products and services; 111 of them have been registered to date. Tofaş Horizon Europe projects that were approved in 2023, along with their objectives, are presented below.

- **InnoBMS:** Develop and demonstrate a future-ready best-in-class BMS hardware & software solution that maximizes battery utilization and performance for the user without negatively affecting battery life, even in extreme conditions, while continuously maintaining safety.
- **Heatwise:** Develop and validate sustainability-focused technological innovations and solutions related to thermal management in IT systems equipment and complete building management.
- **Flash:** Develop innovative and environmentally friendly laser-based manufacturing solutions which are more suitable for digital control processes and which generate less waste than traditional mechanical, chemical, and thermal processes.

R&D OPERATIONS



- Magician and Jarvis: Develop human-robot collaboration technologies that enhance production efficiency and quality.
- ShapeFuture: Determine the requirements for perception sensors and ADAS systems used in autonomous vehicles and develop recommendations for optimization.
- EdgeAI Trust: Develop and virtually validate intelligent ADAS systems that detects driver fatigue and collects information at intersections through a global safety supervisor.
- Froddo: Develop and test methods that utilize advanced perception, machine learning, hybrid artificial intelligence, and simulation to enable better management of dynamic physical and digital infrastructure for connected and autonomous vehicles.

The Tofaş R&D Center has been awarded 237 patents (111 in 2023 alone), mostly for vehicle components and production systems related to Tofaş's products and services. Last year the center filed applications for another 33 patents and also for two utility models. Tofaş R&D is looking to further increase the number of patents it owns by undertaking projects that seek to explore innovative ideas and benefit from technological innovations.

To date, the Tofaş R&D Center has had ten top- and second-quartile articles published in its name in leading international scientific journals; it has also presented close to 70 papers at national and international conferences.

The Tofaş R&D Center has been awarded 237 patents mostly for vehicle components and production systems related to Tofaş’s products and service.

CONTINUOUS INVESTMENT IN AUTOMOTIVE SOFTWARE

Tofaş is pushing the scope of the responsibilities it undertakes in such areas as designing, virtually & physically verifying, and prototyping components and systems for the Stellantis Group’s portfolio of brands and models to new levels by expanding the operational scope of the Product Development & Automotive Software Branch that its R&D center set up at the İzmir Institute of Technology’s Teknopark İzmir Software Center. Tofaş R&D İzmir works especially on projects in the areas of infotainment system software, powertrain system software calibration, data science & AI-based smart vehicle architecture, autonomous & driverless vehicle solutions, connectivity solutions, automotive cybersecurity, and fleet service management & optimization algorithms.

In 2023, there was an accelerated focus on developing software for power and control systems in internal combustion engines, hybrid vehicles, and electric vehicles. Last year the center’s power system control algorithms team became an element of Stellantis’s software strategic plan when it took on duties within the plan’s sub-component torque & thermal management software groups. For the development of model-based control algorithms, use was made both of traditional and of state-of-the-art methods as dictated by system requirements. The Tofaş R&D team is currently concentrating on algorithm verification and on seamless software-to-code conversion.

In response to evolving hybrid and electric vehicle architectures, Tofaş aims to expand its R&D team so as to increase its knowledge and experience and also begin developing software components for electric power systems.



INNOVATION & DIGITALIZATION



Tofaş shapes its strategic priorities and practices considering technology developments, changing market and customer requirements. The company prioritizes the usage of digital productivity tools to continually improve its competition and to move towards smart factory applications.

In this context, 287 projects were completed in 2023 and the number of projects carried out in the field of digitalization in the last 5 years exceeded 1,700. In 2023, mainly focused technologies were internet of things (IoT), advanced analytics, machine learning, vision technologies and collaborative robots (cobots).

- Much of the production machinery and equipment currently in use at Tofaş is already connected to an IoT platform that makes it possible for their critical parameters to be monitored in real time. The total number of projects that facilitate early problem-detection & intervention at Tofaş reached 871 in 2023 with the addition of 110 new ones during the year.
- During 2023, 98 work-process digitalization projects were carried out bringing the total number of such projects to 370. Besides facilitating workflows, these projects also create significant business value and saving from operational costs.

- During 2016-2023, the center worked on 79 projects making use of next-generation image-processing and artificial-vision technologies aimed at increasing accuracy and reliability in Tofaş's critical quality control processes.
- Tofaş originally began using cobots to automate manufacturing-operation tasks that involve human-robot interactions. This initiative expanded in 2023 with 3 new collaborative robot projects launched in the press and body shops.
- During 2023, 29 new projects utilizing data science, artificial intelligence and machine learning technologies were launched at the factory, bringing the total number to 62. The data-driven prediction methods developed through the practical deployment of these projects have already led to significant improvements in workplace safety and efficiency.

Along with improving, the data infrastructure Tofaş also continues to invest in the development of information technologies such as wireless and mobile networks, cloud architectures, and cybersecurity as fundamental aspects of its overall digitalization process.

In order to expand employees' data competencies and to support the proliferation of their data-focused analytical projects, big-data backbone accessibility has been increased so that they may tap its resources to develop analytical scenarios of their own into which they may incorporate data from both internal and external sources Self-service analytics

287 projects were completed in 2023 and the number of projects carried out in the field of digitalization in the last 5 years exceeded 1,700. In 2023,

products and “Low Code/No Code” tools incorporating rapid software development methods have been deployed on the same infrastructure. Investments capable of advancing the digital workplace and robotic process automation (RPA) of basic infrastructure and office tasks have been accelerated and are now at the point at which they are capable of supporting operational agility.

In the period ahead, Tofaş will continue to take a benefit-driven approach when dealing with digitalization projects. As it continues to move forwards on its digital transformation journey, the company will be actively prioritizing the incorporation of advances in technologies like generative AI and Chat GPT into its business processes.

Spot Weld Wizard: Weld Parameter Traceability System

Spot Weld Wizard is a digital welding management system developed to ensure traceability of welding parameters on an individual chassis basis and to manage parameters from a central platform for robotic spot welding applications in the body shop.

Warranty 4.0

Warranty 4.0 is a software solution developed to enable real-time tracking of under-warranty complaints in technical services. The first of its kind in the Turkish automotive market, the software utilizes early warning systems and remote diagnostics to streamline customer complaint analysis and expedite problem-solving processes.

Paint Booth Start Time Prediction

Artificial intelligence is used to predict the actual start-up times of different types of paint booths in the paint shop, thereby preventing energy losses arising from unnecessary queue standby time.

“Pusula” Integrated Talent Management Portal

Pusula is an integrated application that enables data-based and AI-supported management of Human Resources’ talent management processes. With Pusula, competency management, development and career planning, and human resources analytics processes are managed seamlessly. The Pusula project also serves as the systems platform of the “Reskill/Upskill” Competency Development project at Tofaş and supports the development of Tofaş employees’ technical and digital competencies.

Smart Quota & Vehicle Allocation Project for Dealers

This project facilitates the allocation of already-manufactured and production-pipelined vehicles to dealers through a machine learning-supported automation system that is based on various parameters (dealer quota, financial standing, vehicle availability targets, etc). The goal of this project is to eliminate manual allocation processes thereby supporting sales activities.

Contactless Service

Contactless Service lets customers complete all stages of on-premises service processes from initial acceptance and courtesy vehicle allocation to additional-work approvals, delivery, and mobile-platform payments in an all-digital, contact-free manner.

INNOVATION & DIGITALIZATION

Türkiye’s leading connectivity application, Fiat Connect continues to be improved in line both with changing customer needs and with advances in technology.

FIAT CONNECT

A first-in-class application developed in-house by Tofaş, Fiat Connect is a connectivity-based remote-access system that has changed the habits of owners and drivers in Türkiye by transforming how they interact with their vehicles.

Originally introduced in 2018 as both a web and a mobile-based support service, Fiat Connect involves the installation of a component that is attached to a vehicle’s electronic control unit. Once activated, Fiat Connect makes it easy for drivers to keep track and manage all the details of every aspect of their vehicle (including service history) and also to receive personalized notifications of special campaigns and reminders about scheduled maintenance.

Fiat Connect continues to be improved in line both with changing customer needs and with advances in technology. New features that were added to Fiat Connect in 2023 are highlighted below:

- Fiat introduced Türkiye’s first automotive maintenance & repair service subscription model using “smart” AI-based connected-vehicle technology. An innovative feature of this service is how it is paid for: all-inclusive authorized service is provided at a fixed monthly price for two years. The subscription fee is based on the distance (in kilometers) driven each month and is not affected by exchange rates or inflation.
- Fiat customers who use Fiat Connect can now use the app to submit requests to lease any Fiat branded vehicle on a long-term basis.
- Fiat Connect users now have immediate access to details about their vehicle’s current state of health such as battery status, tire pressure, engine oil levels, ADBLUE and DPF status, fuel quality, and fuel level/range. The system also alerts the driver if any of these readings indicate a potential issue.
- “Do & Shine “ is a gamified loyalty and engagement module introduced last year. An app-related task is assigned to the user for completion that day. Users who have completed all the tasks after a week earn the right to spin a virtual “wheel” in the app and win a guaranteed prize.

Between 2018 and 2023, Fiat Connect hastened to the assistance of drivers when they were most in need of help by proactively having ambulances dispatched on 127 occasions. Tofaş is committed to developing smart vehicles that prioritize driver safety, comfort, and environmental responsibility. In line with this commitment, Tofaş plans to add a “Safe driving habits” category to Fiat Connect by 2025 while also enlarging the application’s user base.

TALENT AND ECOSYSTEM DEVELOPMENT

Tofaş has identified two key factors underlying success in digitalization and innovation. The first is widespread adoption of digitalization and innovation culture and skillsets within the company; the second involves expanding its own ecosystem to embrace essential solution partners.

As an element of its corporate entrepreneurship approach, Tofaş regularly collaborates with Koç Group companies, NGOs, universities, incubation centers, and angel investment organizations in the conduct of programs whose aims are to enhance the customer and employee experience and to improve operational productivity.

Through Tofaş Academy, Tofaş provides technology-literacy training resources both to its employees and to its value-chain stakeholders. Such training covers basic topics like data science, business intelligence, IoT, RPA, image processing, and low code/no code.

INTRAPRENEURSHIP PROGRAMS AND INNOVATION AT TOFAŞ

Tofaş encourages employees to develop new competencies and implement their creative ideas through corporate entrepreneurship programs. By bringing together diverse teams whose members are conversant in different disciplines, Tofaş aims to foster an effective, focused, innovative, agile, and collaborative workplace environment in which value-creating work capable of shaping the future can take place.

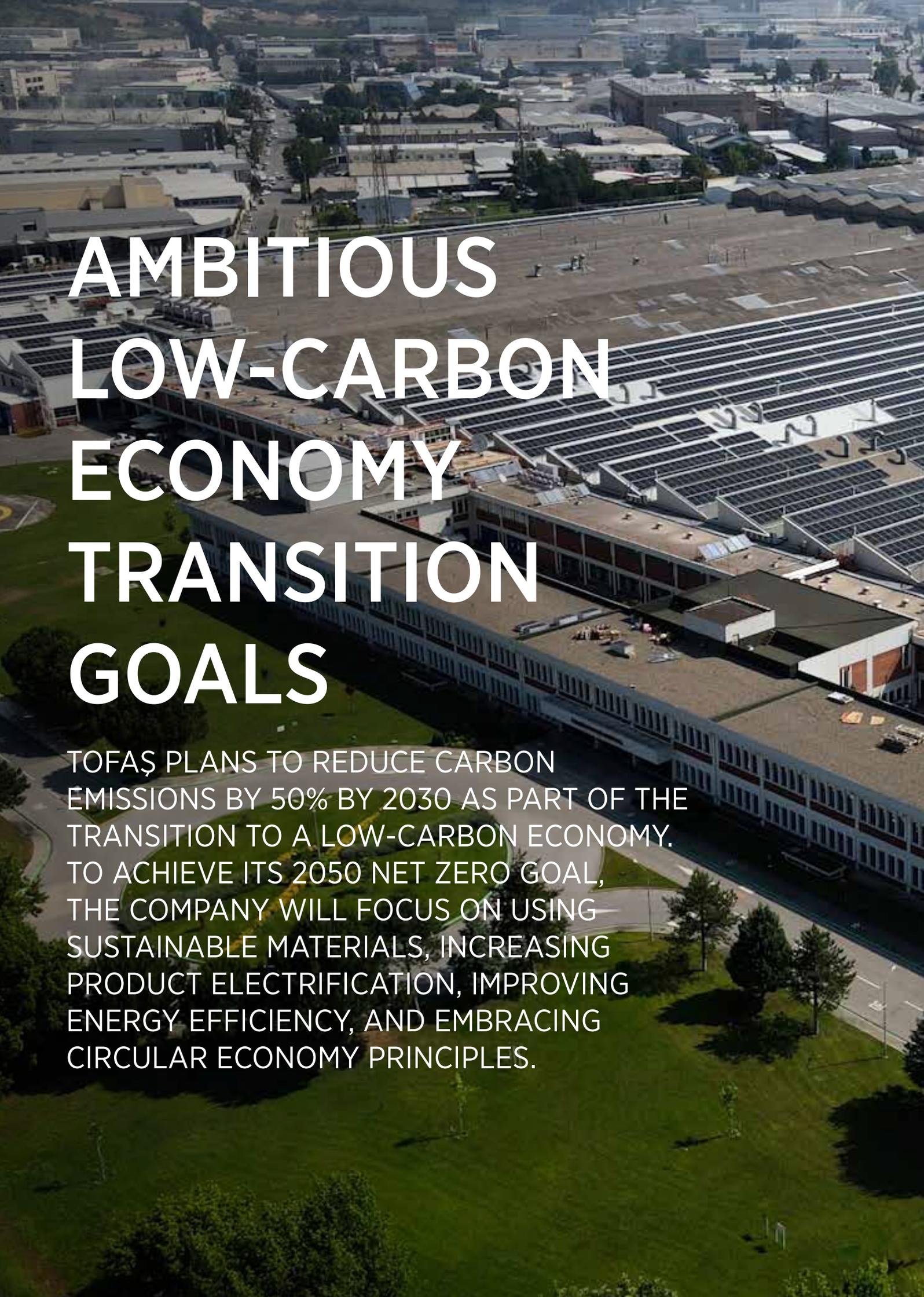
- Tofaş’s ideation platform “Fikir Kumbarası” gives employees convenient access to intrapreneurship-program announcements and notices and can also be used by them to submit ideas for inclusion in the program.



- Through the Tofaş “Benim Projem” [My Project] program, employees are encouraged to subject ideas related to the company’s products, services, and processes. Employees are rewarded as their ideas advance through a series of stages from initial concept and investment presentations to prototyping.
- Tofaş’s kaizen-based suggestion program is designed to encourage employees to come up with innovative solutions, particularly whenever they spot an opportunity for improving production processes. Tofaş personnel who are employed in production-related functions set themselves annual suggestion-submission targets. Project owners whose ideas are trialed and deemed to be successful are rewarded.
- In 2023 Tofaş launched its “Değer Akışı Platformları” [Value Stream Platforms] program with the aim of systematically encouraging employees to come up with innovative projects in line with the company’s vision, mission, goals, and strategic priorities. This system makes it possible for Tofaş employees to develop and lead new ideas of their own and also to discover and join ongoing innovation projects compatible with their particular interests and competencies.

The plan is for some projects like these to move forward with the added support of external ecosystem collaborations in the future. To this end, Tofaş’s IT teams have designed and developed a website that will serve as a platform on which company units may announce their particular needs and external-ecosystem stakeholders such as academics, startups, NGOs etc may submit proposals in response.

- Under the Optimus initiative that was launched in 2020 to support Tofaş employees in the development of digitalization-related projects, 154 Tofaş personnel led a total of 298 projects during 2023.
- Under HackYourJob, an intrapreneurship program that Tofaş launched with the support of Koç Holding, Microsoft, and KoçSistem, Tofaş employees are encouraged to learn basic coding, to design apps of their own, and to come up with creative solutions for turning their ideas into reality. In the hackathons that are organized as part of this program, Tofaş employees receive three days of Microsoft Power platform training and compete as teams in the development of project ideas and software solutions.

An aerial photograph of a large industrial facility, likely a power plant or manufacturing plant, featuring extensive solar panel arrays installed on the roof. The facility is surrounded by greenery and other industrial buildings in the background.

AMBITIOUS LOW-CARBON ECONOMY TRANSITION GOALS

TOFAŞ PLANS TO REDUCE CARBON EMISSIONS BY 50% BY 2030 AS PART OF THE TRANSITION TO A LOW-CARBON ECONOMY. TO ACHIEVE ITS 2050 NET ZERO GOAL, THE COMPANY WILL FOCUS ON USING SUSTAINABLE MATERIALS, INCREASING PRODUCT ELECTRIFICATION, IMPROVING ENERGY EFFICIENCY, AND EMBRACING CIRCULAR ECONOMY PRINCIPLES.



SUSTAINABILITY



CORPORATE SUSTAINABILITY



Tofaş's corporate sustainability policy is dealt with within the framework of business models that take an integrated approach and are based on strategies that are mindful of a sustainable future.

Approaching all of its operations from the standpoints of their social, environmental, and economic dimensions, a fundamental Tofaş priority is to adhere to a constantly-improving, value-creating management model.

The Tofaş Sustainability Policy is implemented in such a way as to demonstrate the company's accountabilities towards all stakeholders both in the locality of its plant and throughout the country. Sustainability approaches and practices are dealt with coherently and with the engagement of all Tofaş stakeholders.

The company's CEO and senior executives are responsible for:

- Identifying and managing strategic goals;
- Ensuring the operability of risk management, early warning, and control systems;
- Determining corporate goals;
- Ensuring that corporate governance principles are complied with and that compliance performance and results are achieved as expected;

The Corporate Governance Committee, the Audit Committee, and the Risk Detection & Risk Management Committee, all of which report directly to the Tofaş Board of Directors, play an important role in the effectiveness of the board's activities. The duties of the Nomination Committee and the Remuneration Committee may also be carried out by the Corporate Governance Committee. The Board of Directors has overall responsibility for the conduct of risk management processes at Tofaş while the Audit Committee and the Risk Detection Committee are responsible for the fulfillment and execution of risk-management processes as required by applicable laws and regulations. Corporate risk strategies are determined in line with reports submitted to the Board of Directors.

Approaching all of its operations from the standpoints of their social, environmental, and economic dimensions, a fundamental Tofaş priority is to adhere to a constantly-improving, value-creating management model.

The environmental, social, and corporate governance aspects of the Tofaş Corporate Sustainability Policy are rooted in the tenets of:

- Effectively managing risks and constantly improving all processes;
- Adhering to a sustainable environmental management policy that is grounded in national environmental laws and regulations, applicable environmental standards, and the best available technologies for dealing with such matters;
- Complying with the requirements of national and international laws and regulations;
- Improving the company's performance and production efficiency;
- Abiding by "Zero-Accident" principles in matters pertaining to occupational health and safety;
- Ensuring information security and business continuity in the conduct of all operations;
- Making adherence to ethical values, combating corruption, and all other corporate governance principles part of the company's corporate culture.
- Encouraging active employee participation and fostering open communication;
- Making efficient use of energy while protecting environmental balances and natural resources;
- Improving suppliers' own sustainability practices,
- Ensuring continuity in customer satisfaction;
- Managing stakeholder relations transparently and with common sense;
- Increasing stakeholder knowledge and community awareness of climate change issues;
- Behaving transparently when dealing with the public at large on matters involving sustainable environment policies and practices;
- Making stakeholders aware of the company's corporate social responsibility activities, strategies, objectives, and priorities;

The company's corporate governance structure, risk management, business ethics and anti-corruption rules, sustainability management, and stakeholder engagement approaches are all matters of concern when dealing with governance and sustainability issues.

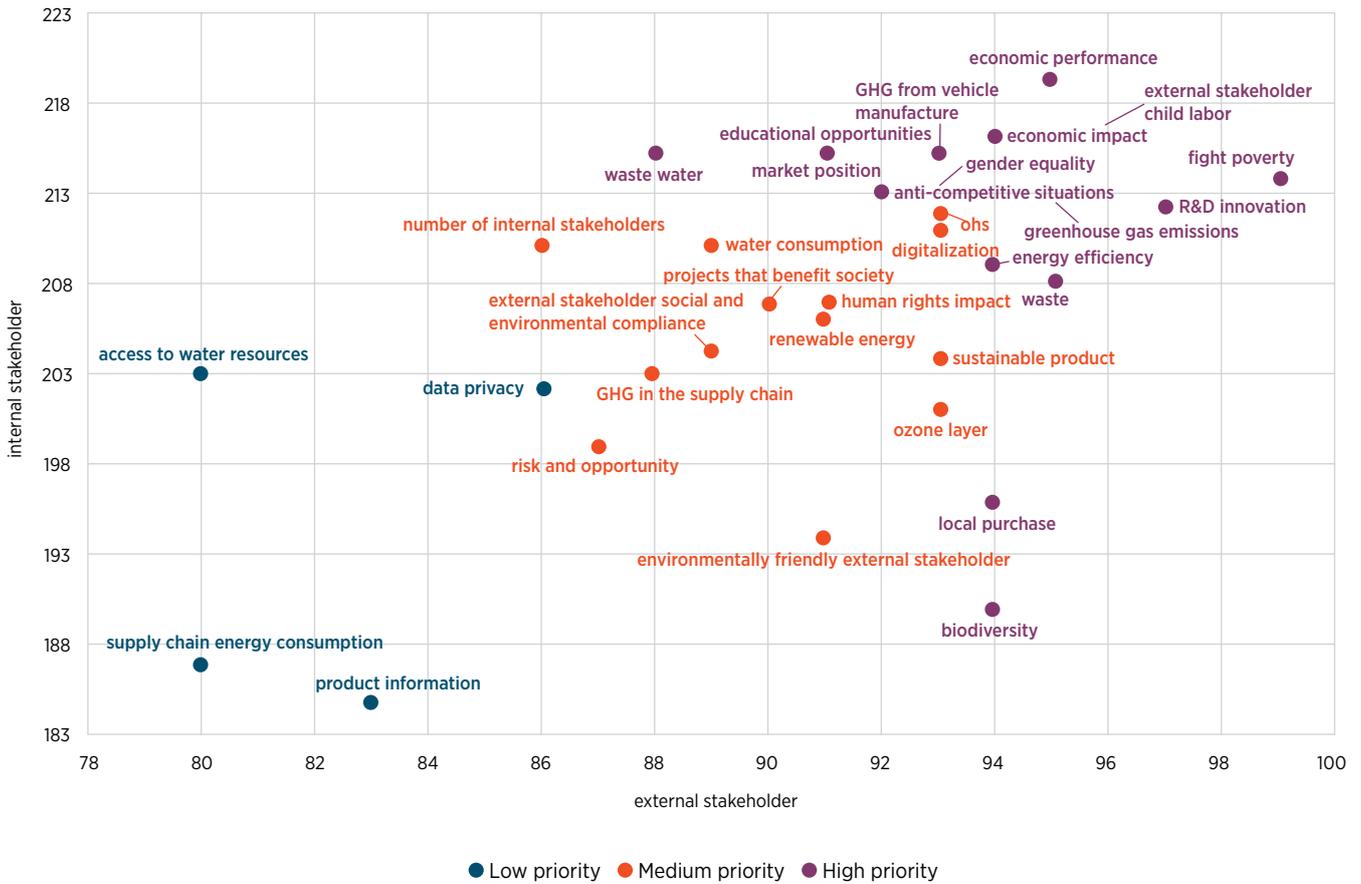
Tofaş's sustainability policy addresses the company's management of social, ethical, and environmental issues. This policy embodies an integrated approach which is rooted in stakeholder participation and which takes stakeholders' expectations and satisfaction into account. The development and continuity of both sustainability and social responsibility attitudes and practices are achieved within the framework of the company's corporate vision and the kinds of corporate activities that the company's stakeholders prefer.

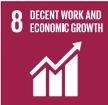
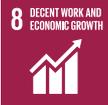
It is a matter of importance to Tofaş that the management, improvement, and oversight of the company's corporate, social, and environmental impact processes and its management, social, and environmental performance be audited and that the results of these audits be shared with all of the company's stakeholders. Having been developed in line with this approach, Tofaş's corporate sustainability policy is overseen at the Board of Directors level, with related issues being assessed and reported on by committees that are responsible to the board itself. The results of these audits are included and published in each year's sustainability report.

SUSTAINABILITY

MATERIALITY ANALYSIS

As required by the AA1000 Stakeholder Engagement Standard, Tofaş first asks internal and external stakeholders to identify what they consider material issues and then classifies those issues as “Low”, “Medium”, or “High” based on the responses it receives.



Material issue	What is Tofaş doing about it?	Associated SDG
Climate change	Tofaş has developed management mechanisms to identify climate-related risks and to plan and take necessary action in the most effective way possible within the overall framework of its corporate sustainability strategy. To this end, the Tofaş Board of Directors closely monitors climate change-related risk-management and action-plan developments and practices and plays a leading role in such matters. The company likewise measures performance effectiveness and keeps a close and detailed watch on whether or not climate change-related targets are being met.	
Gender equality	Tofaş believes that equality in workforce participation is one of the most decisive contributors to social progress. In line with this, Tofaş encourages women to join the workforce and focuses on increasing the percentage of women among its newly-hired personnel. The company also strives to improve the working conditions of its existing female employees.	
Energy efficiency	Tofaş is aware that all improvements in energy efficiency and reductions in emissions that it incorporates into its production processes are entirely under its own control and that such improvements and reductions are the way for it to have the most immediate impact. For this reason, energy efficiency and emissions reduction are two of Tofaş's key environmental-management priorities. Tofaş conducts activities to help mitigate climate-change risks by steadily reducing its energy consumption and emissions each year.	
Employee Development	Tofaş demonstrates the value it places in its employees through talent and performance management practices whose aim is to improve its employees' personal and professional/occupational skills. Under the roof of Tofaş Academy, which has its own internal trainers and library, it contributes to employee development with digital trainings, mentoring programs and coaching sessions.	
Water management	Tofaş engages in efforts to ensure that water is used productively; manages water-use and waste-water processes in the most effective way possible; strives to minimize amounts of water that are used in the conduct of its operations; seeks to constantly improve its water-use practices in various ways; periodically reviews and analyzes water-use practices so as to ensure the continuity and sustainability of water resources.	
Occupational health & safety	Tofaş adheres to world-class, proactive, and lean workplace-safety approaches when addressing occupational health & safety issues; aims to foster a sustainable occupational health & safety culture embraced by employees who behave safely in safe workplaces and constantly improves that culture; seeks to protect all of its human resources from physical and/or health impairments everywhere on company-owned premises; sets and commits itself to sustainably achieving zero work-related accident and illness targets.	
Supply chain management	Tofaş takes a business-partner approach when dealing with its suppliers; interacts with them on the basis of mutual openness and trust; grounds its relationships with them in the principle of sustainable competition. Believing that a supply chain that is financially robust, operationally eco-aware, and reliable from the standpoints of production quality and continuity will strengthen its own business success and likewise acknowledging its suppliers as the most important links in its supply chain, Tofaş therefore strives to contribute to their continuous development.	
Human rights	Human rights-related issues at Tofaş are managed by the Tofaş Ethics Committee, which reports directly to the Tofaş Board of Directors. Tofaş under no condition either tolerates or permits any violation of employee rights, or deriving any benefit from child, forced, or compulsory labor, or any practice that is of a discriminatory nature. Tofaş promotes adherence to the same approach to human rights throughout its value chain.	
Stakeholder communication	Aware that in order for its sustainability approach to have an impact on all of its business processes, the company and its employees, dealers, and suppliers must all work collaboratively, Tofaş therefore takes action accordingly. In line with the strategic importance that it attaches to stakeholder engagement, Tofaş regards transparency and responsibility as critical issues.	

SUSTAINABILITY

STAKEHOLDER COMMUNICATION

STAKEHOLDER GROUPS	CHANNEL & FREQUENCY
Employees	Polls & surveys (at various intervals); Training activities, Tofaş Ethical Principles, Internal communication platforms (continuous - company bulletin screens, TofaşGO intranet); Tofaş Suggestions & Rewards System (immediate); OHS committees, Working groups & committees (at varying intervals); Performance management & career progression meetings, Social activities (at least twice a year); Management meetings, Communication meetings, Annual reports (once a year), Sustainability reports (once a year), Environment Day (once a year), Worklife Survey (once a year)
Principal Shareholders	General assembly meetings, Annual reports (once a year), Sustainability reports (once a year); Board of Directors meetings; Financial performance reports (four times a year); Material event disclosures (as required)
Minority Shareholders	Investor presentations, One-on-one meetings (as requested); General assembly meetings, Annual reports (once a year), Sustainability reports (once a year); Financial performance reports (four times a year), Material event disclosures (as required)
Dealers	One-on-one meetings (as requested); Dealership conventions, Annual reports (once a year), Sustainability reports (once a year); Dealer Portal (continuous); Dealership training programs (continuous); Customer satisfaction surveys (once a year)
Suppliers	One-on-one meetings (as requested); OHS committee meetings (once a month); Annual reports (once a year), Sustainability reports (once a year); Tofaş Suppliers' Code of Ethics (continuous); Supply Portal (continuous); Training & development programs (continuous), Tofaş Suppliers' Summit
Product End-Users	Product labels & user manuals (continuous), Marketing & communication activities (continuous); Automotive fairs & shows; Annual reports (once a year), Sustainability reports (once a year)
Local Communities	Communications System, Community projects, Charitable donations & sponsorships (as requested); Information meetings (as required); Annual reports (once a year), Sustainability reports (once a year)
Sectoral Actors	Meetings & discussions, Projects and initiatives (as requested); Automotive fairs & shows (periodic); Annual reports (once a year), Sustainability reports (once a year)
Local Governments	Meetings & discussions (periodic); Annual reports (once a year) Sustainability reports (once a year)
Public Agencies & Organizations	Meetings & discussions (as requested); Information reporting (at varying intervals); Audits & inspections (at various intervals / unannounced); Annual reports (once a year), Sustainability reports (once a year)
Non-Governmental Organizations	Memberships (continuous); Working group, committee & board memberships (periodic); Joint projects & initiatives, Meetings & discussions (as requested), Annual reports (once a year), Sustainability reports (once a year)
Universities & Academicians	Tofaş scholarship & internship resources, Academic congresses & seminars (continuous); R&D project partnerships, sponsorships & support; Academic research & publication support; Events and organizations; Meetings & discussions (as requested); Annual reports (once a year), Sustainability reports (once a year)
Employees' Families	Information programs (continuous); Social activities (at least twice a year)
Opinion Leaders	Opinion leader meetings & discussions (as requested), Annual reports (once a year), Sustainability reports (once a year); Factory visits
Media	Interviews & talks (as requested); Meetings & discussions (several times a year); Press statements, Material event disclosures (as required); Annual reports (once a year), Sustainability reports (once a year)

CORPORATE MEMBERSHIPS

Bursa Industrialists and Businessmen's Association (BUSIAD)	Board of Directors and Specialization Group Memberships
Bursa Chamber of Commerce and Industry (BTSO)	Assembly and Committee Membership
Demirtaş Industrial Park (DOSAB)	Board of Directors and Training Committee Memberships
Demirtaş Industrial Park and Businessmen's Association (DOSABSİAD)	Membership
DENİZTEMİZ-TURMEPA	Membership
Foreign Economic Relations Council (DEİK)	Italy Business Council Board Membership
The Confederation of Italian Entrepreneurs Worldwide (CIIM EurAsiaMed)	Board Membership
Climate Platform (REC Türkiye)	Membership
İstanbul Chamber of Industry (İSO)	36 th Group Occupational Committee and Assembly Membership
Italy Business Council	Membership
Italian Chamber of Commerce	Representation
Automobile Distributors' Association (ODD)	Board of Directors and Committee Memberships
Automobile Industry Association (OSD)	Board of Directors, Committee, and Working Group Memberships
Advertisers' Association (RVD)	Membership
Union of Chambers and Commodity Exchanges of Türkiye (TOBB) Automotive Industry Assembly	Chair of Assembly and Membership
Turkish Industry and Business Association (TÜSİAD)	Membership and Working Group Memberships
Foreign Trade Association of Türkiye (TURKTRADE)	Membership
Turkish Society for Quality (KalDer)	Membership
Turkish Metal Industrialists' Association (MESS)	Membership
Türkiye Personnel Management Association Bursa Branch (PERYÖN)	Membership
TÜYİD Turkish Investor Relations Society	Membership
Uludağ Exporters' Associations Automotive Exporters' Association (OIB)	Vice Chair of Board of Directors
Foreign Capital Association (YASED)	Vice Chair of Board of Directors, Board of Directors and Committee Memberships; Automotive and Sub-Industry Working Group Chairship

HUMAN RESOURCES



NUMBER OF PERSONNEL

Monthly salaries	1,531
Hourly wages	4,369
Total	5,900

BREAKDOWN OF EMPLOYEES BY GENDER

Male (monthly salaries)	1,159
Female (monthly salaries)	372
Male (hourly wages)	4,047
Female (hourly wages)	322

AVERAGE AGE OF EMPLOYEES

Monthly salaries	36
Hourly wages	34
Total	34

The human resources information provided in the report covers only Tofaş-employed personnel; none of it is related to Fer Mas or Koç Fiat Kredi employees.



Tofaş considers its human resources as assets of the highest priority in its efforts to quickly adapt itself to changing competitive conditions. The foundations of the Tofaş human resources policy is laid on employing qualified people who are compatible with the company’s operations and on providing employees with a highly motivating workplace environment. Tofaş’s goal is a workplace environment in which respect and trust-based relationships prevail, which adds value to employees’ social lives, and which is healthy and safe.

As of end-2023, Tofaş had a total of 5,900 people on its payroll, of whom 1,531 were those paid monthly salaries, and 4,369 were those paid hourly wages.

HIRING PROCEDURES

In the conduct of its recruitment and hiring processes Tofaş Human Resources makes use of reliable tools and methods that will help identify and select the best candidates. These tools and methods include competency-based/technical interviews, video/telephone interviews, Assessment Center practices, artificial intelligence tests in technical areas, personal inventories, and reference checks.

When adding to its candidates’ pool, Tofaş not only makes use of extramural resources but also publishes position vacancies through the internal announcement systems of Koç Group companies. Through its Assessment Center, which is used to select personnel for managerial roles, it conducts digital “Pre-boarding” and “On-boarding” programs that support the adaptation and development of newly-hired employees by bringing them up to speed more quickly

The foundations of the Tofaş human resources policy is laid on employing qualified people who are compatible with the company's operations and on providing employees with a highly motivating workplace environment.

EMPLOYER BRAND

Click4Career

The Click4Career events that Tofaş organizes in order to attract talented university students and young professionals to the automotive industry were conducted as a series of online gatherings over a three-week period during 2023. Nineteen thousand senior-year undergraduate students as well as graduate students took part in these sessions. Participants were assessed for positions in the company's Prova+ traineeship and early-placement program and those who were deemed to be suitable began working at the company.

Career MeetUP

Career MeetUP is a series of online events during which Tofaş executives interact with young people and talk about their careers and experiences. These real-time events take place as four sessions, each of which is organized around a particular theme. Each of 2023 series of live Career MeetUP events attracted an average viewership of 6,000, with a total of 25,000 people being reached overall.

Hack-Auto Women

Seeking to increase the number of women employed in jobs and managerial positions related to technology and innovation at the company, Tofaş prioritizes their inclusion in the company's candidate pool. The "Hack-Auto Women" case-study camp that the company organized to attract women to apply for such positions and to tap their potential was attended by senior-year engineering students, graduate students, doctoral candidates, and recent graduates.

OSD Automotive Industry Summer Camp

The OSD Automotive Industry Summer Camp is an online event organized jointly by Tofaş and the Automotive Manufacturers Association for university students. It typically features speakers from leading automotive manufacturers and includes such activities as motivational talks, case studies, and simulated interviews. The 2023 camp attracted more than 45,000 attendees.

1Day/Tofaş

As part of the 1Day/Tofaş program, university students are taken on a technical tour of the factory, participate in an interviewing techniques session with a human resources specialist, and have an opportunity to chat with Tofaş employees who graduated from their own universities and departments.

Campus Events

During the reporting period Tofaş representatives engaged in more than 50 on-campus meetings with university students. These in-person events can also be viewed online. Workshops are likewise conducted as part of each session.

HUMAN RIGHTS

Tofaş adheres to the principles of the Universal Declaration of Human Rights and the ILO Declaration on Fundamental Principles and Rights at Work. The company makes every effort to ensure that all its employees and any stakeholders affected by its operations are dealt with honestly and fairly. Tofaş strives to create and maintain a discrimination-free, safe, and healthy workplace environment in which human dignity is respected.

Tofaş subscribed to United Nations Women's Empowerment Principles in 2017. In addition and in line with Tofaş Ethical Principles, it also regards all differences involving gender, age, ethnic background, faith, lifestyles and forms of expression, and intellectual and physical capacity as sources of richness, through the use of which it aims to create business value. Tofaş reflects this attitude in all of its human resources processes and policies.

- No violations of employee rights, no child labor, no forced or compulsory labor, nor any forms of discrimination whatsoever are tolerated at Tofaş under any circumstances. Tofaş also endeavors to promote its own approach to human rights throughout its value-creation chain. Accordingly, Tofaş expects its suppliers and other business partners to abide by the same human-rights principles as it does.
- Another issue of which Tofaş is just as mindful is the protection of employees' unionization rights. Tofaş employees have the right both to organize and to bargain collectively. Tofaş expects its suppliers and other business partners to take the same stance with respect to protecting trade-union rights as it does itself.
- The Tofaş Ethics Committee, which reports directly to the Tofaş Board of Directors, is responsible for dealing with all issues involving human rights at Tofaş. On such matters, Tofaş recognizes the ten principles of the United Nations Global Compact, to which Koç Holding subscribes, as being binding on itself and it strives to be in full compliance with those principles. Tofaş publishes sustainability reports in which all matters pertaining to human rights principles and their implementation are publicly disclosed in a completely transparent way.

HUMAN RESOURCES



INCLUSIVENESS AND DIVERSITY

One of the most important elements of Tofaş’s approach to human rights is the issue of diversity. Tofaş believes that diversity is an asset that enriches its corporate culture. Accordingly in the conduct of all recruitment and other human resources processes, decisions are made and action is taken solely on the basis of a person’s knowledge, competencies, and skills and no business-related decisions based on any discriminatory criteria such as age, gender, faith, ethnicity, or the like. Tofaş adheres to the principle of “Equal Pay For Equal Work” when determining employee compensation. No matter what their job position may be, all employees are given the same opportunities as their peers.

Tofaş believes that equal participation in the workforce is a factor that is crucial to social progress. In line with this, Tofaş encourages women to join the workforce and it focuses on measures that will increase the percentage of women among the people that it hires.

At end-2023, Tofaş had 171 people with disabilities on its payroll and ranked second on that measure among employers based in the province of Bursa according to Ministry of Labor and Social Security statistics. The company intends to increase the number of people with disabilities in its employ by 2026 through initiatives planned for implementation and expansion between now and then. By 2026 Tofaş aims to have increased the percentage of women it employs in STEM-related positions from the current 18% to 30% and the percentage of women managing STEM-involving operations from the current 13% to

20%.

PERFORMANCE MANAGEMENT SYSTEM

Tofaş’s approach to performance management whose aims are to support new ways in which employees do their jobs and to speed up adoption of the agile working model. This new performance system is based on encouraging and sustaining dialogue between employee and supervisor. Team leaders meet with their individual team members five times a year, on which occasions targets and results are managed through development-focused dialogues. Because employees are allowed to proactively update their targets as the year progresses, their performance can be managed more dynamically.

CAREER & TALENT MANAGEMENT

Under Tofaş’s “Pusula” career-planning system, employees interact with their managers to identify and manage detailed short- and medium-term career goals for themselves. This is intended to let employees define a clear career direction, explore alternative career paths, and pursue development opportunities aligned with their career goals. The system has been well-received by employees, with over 80% expressing satisfaction with its ease of use and its ability to serve its purpose. In 2023, the company introduced Pusula, a Dynamic Career Planning system that uses AI to help employees find their best career path. By calculating compatibility rates and providing intelligent suggestions based on department and position, this module helps employees make informed decisions about their future.



TOFAŞ’S INCLUSIVENESS AND DIVERSITY POLICY

TOFAŞ’S BOARD OF DIRECTORS DIVERSITY POLICY

	2019	2020	2021	2022	2023
Female employee promotion rate	9%	5%	29%	9%	24.4%
Female employee ratio	10.3%	9.7%	10.1%	10.1%	11.76%
Female new-hire rate	33%	28%	21%	28.45%	29.8%
Female mid-senior level employee ratio	5.9%	5.9%	5.9%	5.9%	12.2%

Direct Your Own Career for field operations personnel

Direct Your Own Career is a career-path rotation and progression program which lets Tofaş employees decide how to shape their own careers in line with their personal objectives and under which the company's own personnel are the first to be made aware of any position vacancies that may open.

Uludağ-Tofaş Internship Program

The Uludağ University Vocational School Automotive Program and Tofaş have partnered to provide Uludağ students with hands-on experience in the automotive industry. Under this program, 40 students are given an opportunity to intern at Tofaş for a total of 24 weeks during their sophomore year.

YOUNG TALENT MANAGEMENT**Tofaş PROVA+ internship Program**

Tofaş offers a unique opportunity for talented young people to gain hands-on experience in the automotive industry through its 11-month PROVA+ internship program, under which interns gain valuable insights into worklife and the automotive industry by actively taking part in various projects at the company. PROVA+ has a proven track record of success. Over the last three years, an average of 31% of the program's interns have been hired by Tofaş after their internship. The program is also committed to diversity, with 40% of interns in 2023 and an average of 36% over the last three years being women.

PROVA Professional specialist & intern recruitment program

PROVA Professional is a program that provides young talents with the opportunity to learn from Tofaş experts and develop their basic technical skills. The program includes training sessions, case studies, and technical interviews. Those who successfully complete the program are included in the Tofaş candidate pool.

University internship programs

Under internship program agreements signed with İstanbul Technical University (2022) and Yıldız Technical University (2023), students from both schools are provided with opportunities to gain hands-on experience and learn from industry experts at Tofaş. The program is designed to help students get acquainted with professional life and make informed career plans.

TEV Scholarships

Tofaş partners with the Turkish Education Foundation (TEV) to provide scholarships every year to two students who want to pursue a master's degree abroad. Under the terms of the scholarship agreement, students who complete their studies are considered for positions at Tofaş.

EMPLOYEE BENEFITS

Every white-collar employee who begins working for a Koç Group company joins the Koç Holding Pension & Assistance Fund as part of the hiring process. The fund invests contributions deducted from wages and salaries in marketable securities and real estate assets. Such deductions and their

earnings are repaid upon retirement or withdrawing from the fund as a lump sum or pension. Both active fund members and pensioners as well as their spouses and dependent children are covered by health insurance and fund members may also be entitled to various rights such as housing acquisition assistance, financial support to cover specified needs, and insurance against such risks as death, incapacitation due to sickness, and partial disablement.

All Tofaş employees are covered by a complementary health insurance scheme whose premiums are paid entirely by the company. Employees may elect to have coverage provided for their spouse and dependent children as well. As of end-20223, 5,900 Tofaş employees along with 7,952 of their family members were benefiting from this coverage.

In 2023 another 347 people joined the "Tofaş Supports Education Once Again" scholarship program that Tofaş originally introduced in 2011 for its employees' dependent children, thereby bringing the total number of people benefitting from such support to 3,417.

In 2016 the company introduced daycare assistance for the dependent children of female employees in order to encourage women's participation in the workplace and to help them better balance their working and home lives. A monthly average of 248 Tofaş employees benefited from this program in 2023.

On 17 January 2024, the Turkish Employers' Association of Metal Industries, of which Tofaş is a member, and the Turkish Metalworkers Union agreed to and signed a metal-industry collective bargaining agreement. The agreement went into effect retroactively as of 1 September 2023 and will remain in force until 31 August 2025.

As of 31 December 2023, Tofaş had a total severance pay liability of TL 1,115,480,895.88, all of which amount is covered by provisions that have been set aside. Employees are regularly and systematically provided with such rights and entitlements as may be mandated by laws and regulations. The fringe benefits provided to the top management within the year ended on 31 December 2023 are explained in the note 27 of the financial report.

Zekky HR Chatbot

Zekky Chatbot is a smartphone app that gives Tofaş employees immediate 24/7 access to information about numerous company human resources processes wherever they may be and whenever they wish.

HUMAN RESOURCES

TOFAŞ ACADEMY

Tofaş Academy provides training & development services for about 15,000 people consisting not only of Tofaş employees but also the employees of its dealership network, Customer Contact Center, and suppliers. Tofaş Academy’s goal is to provide Tofaş and its value-creation chain with a learning experience that is the most appropriate to people’s ability to do today’s tasks better and to prepare themselves for the future.

Conducting its operations with 183 instructors and 283 mentors, all of whom are employed by Tofaş, 90% of the Tofaş Academy’s technical training is internally sourced. Programs dealing with leadership and behavior issues are prepared according to specific needs and are conducted by both in-house and outsourced training specialists.

To spread digital competencies throughout the company and create value-adding projects, Tofaş provides training resources specifically designed to meet the needs of each target group. As of end-2023, 63% of Tofaş employees had undergone digital-competency training. Of those, 33% demonstrated proficiency in such technologies. Also, 161 Tofaş leaders participated in programs designed to develop their digital leadership competencies. Acceleration With Digital Development (ADD) programs created to speed up the acquisition of digital competencies among the company’s technical specialists were conducted in six key areas: Digital Science (attended by 211 employees), Business Intelligence (97), RPA (292), Image Processing (92), IOT (40), No Code/Low Code (25).

As of end-2023, 691 field employees had received digital literacy training and 74 had received technical specialist training. Digital literacy training, which received a 4.98 out of 5 satisfaction score from its participants, resulted in the submission of 160 digitalization project proposals.

Tofaş promotes workforce adaptability by providing its employees with a variety of agility-focused Scrum Master (SM), Product Owner (PO), and Development Team training resources. In 2023, a total of 128 employees took part in the company’s agility-related training programs.

SOCIAL ACTIVITIES

Tofaş employees have formed 26 clubs and 16 sports teams, membership in all of which is voluntary. Four new clubs opened at Tofaş in 2023. The company also hosted themed events at its employee recreation center and organized activities such as the Children’s Day Artwork Competition and Kids’ Summer Camp for the benefit of employees’ children.

During “Tofaş Day”, an event held at the Bursa plant for company employees and their families, more than 14 thousand guests took part in such enjoyable proceedings as organized tours of the factory and staged events for kids, teens, and adults. Concerts rounded out the day.

Located at the Tofaş Bursa plant is an employee rec center that contains a restaurant, a cafe, and indoor and outdoor playgrounds that may be used by all Tofaş personnel and their families. Located within the Mustafa V. Koç Sports Complex at the Bursa plant are a fitness center, basketball courts, and a table tennis area for the use of those who enjoy sports. All Tofaş employees also have access to the company’s outdoor sports complex consisting of a football pitch and tennis and basketball courts.

PARTICIPANT	REPORT HEADING	VALUE
Monthly salaries	Total number of participants	99,655 people
	Ratio of digital training	33%
	Average training time/person	43.5 hours
Hourly wages	Total number of participants	8,050 people
	Ratio of digital training	40%
	Average training time/person	6 hours
Business partners	Number of supplier firms	144 firms
	Number of supplier personnel taking part in training	345 people
	Total training time	2,469 hours
Dealership personnel	Total number of participants (virtual face-to-face training)	10,453 people
	Ratio of digital training	61%
	Average training time/person	33.82 hours

OCCUPATIONAL HEALTH & SAFETY

Occupational health and safety (OHS) ranks the first among the elements of Tofaş's, since it is the most important one. It is also an area in many aspects of which the Tofaş plant serves as a reference model within the Stellantis community. The plant is visited by firms wishing to observe Tofaş's OHS operations and practices in action. Adhering to a proactive and lean approach to occupational health and safety issues, Tofaş seeks to protect everyone coming into contact with its operations from risks that could be detrimental to their health or safety by fostering a sustainable OHS culture and by creating environments that are intrinsically safe.

TARGET: ZERO ACCIDENTS AND OCCUPATIONAL DISEASES

Tofaş strives to maximize OHS awareness not just among its own employees but also among its trainees, visitors, suppliers, and contractors. To this end, Tofaş commits itself to:

- Fulfilling all of its OHS-related statutory and other obligations;
- Abiding by the principle that all employees have a shared responsibility for contributing to continual-improvement processes;
- Soliciting the opinions of all personnel about OHS practices and ensuring participation in them;
- Reducing OHS risks by eliminating OHS threats;
- Continually improving OHS targets.

Tofaş makes use of an OHS Management System in order to achieve zero work-related accident and illness rates. Since the beginning of the company's campaign to continuously improve workplace safety performance, the Lost Time Accident Rate has decreased by 95% since 2006. In 2023 4,089 employees received a total of 49,860 hours of OHS training.

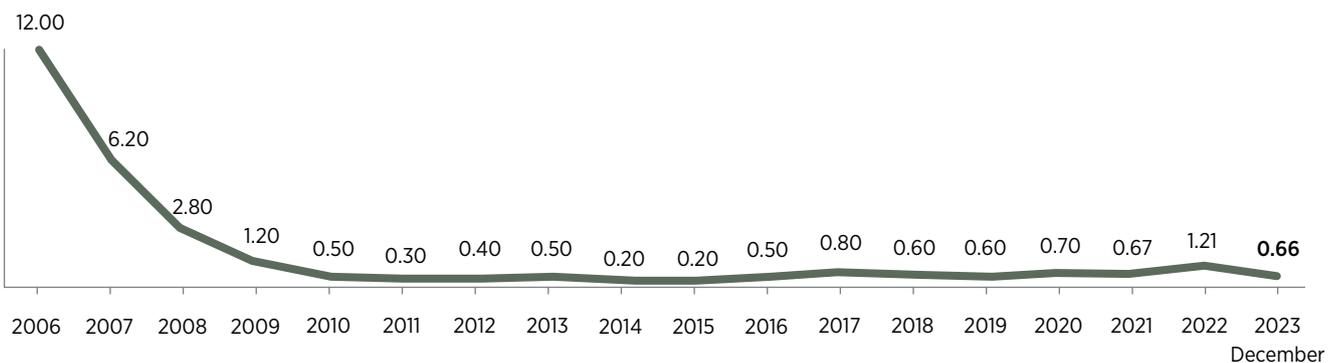
MESS WORK SAFETY STARS AWARDS FOR TOFAŞ'S MAINTENANCE DIGITAL ASSISTANT" AND "CUTTING EQUIPMENT MAINTENANCE SAFETY" PROJECTS

In a "Work Safety Stars" competition organized by the Turkish Employers' Association of Metal Industries (MESS), Tofaş won awards in the Digital OHS category for its Maintenance Digital Assistant project and in the OHS Ambassadors category for its Cutting Equipment Maintenance Safety project.

Under the Digital Maintenance Assistant project, a wearable device that enhances workers safety was deployed. The device gives the wearer remote access to essential video support and visual instructions during non-routine and critical maintenance situations. These devices also allow experienced workers to capture narrated video recordings of exactly what they are doing. The recordings can then later be used in the training of newly-hired personnel.

Under the Cutting Equipment Maintenance Safety project, a new AI-powered safety system was introduced. The system monitors for the presence of safety glasses during cutting tool maintenance and if the glasses are missing, it reduces the risk of human error and ensures a safe working environment by automatically disabling the air gun.

LOST DAY ACCIDENT RATE



* 1 day lost time (accident number x 1,000,000 / working hours)

ENVIRONMENT AND CLIMATE CHANGE¹



ENVIRONMENT & ENERGY POLICY

Tofaş regards protecting natural resources and conducting its operations with minimum environmental impact as being among its primary responsibilities. Tofaş focuses on effectively managing and, as much as possible, on minimizing both the direct and the indirect adverse environmental impact of all aspects of its value-creation chain.

Tofaş seeks to pass a clean and livable world on to future generations through a sustainable approach when dealing with environment and energy-related matters. In the conduct of all of its operations, Tofaş complies fully with all national and international requirements and it strives constantly to reduce the environmental impact of its manufacturing

activities and of its products and services by making continuous improvements in its performance and through the use of appropriate technologies.

Environmental issues are handled by the Tofaş Sustainability Committee and by the Tofaş Sustainability Working Group in line with Tofaş's Environmental and Energy Policy. Both committee and working group report directly to the Tofaş Board of Directors concerning the company's environmental performance.

Tofaş fulfilled its commitment to eliminate single-use plastics and got rid of single-use plastic products originating from individual use throughout the factory.

Tofaş passed all of its official and stakeholder-conducted environmental audits in 2023 with no instances of non-compliance. No environment-related penalties were incurred; no environment-related or similar violations occurred.

¹ Published as a section of Tofaş's 2023 annual report, this environmental performance report covers all environment-related activities carried out by Tofaş Türk Otomobil Fabrikası A.Ş. during the period beginning on 1 January 2023 and ending on 31 December 2023. Unless otherwise noted, this report does not cover the environmental performance either of Tofaş's Fer Mas Oto Ticaret A.Ş. or Koç Fiat Kredi Finansman A.Ş. subsidiaries or of dealerships. For the same reason, 2023 data had not yet been independently verified at the time this report was still in preparation. All prior-year data has been verified however.

Tofaş fulfilled its commitment to eliminate single-use plastics and got rid of single-use plastic products originating from individual use throughout the factory.

As the first automotive manufacturer in Türkiye to be awarded ISO 14001 Environmental Management System certification, which it received in 1998, Tofaş has had a well-established and sustainable environmental management system ever since. The company's zero non-compliance record has remained unbroken every year since its original certification.

Tofaş deploys effective, integrated environmental management systems in order to:

- Prevent pollution at source and reduce environmental risks;
- Reduce the environmental impact of its products by taking a life-cycle approach;
- Use energy and natural resources responsibly and efficiently;
- Increase the environmental and energy-conservation awareness of employees, other stakeholders, and society at large.

ZERO WASTE MANAGEMENT SYSTEM



Tofaş's environmental approach is to possess a World-Class Environment Management System that makes use of proactive and efficient management tools. In order to achieve its "Zero Waste/Zero Loss" goal, the company's maxim is "If you don't cause pollution in the first place, then there's nothing that you have to clean up."

One consequence of Tofaş's Environment & Energy Policy is that it seeks both to reduce waste at source and to recover and recycle as much as possible of any waste that may be generated. Thus for example 100% of the industrial waste resulting from its manufacturing processes is either recovered or else used as raw material and energy inputs in the cement industry, thereby helping the company to achieve its "Zero Waste Disposal" goal. Tofaş's Zero Waste Management System, which was set up to prevent pollution at source, to use resources responsibly and efficiently and prevent their waste, and to source-separate, collect, and recycle waste, was awarded "Zero-Waste" certification by the Ministry of Environment and Urbanization.

WASTE RECOVERY & REUSE AT TOFAŞ

Insofar as is possible, packaging such as wood, cardboard, plastic sheeting etc associated with materials that Tofaş uses in its production operations is not discarded as waste but recovered and reused both to minimize the environmental impact of such operations and to save on costs. Cardboard for example is put to use in shipments of exported spare parts. Wooden pallets, boards, and slats are used in a variety of ways such as for building planters.

ENVIRONMENT AND CLIMATE CHANGE



SUSTAINABLE MANUFACTURING ATTITUDES

Having adopted sustainable-manufacturing principles in the conduct of its operations, Tofaş achieves natural resource use efficiency by implementing the “5R” (Refuse, Reduce, Reuse, Recycle, Recover) hierarchy in all of its production processes.

Tofaş’s commitment to sustainable production as evidenced by the findings of a comprehensive Refinitiv review conducted at the Borsa İstanbul stock exchange earned it a place in the

BIST 25 Sustainability Index. Tofaş also proactively reports to the Carbon Disclosure Project about the company’s climate change mitigation and water management initiatives.

In order to keep all of its stakeholders informed about its targets on environment and sustainability issues, Tofaş transparently publishes the results of its efforts in these areas in sustainability reports and on its corporate website.

Environmental target	Performance indicator	2022	2023	2024 (T)
Energy consumption	kWh/vehicle	815	779	753
Greenhouse gas emissions	kg/CO ₂ (eq)/vehicle	249	199	239
VOC emissions	gr/m ²	28.29	27.83	40.28
Fresh water consumption	m ³ /vehicle	2.74	2.61	3.75
Total waste generated	kg/vehicle	26.84	25.53	33.72
% waste disposed in landfill	%	0	0	0

ENERGY CONSUMPTION

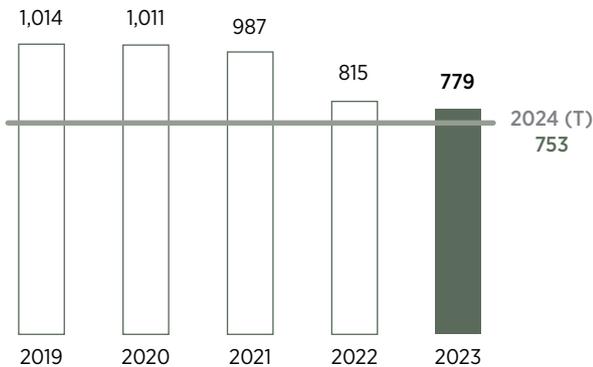


As a result of efforts to improve its constant-power consumption performance in line with the company's carbon emissions-reduction targets, Tofaş consumed 779 GJ of energy for each vehicle it produced in 2023. Last year Tofaş also commissioned a number of renewable energy investments, by means of which the company has set itself the goal of reducing its production-operations' greenhouse gas emissions by 22.6% as of 2026.

Taking into account both the life-cycle aspects of its products and services and the needs and expectations of its stakeholders, Tofaş recognizes that its own production operations and the use of the vehicles that it manufactures make up a significant part of the company's impact on climate change. Seeking to make it possible for stakeholders to satisfy their mobility, transport, and distribution needs more sustainably, Tofaş seeks to improve the emissions performance of its vehicles while also developing vehicles that make use of non-conventional alternative fuels.

21% of Tofaş's R&D operations are related to emissions reduction. In support of the transition to a low-carbon economy, Tofaş takes part in projects to increased conventional-engine efficiency, expand the use of alternative fuel systems, and develop electric and hybrid vehicles that are undertaken in line with Stellantis's product strategies.

ENERGY CONSUMPTION (KWH/VEHICLE)

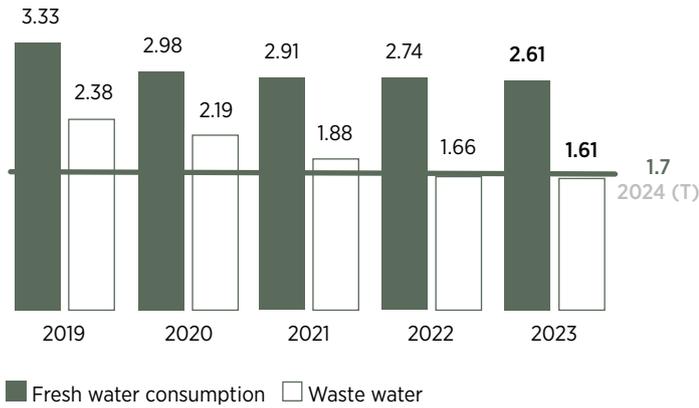


As a result of efforts to decrease fixed-energy consumption in line with its overall goal of reducing carbon emissions, 779 GJ/vehicle energy-consumption performance that Tofaş achieved in 2023 was better than the target that had been set for the year.

	2019	2020	2021	2022	2023
Total energy consumption (GJ)	1,042,245	993,438	906,678	841,801	666,508
Direct energy consumption - natural gas (GJ)	593,241	578,984	519,016	463,607	355,202
Indirect energy consumption (GJ)	449,004	414,454	387,662	378,194	311,306
Energy consumption/manufactured vehicle (GJ)	4.01	4.02	3.97	3.19	2.78

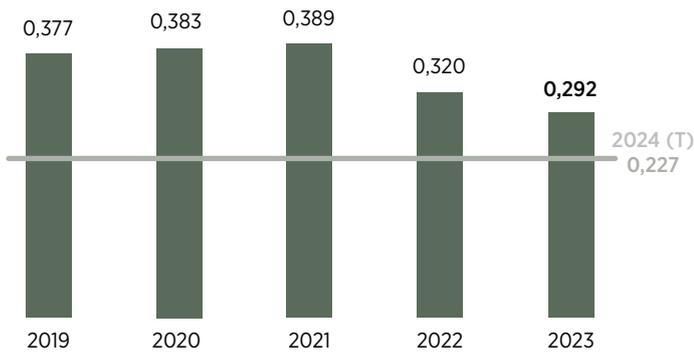
ENVIRONMENT AND CLIMATE CHANGE

FRESH WATER CONSUMPTION (M³/VEHICLE)



Tofaş makes use of groundwater at its plant. In 2022, an average of 2.74 m³ of fresh water was consumed for every vehicle that was made at the plant; in 2023 this figure was 2.61 m³/vehicle. The company has set itself the goal of further reducing its fresh-water consumption to 1.79 m³/vehicle by 2026 with the assistance of water-recycling projects. A recirculation system installed at the Tofaş plant made it possible for 60 million m³ of water to be reused in 2023. The company also began harvesting rainwater in 2022. The water that is collected is put to use in various ways.

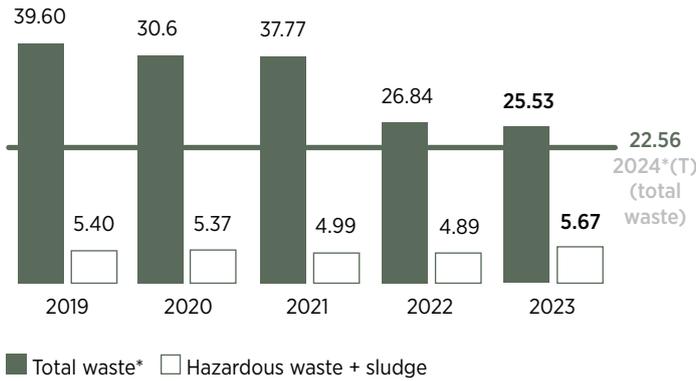
GHG DENSITY EMISSIONS (TONS CO₂EQ /VEHICLE)



Committed to its vision of ongoing improvement, in 2023 Tofaş launched 259 energy-efficiency projects aimed at reducing the company’s energy consumption and CO₂ emissions. Through these projects, a total of 30,637 kWh in energy was saved and a 7,348-ton reduction in CO₂ emissions was achieved.

	2019	2020	2021	2022	2023
Direct greenhouse gas emissions (Scope 1) (tCO ₂ e)	46,266	45,653	42,790	36,621	31,500
Indirect greenhouse gas emissions (Scope 2) (tCO ₂ e)	53,247	50,303	46,180	45,491	38,000

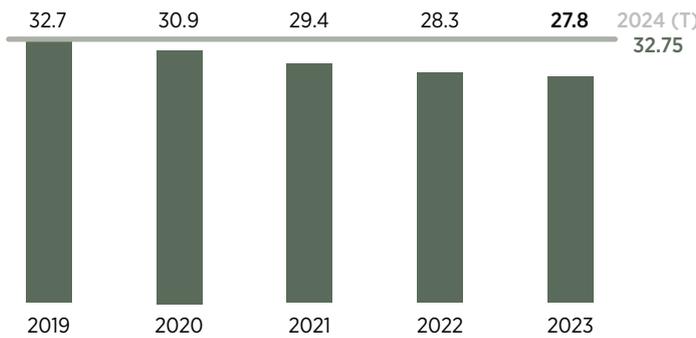
INDUSTRIAL WASTE (KG/VEHICLE)



All (100%) of the industrial waste generated in the course of Tofaş's production operations is recovered and used as raw-material inputs and fuel by cement-makers. This means that Tofaş has effectively achieved its no-disposable-waste (zero-landfill) goal.

* Does not include pressed-metal waste or waste not directly related to production.

VOC EMISSIONS (GRAM/M²)



Over the last five years Tofaş has achieved around a 15% reduction in its volatile organic compound (VOC) emissions through improvements in its operational controls.

Along with changes in manufacturing processes such as the use of solvent-free cleaning products, a switch to one-bell spray-painting technology, the introduction of electrostatically-applied water-borne paints, and the commissioning of the company's nitrotherm spray project, Tofaş has been able to achieve VOC-emission performance ratings that are well below EU-prescribed limits.

ENVIRONMENT AND CLIMATE CHANGE



ECO-FRIENDLY MATERIALS

Tofaş takes a life-cycle approach when considering the environmental impact of its products and services and it manages their negative and positive effects accordingly.

While striving to reduce the environmental impact of the production and use of the vehicles it makes, Tofaş is also constantly engaged in projects to make those vehicles more eco-friendly.

The company sets targets for increasing the use of eco-friendly/recyclable materials in its vehicles while also recovering reusable elements from end-of-life vehicles and ensuring that everything else is disposed of in accordance with national and international regulations. The Tofaş R&D team develops and works with national and international organizations on projects whose aim is to increase the percentages of recyclable and ecofriendly materials used in vehicles.

ENVIRONMENTAL AWARENESS

Tofaş gives great importance to raising awareness about environmental issues and to promoting environmental awareness among its own employees and those of its business partners. Environmental management is also part of Tofaş's annual target deployment and performance evaluation system.

Efforts are made to control and improve Tofaş's environmental impact whether it arises directly from its own operations or indirectly anywhere along its value chain. The company has committed itself to the constant reduction of any adverse environmental impact.

Tofaş gives great importance to creating awareness about environmental issues and to promoting environmental awareness among its own employees and those of its business partners.

- As part of its efforts to increase environmental awareness, 3,048 employees were provided with a total of 1,721 hours of training in the form of Tofaş Academy training modules as well as through digital platforms during 2023.
- Energy-conservation and environment-protection projects and competitions are used along with visual and other materials to increase environmental awareness within the factory.
- Tofaş employees and their families take part in company-organized observances of World Environment Day on June 5th every year. During the 2023 events, children fashioned birdhouses and cat shelters from discarded wooden pallets. These were subsequently installed in suitable locations on the factory grounds.

Tofaş gives great importance to raising awareness about environmental issues and to promoting environmental awareness among its own employees and those of its business partners.

ZERO NON-COMPLIANCE

Tofaş commissioned its ISO 14064-1 Greenhouse Gases Management System in 2020 and has been having its annual GHG emissions reports verified ever since. The company's ISO 50001 Energy Management System was also commissioned in 2013. Independently-conducted audits performed in 2023 found no instances of standards noncompliance in either system. At the time this report was in preparation, no Tofaş operations or other activities had been included in any carbon pricing system, no carbon credits had been purchased, and no carbon-pricing mechanisms were being implemented within the company.

SUPPORTING THE LOW-CARBON ECONOMY TRANSITION

Tofaş regards climate change as a matter that has legal implications (such as emission limits), physical and operational implications (such as radical changes in weather conditions), and financial implications (such as emissions trading). As part of its general corporate risk-management operations, the company identifies what risks these issues may entail, determines what its responses will be, and develops sustainable and effective solutions to deal with them.

Tofaş keeps a close watch on the progress of the European Green Deal in order to integrate EGD policies and practices into its own strategies for combating climate change. Tofaş is currently engaged in efforts to make itself a net-zero company. The conduct of its projects to reduce emissions arising from production operations and the results that those projects achieve are independently verified and certified every year.

Supporting the transition to a low-carbon economy through its energy-efficiency efforts, Tofaş is also a corporate member of the Climate Platform. Tofaş has also committed itself to the "2 °C Challenge" program, an internationally-promoted corporate-mission statement that calls for global policies and actions to tackle climate change. In January 2023 Tofaş also joined the Science Based Targets initiative. The hundreds of energy efficiency projects which the company has undertaken are steadily reducing the energy density of its operations. When new investments are to be undertaken or changes are to be made in machinery and equipment, environmental-impact and energy-efficiency procedures are standardized both by initiating a Kanban (lean/just-in-time manufacturing) process and by adhering to best-available-technology (BAT) practices.



Tofaş works with NGOs, professional associations, and statutory authorities in the formulation of policies to deal with environmental issues. As a member of the Turkish Automotive Manufacturers Association and of the Turkish Industry and Business Association, it takes part in both organizations' working groups. Tofaş likewise seeks to contribute to the environmental value chain through partnerships with universities and with professional associations and chambers.

Seeking to directly understand its customers' quality expectations, Tofaş strives to raise the quality of its manufacturing and service processes and to maximize its quality competitiveness throughout its value-creation chain. The company's quality management system is regularly updated and improved in light of changes in customers' expectations.

In line with its customer satisfaction-centric sustainable quality approach, Tofaş strives to improve its quality indicators consistently every year. As a result of its efforts in this direction, Tofaş received the fourth highest score in the 2023 round of the Stellantis Group's annual assessment of its factories' performance on the sustainable-quality front.

QUALITY MANAGEMENT



Tofaş’s quality management procedures are pointed to as “best-practice” success stories within the Stellantis system.

Continuing to build on the impressive growth and development that Tofaş has achieved over the years, the company’s Stellantis Production Assessment results ranked it first among all Stellantis factories on both internal and external quality metrics in the first quarter of 2023. Tofaş’s quality management procedures are pointed to as “best-practice” success stories within the Stellantis system.

Tofaş has also integrated its “12 Best Practices” and “14 Customer Experience Fundamentals” methodologies into its QC processes to make the quality system’s management of potential defects even more robust.

Last year Tofaş continued to invest in innovative ways to enhance its quality processes. In one measurement system investment for example, Tofaş commissioned a blue light 3D laser scanner that has increased the number of sheet metal bodies that can be measured in the same time by tripling the speed of measurements. This new method allows highly-reflective surfaces to be measured without the need to spray them to reduce glare and scatter and thus improves the environmental sustainability of the measurement process.

CUSTOMER FIRST PLATFORM

Launched in 2023, the Tofaş Customer First platform prioritizes customer feedback by allowing real-time monitoring of all communications across channels like social media, surveys, and the customer contact center. This information is easily and immediately accessible through the platform dashboard. In 2023 Tofaş opened another customer-interaction channel with the inauguration of its New Car Customer (NCC) survey. This consists of a questionnaire that is automatically sent three months after the original purchase to vehicles equipped with Fiat Connect. The greater volume of feedback generated by NCC greatly improves insights into the customer experience. Incoming feedback is regularly reviewed and used to develop solutions aimed at improving customer satisfaction.



Last year Tofaş continued to invest in innovative ways to enhance its quality processes.

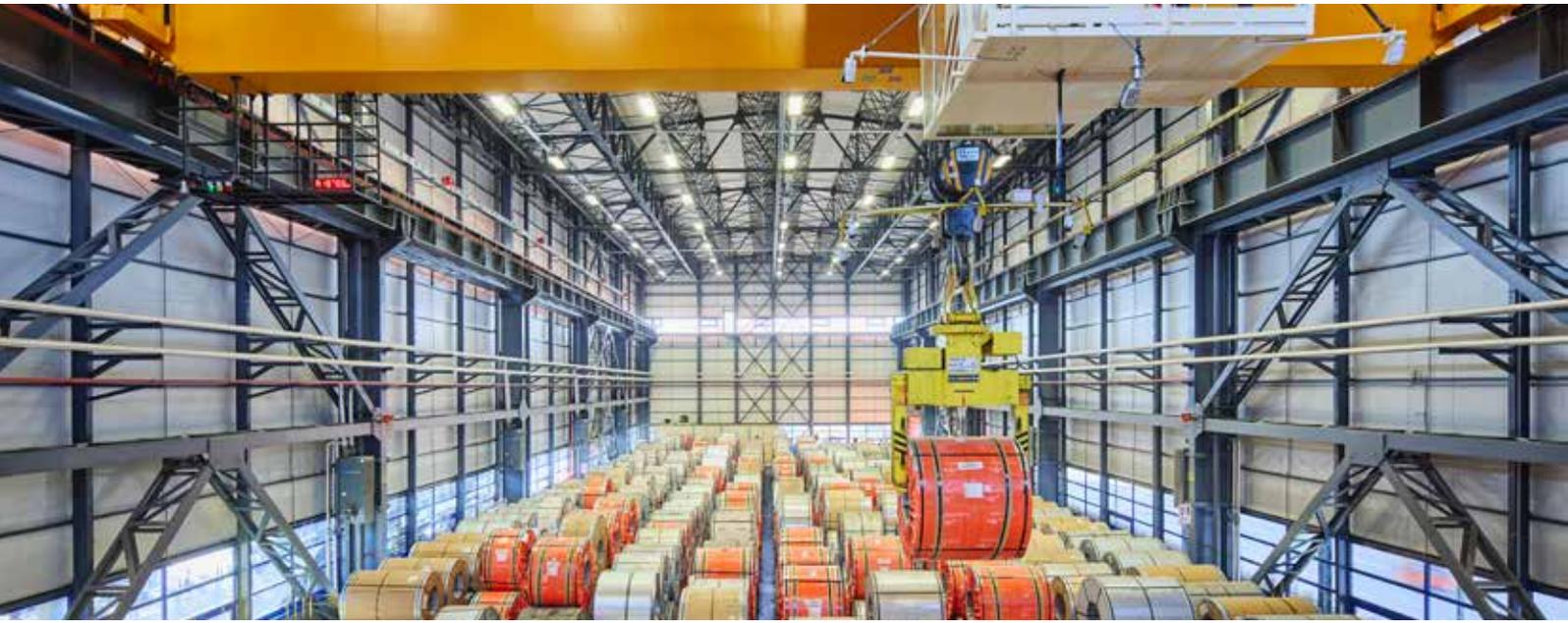
Under Tofaş’s Industry-University Collaboration (IUC) program, during 2023 Tofaş Quality Department representatives visited university campuses and led workshops sharing valuable knowledge and experience on a variety of topics such as the automotive industry, careers, digitalization, and manufacturing processes with students and recent newcomers to the sector.

Tofaş successfully passed recertification audits for compliance with integrated ISO 9001:2015, ISO 14001:2015, and ISO 45001:2018 standards in 2023. No nonconformities were identified during these audits.

The results of these audits show that Tofaş is especially strong in the following areas:

- Taking and following up corrective action to deal with integrated quality management system nonconformities
- System handling and management processes
- On-site work-safety practices
- Regulatory applications
- Coordinated, simultaneous conduct of multiple projects
- Compliance with Stellantis-mandated requirements
- Tracking and acting upon key performance indicators.

SUPPLY CHAIN MANAGEMENT



Tofaş is committed to creating and maintaining a supply chain that is financially robust, operationally eco-aware, and reliable from the standpoints of production quality and continuity.

Ever since the day it was founded, Tofaş has always given great importance to increasing localization and to reducing import-dependency in the Turkish automotive industry. In order to support the growth and development of a domestic automotive components-manufacturing sector, the company procures an average of 75% of its inputs other than engines and gearboxes from suppliers based in Türkiye. Tofaş leverages its competitive advantage as a production hub to champion strategic localization. The company will continue to do so with the overall aim of strengthening Türkiye's supply chain ecosystem and making it globally more competitive. Tofaş is exploring ways to increase the ratio of local suppliers to 90% by 2030. By capitalizing on its strong position within the Stellantis system, Tofaş will play a key role in supporting the development of its Turkish suppliers.

Tofaş is committed to creating and maintaining a supply chain that is financially robust, operationally eco-aware, and reliable from the standpoints of production quality and continuity. Acknowledging that its suppliers are as crucially important to its value chain as its own employees are, the company contributes to suppliers' continuous development by helping them to achieve organizational excellence and to improve their business productivity and success while also strengthening Tofaş's own sustainability culture throughout its supply chain.

Tofaş's procurements fall under three main headings: Direct Materials, Spare Parts, Services & Manufacturing and Industrial Procurements. In 2023 Tofaş's total procurements budget amounted to EUR 2.5 billion in value. Working with over 3,000 suppliers in the conduct of its procurements processes, Tofaş purchases its direct materials from 141 suppliers located in 14 cities around Türkiye. Tofaş is proactively developing and expanding its supplier network to support new vehicle projects and keep pace with emerging automotive technologies. To that end, the company is in discussions not only with established global companies but also with promising startups both in Türkiye and abroad.

AN EXTENSIVE AND COMPLEX SUPPLY CHAIN

Tofaş works with an extensive and complex supply chain from which, in the main, it procures preformed sheet metal components, forged & cast machined components, mechanical & electromechanical components, electrical installments, molded plastic and rubber components, seats, door panels, vehicle glass, glove compartments, bumpers, mufflers, chemicals, interior & exterior trim, and connectors. In order to ensure and support the continuity of its manufacturing operations, Tofaş also engages in a broad range of service and other procurements such as capital goods and related services, contractor services, maintenance & repair services, training & consultancy services, hardware

and services. Owing to the importance of supply-chain continuity, a multifaceted risk-management approach is prioritized in the conduct of purchasing processes and of supplier relations.

IMPROVEMENTS IN PROCUREMENT PROCESSES

Whenever Tofaş considers the procurements aspects of its new projects, it gives particular attention to acquiring advanced technological abilities for the Turkish automotive industry on the one hand and to boosting its own competitive strength on the other. In line with this, Tofaş encourages international firms that are global manufacturers of automotive components to invest in Türkiye or to enter into joint ventures with local suppliers.

GREEN PROCUREMENT

Tofaş's Green Procurement efforts are grounded in a philosophy both of fostering a culture of sustainability through the company's supply chain and of drawing attention to products and services whose environmental impact is lower. The goals of the Green Procurement program are to reduce the environmental impact of Tofaş's suppliers' production and service-provision processes, to improve its suppliers overall environmental performance, and to help reduce environmental risks.

Tofaş manages its value chain network with an emphasis on efficiency and sustainability. The company cultivates a value chain aligned with the ethical standards and working principles of its stakeholders while simultaneously prioritizing continuous improvement.

Tofaş has formulated and published a Supply Chain Compliance Policy that outlines the standards it expects its business partners to conform to. The company also provides them with guidance on how to do so.

In 2023, Tofaş overhauled its Supplier Portal. The update features richer content and a more user-friendly interface, making it an even better tool for supplier communication and collaboration.

SUPPLIER DEVELOPMENT

In the conduct of all of its procurements operations, Tofaş focuses on establishing and maintaining business-partner relationships while making efforts to help its suppliers to enhance their performance in many different areas such as product design, organizational and technical improvements, quality, cost-improvement, physical and financial risk mitigation, manufacturing process improvement, collective procurement, and sustainability.

CONNECTED SUPPLIER

"Connected Supplier" is Tofaş's name for a process that brings suppliers, startups, and technology-providers together in an ecosystem that develops digital projects capable of supporting Tofaş suppliers. Improvements made in the Connected Supplier process last year resulted in 180 new ideas being put forth and the commissioning of 120 projects that had been identified as being feasible.

PREDICTIVE SUPPLIER

Under Tofaş's Predictive Supplier Initiative, robust solutions are created to reactively deal with defects while machine-learning technology based on parameter-tracking and forecasting input is used at process points where defects occur. The 11 (2 new and 9 upscaling) Predictive Supplier Initiative projects that were carried out in 2023 can anticipate and prevent defects in their associated parts with a high degree of accuracy.

BUILT IN QUALITY

"Built-In Quality" (BIQ) is a process designed to systematically boost supplier quality levels and track improvements in Incident Per Billion (IPB) metrics. The 29 BIQ projects that Tofaş completed among 15 suppliers in 2023 improved the overall IPB performance of the company's outsourced inputs by 37%.



ENVIRONMENT &
ENERGY POLICY

ETHICAL BEHAVIOR & ANTICORRUPTION

Tofaş's commitment to the advanced business ethics that are part of the bedrock of its corporate culture inform all of the company's activities and operations. This means that ethical behavior of the highest sort is an essential priority and responsibility of every Tofaş employee. However not only Tofaş employees but also Tofaş dealers, suppliers and business partners, and all other stakeholders with whom the company actively engages are likewise expected to abide by the company's ethical guidelines.

The Tofaş Board of Ethics is responsible for the implementation of the Tofaş Code of Ethics and for overseeing compliance with its rules. Tofaş adheres to a no-tolerance approach when dealing with matters involving bribery and corruption. The company is committed to undertaking its activities fairly and honestly in line with legal and ethical guidelines. In all of the policies and procedures that it formulates, Tofaş strives to be in full compliance with the requirements of laws and regulations, with ethical and professional standards, and with universally-recognized principles. Within this scope, risks of bribery and corruption are identified and actions are taken to reduce them. Compliance with company ethical guidelines is supported by means of in-house group training sessions, regular ethical guideline announcements, and online training resources.

The 10th principle titled "Anti-Corruption" of the United Nations Global Compact to which Koç Holding, one of Tofaş's major stockholders, is signatory, is an indispensable part of Tofaş's approach to business ethics and anti-corruption.

All forms of discrimination be they based on language, race, gender, political affiliation, religious belief, or similar considerations are prohibited in the conduct of business and workplace relationships at Tofaş. Work agreements between the company and its employees may not incorporate any terms or conditions which, directly or indirectly, would subject an employee to prejudicial treatment on the grounds of gender or pregnancy at the time the agreement is entered into, while it is in effect, or when it is terminated except in cases where job-related risks, employee safety, or the requirements of law dictate otherwise. The principle of "Equal Pay For Equal Work" applies to everyone and no employee may be paid more or less based on their gender. All hiring, assignment, and promotion decisions must be based on objective performance criteria and never on such considerations as language, religion, gender, race, or the like. Tofaş condones neither the employment of children nor any form of forced or compulsory labor.



TOFAŞ'S CODE
OF ETHICS, ANTI-
CORRUPTION POLICY

CORPORATE SOCIAL RESPONSIBILITY PROJECTS



Tofaş undertakes long-term projects that invest in future generations, promote inclusiveness and diversity, and protect the cultural heritage.

SOCIAL INVESTMENTS

Believing that social vigor is the most essential element of business world success, Tofaş focuses on social responsibility projects capable of supporting social development multidimensionally, of contributing to the national economy, and of creating added value for society as a whole. Manifesting its contributions to society along multiple axes, Tofaş undertakes long-term projects that invest in future generations, promote inclusiveness and diversity, and protect the cultural heritage.

Tofaş's efforts on behalf of social responsibility are grounded in United Nations Sustainable Development Goals as guided by the needs, expectations, and priorities of the localities in which they are undertaken. Tofaş monitors the progress of all projects that it undertakes in light of measurable medium and long-term targets that it sets for them.

As a way of enhancing a project's effectiveness and encouraging practical-solution development, Tofaş encourages its own employees, dealers, and suppliers as well as other stakeholders to play a role in dealing particularly with its environmental and social aspects. To the same end, it also enters into strong collaborations with NGOs, international agencies and organizations, universities, local governments, and private individuals with expertise in the project's subject matter.

Tofaş strongly believes that contributing to society is one of the responsibilities of being a good corporate citizen. As such, it supports the community through socially beneficial charitable donations and sponsorships.



TOFAŞ'S DONATIONS &
SPONSORSHIPS POLICY

CORPORATE SOCIAL RESPONSIBILITY PROJECTS



INVESTING IN FUTURE GENERATIONS

Tofaş aims to foster a sense of culture and an outlook among children and youths that will help them be successful in all aspects of life and to promote such values in society at large by creating communal equality of opportunity in sport and education not just in Bursa where its manufacturing operations are based but elsewhere as well.

TOFAŞ SPORTS CLUB

The systematic, infrastructure-focused efforts of the Tofaş Sports Club have nurtured many new basketball players both for Bursa and for the country as a whole ever since the club was founded in 1974. The club supports both rearing healthy new generations and improving the quality of people's lives in general by giving all youngsters an equal opportunity to take part in sports activities.

Players and coaches who had their start at the Tofaş Sports Club have gone on to achieve success in sport both nationally and internationally. The club continues to pursue its goals both of making Bursa a city renowned for basketball and of being a model sports club in which its members and supporters can take pride. The Tofaş Sports Club's priorities are to deploy its infrastructure assets to rear athletes, to manage its Basketball A Team, and to carry out social responsibility projects.

Infrastructure

To date, more than 5,200 athletes and 420 coaches (770 of them national-team qualifiers) have been members of the Tofaş Sports Club.

Basketball A Team

Over the years since its formation, the Tofaş Sports Club's men's basketball team has won 1 President's, 2 Basketball Super League, and 3 Turkish League cups. As of 2023, about 800 athletes have played on the Tofaş Men's Basketball A Team. During the 2023-2024 season, the team is competing in Basketball Super League and Basketball Champions League games.



TOFAŞ SPORTS CLUB
WEBSITE

Promoting equality of opportunity in sport and sport culture

As summed up in its “Basketball City Bursa” motto, the aims of the Tofaş Sports Club are to provide all youngsters with the opportunities they need to take part in sport and also to promote equality of opportunity in sport and sport culture not just in its home province of Bursa but throughout the entire country. To leverage its effectiveness, the club cooperates with NGOs, local governments, and national and international organizations and also carries out projects capable of benefitting society as a whole.

As of end-2023, 15 Tofaş Basketball Schools based in 10 cities were providing basketball skills training resources and playing opportunities to 3,500 children.

Last year Tofaş Sports Club branches based in the Hope Town container cities set up in earthquake-affected areas by Koç Holding and Koç Group companies in coordination with AFAD began providing basketball training and playing resources for the children living in them in a joint Tofaş Sports Club and Turkish Basketball Coaches Association project. As of end-2023, 150 children were benefitting from such training under the supervision of local coaches in the provinces of Hatay, Adıyaman, and Malatya.

Launched in 2016, the goals of the Tofaş Next Generation Project are to provide all children with an equal opportunity to take part in sports and to foster attitudes and points of view among children that will help them be successful in all aspects of life. The Tofaş Next Generation Project is based on a training and implementation model that focuses on the trainer-family-child triangle in order to foster a generation whose members truly believe that every child should have an equal chance to

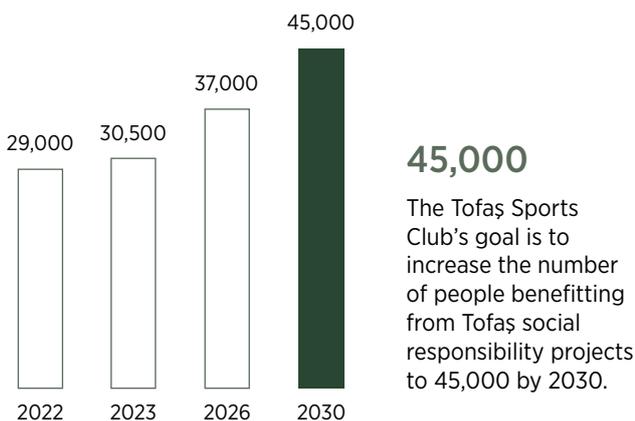
play basketball. Minor and junior teams formed from among selected children continue their training at the Mustafa V. Koç Sports Complex. The members of the Tofaş Sports Club’s junior teams consist largely of youngsters who have undergone Next Generation Tofaş training. Other aspects of the project include an e-learning system set up to provide distance learning resources for coaches and family members, street tournaments conducted to promote basketball among the public at large, and science and creative drama workshops.

As of 2023, e-learning system training videos had been viewed a total of 250 thousand times and 10,500 children and 5,000 parents had been reached through 15 basketball schools located in Bursa province townships.

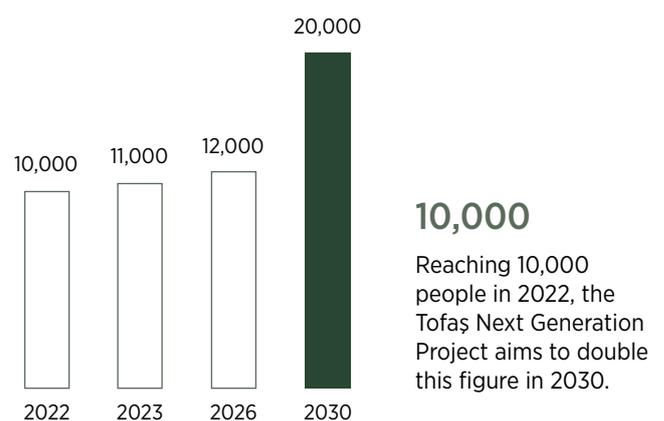
In 2019 the Tofaş Sports Club began establishing basketball courts in different parts of Bursa city as part of Tofaş’s Neighborhood Pitches Project. As of 2023, 46 of these pitches had been created in the city and are being provided with seasonal upkeep and maintenance services.

The Tofaş Basketball Team plays its home games at the Nilüfer Tofaş Gymnasium, another Tofaş facility that contributes to the social life of the city of Bursa and its people. The premises and facilities of the Tofaş Sports Club Mustafa V. Koç Sports Complex, are available not only to Tofaş personnel but also to Bursa’s amateur sports teams and athletes since 2016. With 5,800 m² of space, this complex contains three basketball courts, a fitness center, and a fully-equipped sports rehabilitation center capable of providing whatever forms of physical therapy athletes may require.

NUMBER OF PEOPLE REACHED BY TOFAŞ SPORTS CLUB SOCIAL RESPONSIBILITY PROJECTS



NUMBERS OF CHILDREN & PARENTS REACHED BY THE NEXT-GENERATION TOFAŞ PROJECT



CORPORATE SOCIAL RESPONSIBILITY PROJECTS

Tofaş Bursa Anatolian Museum, the first and only one of its kind, has received about 1.2 million visitors to date.



Tofaş Museum of Cars and Anatolian Carriages

TOFAŞ SCIENCE HIGH SCHOOL

Located in the Demirtaş Organized Industrial Zone in Bursa's Nilüfer township, instruction at Tofaş Science High School began in the 2014-2015 academic year. Tofaş provides the school with material support for the development of its instructors, students, and physical facilities. It also provides scholarship support for successful graduates who go on to university.

Initiated with Tofaş support at Tofaş Science High School, the "Innovation Workshop" aims to support the instruction of well-educated young people who will shape the future of automotive and engineering field in Türkiye and serve as its leaders. Having identified it as a "Project That Inspires", the Ministry of Education has decided to expand the Innovation Workshop program to embrace all science high schools. This support is being provided with the goal of making the Tofaş Innovation Workshop one of the top three STEM (Science, Technology, Engineering & Mathematics) workshops in Europe by 2030.

Tofaş Science High School's curriculum gives attention to gender-equality and to career-choice awareness as a way of encouraging female students to go into engineering and thereby increasing the breadth and depth of its recruitment pool.

PROTECTING THE CULTURAL HERITAGE

TOFAŞ MUSEUM OF CARS AND ANATOLIAN CARRIAGES AND TOFAŞ ART GALLERY

Located in Bursa's Umurbey district, the Tofaş Museum of Cars and Anatolian Carriages is a private museum focusing on the Anatolian transport heritage. A former silk-weaving mill that used to be here was restored and converted for use as a museum by Tofaş. On display at the museum is a historical panorama of the history of human transport in Anatolia beginning with a wheel that is 2,600 years old and extending to the present day with examples of Tofaş-built motor vehicles.

The museum opened its doors in 2003 and has received about 1.2 million visitors since then.

Located within the same grounds as the museum is the Tofaş Art Gallery housed in the Umurbey Hammam, the original construction of which dates to 1430. To date the gallery has hosted six exhibitions, the most recent of which is "The Poise Of The Steelyard: Scales, Weights & Measuring Instruments", a show with past and present-day examples of such equipment. The museum's cafeteria, Fayton Cafe, is open to museum visitors as well as to the public. The museum's gardens are planted with more than 50 different species and serve as a venue for concerts and culture & art events throughout the year.

On the occasion of the 100th anniversary of the founding of the Republic of Türkiye, the Tofaş Bursa Museum of Cars and Anatolian Carriages last year hosted an exhibition of photographs and newspaper clippings documenting annual public celebrations of Republic Day in the city of Bursa between 1930 and 1970. Mounted in the former Mancınıkhane section of the museum, the exhibition opened on 22 September and closed on 1 December 2023.



TOFAŞ MUSEUM OF
CARS AND ANATOLIAN
CARRIAGES WEBSITE



PAMUKKALE HIERAPOLIS ARCHAEOLOGICAL EXCAVATIONS

Since 2005 Tofaş has been supporting archaeological excavations at Hierapolis, the extensive ruins of one of the five biggest ancient cities in Türkiye. Coterminous with the Pamukkale thermal zone, both Hierapolis and Pamukkale were declared UNESCO World Heritage sites in 1988. Excavation work, which is being overseen by the Ministry of Culture and Tourism and the Denizli governor's office, is being carried out by an international team of about seventy archaeologists, architects, restorers, conservators, and other experts mainly from Italy and Türkiye.

Among the other significant unearthed in Hierapolis remains that have been unearthed are two necropolises, baths, a basilica, a martyrium, the Frontinus Gate, a gymnasium, an Apollo temple, and the so-called Pluto's Gate (Plutonium), a shrine sacred to the ancient god of the underworld, Pluto.

In bid to help protect the historical and cultural heritage of Malatya in the aftermath of the 2023 earthquake, Tofaş launched an initiative to resume the unfinished archaeological excavations at Arslantepe Höyüğü, a designated UNESCO World Heritage Site.



HIERAPOLIS
PROMOTION FILM

INCLUSION AND DIVERSITY

GENDER EQUALITY

Tofaş seeks to promote gender equality through activities that create social added value.

In line with the Gender Equality Forum's global acceleration plan to achieve gender equality through the Technology and Innovation for Gender Equality Action Coalition, Tofaş will contribute towards efforts to increase the number of girls studying science, technology, engineering, and mathematics subjects throughout Türkiye by creating new projects whose aim is to achieve this as well as by participating in existing ones. Tofaş has set itself the goal of reaching 30 thousand girls through such projects by 2026.

To this end, last year the company distributed "Gender Bias-Free Career Choice" training materials among its employees. Developed in collaboration with TAPV in 2022, the materials were designed for middle school and high school students as well as for their parents. Tofaş also hosted an online "Hack-Auto Women" camp to which it invited female senior-year engineering students, graduate students, doctoral candidates, and recent graduates to connect with Tofaş and discover their own potential. The camp was attended by about 2,000 young women. Participants demonstrating the most success are being considered for traineeship and job positions at Tofaş.



COMMITMENT TO CORPORATE GOVERNANCE

FOCUSED ON THE PRINCIPLES OF TRANSPARENCY, HONESTY, ACCOUNTABILITY, AND FAIRNESS, TOFAŞ LEADS ITS SECTOR BY ADHERING TO THE HIGHEST STANDARDS OF BUSINESS ETHICS. THE COMPANY'S APPROACH TO RESPONSIBLE CORPORATE GOVERNANCE AND TO THE ONGOING DEVELOPMENT AND TRANSFORMATION OF ITS HUMAN RESOURCES SET IT APART.



INFORMATION ON THE CAPITAL STRUCTURE AND SHAREHOLDING OF THE COMPANY

THE COMPANY'S CAPITAL, SHAREHOLDERS WHO OWN MORE THAN 10% OF THE CAPITAL:

As of 31 December 2023, the Company's recorded equity ceiling was TL 1 billion, and its issued (paid) capital was TL 500 million.

Shareholder	Share Group	Share Amount (TL)	Voting Right	Share Ratio (%)
STELLANTIS EUROPE SpA	D	189,279,856.87	18,927,985,687	37.8560
Koç Holding A.Ş.	A	187,938,121.26	18,793,812,126	37.5876
Temel Tic. ve Yat. A.Ş.	A	175,693.44	17,569,344	0.0351
Koç Family	A	1,166,042.17	116,604,217	0.2333
Others	E	121,440,286.26	12,144,028,626	24.2880
		500,000,000.00	50,000,000,000	100

Share Information

Current List of Other Exchanges or Organized Markets where the Company's Capital Market Instruments are Listed or Traded

Type of Listed/ Traded Capital Market Instrument	Initial Quotation/ Trading Date	Country of Relevant Market/Exchange	Name of Relevant Market/Exchange	Relevant Market of the Market/ Exchange
Stock	1 July 1991	Türkiye	Borsa İstanbul A.Ş.	Star Market

Tofaş shares are traded in the following market and included in the following indices:

BIST SUSTAINABILITY INDEX / BIST ALL / BIST INDUSTRY / BIST 30 / BIST 100 / BIST Bursa / BIST STAR / BIST CORPORATE GOVERNANCE / BIST Dividend / BIST METAL PRODUCTS, MACHINERY / BIST 50

There was no change in the Company's capital and shareholding structure in the period 1 January 2023 - 31 December 2023. The last time the Company made a bonus issue increase at the rate of 11.111111% from internal sources to a total of TL 50,000,000 was in 2005, and in the following years, including 2023, there was no capital increase. Information on Capital increases since the foundation of our company can be found on the website www.tofas.com.tr.

Tofaş is listed in BIST-30 and BIST-100 Indexes as well as the Corporate Governance Index and Sustainability Index.

Each shareholder has one voting right at the General Assembly Meetings and there is no privileged vote. However, Board Members and Auditors are elected among the nominees who will be nominated by Group A and D Privileged Shareholders. (Article 10 of the Company Articles of Association) As per the Company's shareholding structure and as specified in Company's Articles of Association, only A and D Group shareholders have the privilege of nominating the Members of the Board of Directors and Members of Auditing Board and one of the nominees for each of these committees should meet the requirements for independence as set forth by the regulations by Capital Markets Board. There is no privilege regarding allocation of dividends (as per Article 18 of Articles of Association). Detailed information and explanations relating to these matters are contained in more detail in the Corporate Governance Principles Compliance Report within the annual report.

In addition, there was no lawsuit, including those on environmental, social and corporate governance issues, which may affect the finances and activities of the Company and there was no administrative or financial sanction imposed on the Company or the members of its managing bodies due to breach of legislative provisions. There was no capital risk and it is concluded that the activities can continue.

There was no capital risk, and it was concluded that the capital is adequate for continuation of operations, as specified also in the related Committee report. Necessary additional actions are being taken to improve the financial structure of the Company.

No material events took place after the end of the operating period, which might affect the rights of shareholders, creditors and other related persons and organizations, and there is no additional information that the management deems fit in relation to other matters.

The shareholders can access corporate, financial and stock exchange data regarding the Company under the “Investor Relations” section at www.tofas.com.tr website and access information on other issues regarding the Company by sending an e-mail to borsa@tofas.com.tr.

Amendments to the Articles of Association During the Reporting Period

None.

The Company’s Articles of Association are also available for review on our Company’s website at www.tofas.com.tr.

Dividends Distributed in the Last Three Years and Ratios:

In accordance with the Turkish Commercial Code, the Capital Market Legislation, provisions of the Articles of Association, and the Profit Distribution Policy,

- cash dividends in the total amount of TL 3,000,000,000 corresponding to 600% (600% gross, 540% net) of the 2022 profit were paid out during 2023 as of 23 March 2023.
- cash dividends in the total amount of TL 3,200,000,000 corresponding to 640% (640% gross, 576% net) of the 2021 profit were paid out during 2022 as of 22 March 2022.
- cash dividends in the total amount of TL 1,500,000,000 corresponding to 300% (300% gross, 255% net) of the 2020 profit were paid out during 2021 as of 23 March 2021.

A detailed table of allocation of dividends in the mentioned and previous years is accessible at www.tofas.com.tr for review.

Subsidiaries and Affiliated Companies

As of 31 December 2023, our Company holds a share of:

100.00% (TL 50,000,000) in the nominal capital (TL 50,000,000) of its İstanbul-based affiliated company, Koç Fiat Kredi Finansman A.Ş. (KFK),

100% (TL 5,500,000) in the nominal capital (TL 5,500,000) of its İstanbul-based affiliated company, Fer Mas Oto Ticaret A.Ş. (Fer Mas).

At its Extraordinary General Assembly meeting held on 29 September 2022, Temel Ticaret ve Yatırım A.Ş., a direct or indirect shareholder in our company, resolved to transfer all of its shares in Koç Holding A.Ş. to Family Danışmanlık Gayrimenkul ve Ticaret A.Ş., which it wholly owns, by way of partial demerger. As a result of the said partial demerger transaction, there has been no change in the shares directly or indirectly owned by Temel Ticaret ve Yatırım A.Ş. However, the share of Family Danışmanlık Gayrimenkul ve Ticaret A.Ş. in our Company has changed from 0% to 16.41%.

BOARD OF DIRECTORS CVS

ÖMER M. KOÇ

Chair

In 1985, he received his B.A. degree in Ancient Greek Language and Culture from Columbia College, which is linked to Columbia University. He worked at Kofisa Trading Company in Switzerland for one year. He completed his MBA at Columbia University in 1989. After working at New York-based Ramerica International Inc. between 1989 and 1990, he joined Koç Group in 1990. He held various senior positions at Koç Holding including Finance Coordinator, Vice President and President of Energy Group. He became member of Board of Directors in 2004 and Vice Chair in May 2008. In February 2016, he was appointed as the Chair of the Board of Directors of Koç Holding. He serves as the Vice President of TÜSİAD High Advisory Council, Chair of Turkish Educational Foundation Board of Trustees, President of Geyre Foundation and Chair of Yapı Kredi Kültür Sanat Yayıncılık Board of Directors, Chair of İstanbul Foundation For Culture and Arts Board of Trustees, Chair of Tüpraş Board of Directors, Chair of Tofaş Board of Directors and Member of the Board of Directors at other Koç Group companies.

SAMİR CHERFAN

Vice Chair of the Board of Directors

Samir Cherfan graduated from Polytech Sorbonne Paris with a degree in Engineering. Cherfan started his career with Renault Group in 1992. Cherfan was appointed as Program Director in 2003 and Managing Director of Eastern Paris retail network at Renault Retail Group in 2010. Cherfan became the Sales and Marketing Director of Nissan Group in the Middle East in 2012 and the Managing Director in 2013. Cherfan joined Groupe PSA in 2017 as Sales and Marketing Senior Vice President for Middle East and Africa region (MEA). In 2019, Cherfan was nominated as Director of MEA Region and Executive Vice President. Since January 2020, Samir Cherfan has been the Chief Operating Officer Middle East and Africa and Member of the Global Executive Committee. Cherfan has been serving as the Vice Chair of Tofaş Board of Directors since November 2021.

CENGİZ EROLDU

Member of the Board of Directors – CEO

Cengiz Eroldu graduated from the Business Administration Faculty of Istanbul University in 1988 and completed the MBA program at LUISS University (Italy) from 1993 to 1995. He began his career as an Audit Specialist at Koç Holding in 1989. He was appointed to the position of Assistant Accounting and Industrial Governance Manager for Tofaş in 1995. He worked as the Accounting and Industrial Governance Manager and the Budget and Governance Manager from 2001 to 2008, and as the Finance Director between 2008 until 2015. Since January 2015, Eroldu has been serving as Member of the Tofaş Board of Directors and CEO. As of 2022, Cengiz Eroldu will also serve as the Automotive Industry Association's (OSD) Chair.

TEMEL KÂMİL ATAY

Member of the Board of Directors

A graduate of Mechanical Engineering from Istanbul Technical University, he holds an MBA degree from Wayne State University. He joined Koç Group in 1966 and later served as the General Manager of Otoyol Sanayi A.Ş. and Tofaş Türk Otomobil Fabrikası A.Ş. After working in various senior management posts at Koç Holding, he served as the CEO of Koç Holding Board of Directors between 1996-2019. Since April 1994, Temel Kamil Atay has been serving as Member of the Tofaş Board of Directors.

KENAN YILMAZ

Member of the Board of Directors

He graduated from İstanbul University, Faculty of Law in 1983. He was admitted to the İstanbul Bar Association in 1984. He earned an LLM in International Business Transactions from Tulane University Law School in New Orleans, Louisiana (USA) and received an EMBA from Koç University. He began his career as Legal Counsel at Koç Holding in 1989. He worked as Assistant Chief Legal Counsel between 2000 and 2006, and as the General Counsel between 2006 and 2021. From the beginning of 2021, he has been working as the Chief Legal and Compliance Officer of Koç Holding, also responsible for the Compliance Program. Kenan Yılmaz is also a Member of the Board of Directors of Tofaş and Marmaris Altinyunus. He also serves as Chair of the Board of Directors and Member of the Board of Directors of some other Koç Group companies. In addition, Mr. Yılmaz is a founding member of Turkish Center for Ethical Values Foundation and founding member and Vice Chair of the Board of Directors of Turkish Institute of Nautical Archeology (TINA) and Vice Chair of the Board of Directors of Koç Holding Pension and Support Fund Foundation, and a member of Turkish Industry & Business Association (TÜSİAD).

SILVIA VERNETTI BLINA**Member of the Board of Directors**

Silvia Vernetti Blina, who completed her higher education at the Catalonia Polytechnic University of Barcelona in the field of Engineering, has experience in strategic planning, business development, and financial management. Before joining Fiat S.p.A in 2004, Silvia Vernetti Blina served in consulting roles at Bain & Company (Italy) and Andersen Consulting, where she was involved in Business Development and Joint Ventures Coordination for the consumer finance unit Fidis of the group. Vernetti also served as the Business Development President for FCA's EMEA Region from 2009 and as FCA Serbia President from 2011. During this period, Vernetti also managed Fiat Group Automobile Partnerships Management and Strategic Planning function, overseeing alliances with significant industrial partners. Since January 2021, Silvia Vernetti Blina has been serving as the Global Corporate Office President and as a member of the Senior Executive Team of Stellantis. Since March 2018, Silvia Vernetti Blina has been serving as the Global President of Jeep Finance.

POLAT ŞEN**Member of the Board of Directors**

Polat Şen received his bachelor's degree from Marmara University, Department of Economics in 1998 and his master's degree in International Finance from the University of Bradford, School of Management in 1999. Şen completed the Harvard Business School Advanced Management Program in 2016. Appointed as Internal Audit Manager of Arçelik Group in 2005, and Group Director of Finance and Accounting at Grundig Electronics / Grundig Multimedia B.V. in 2008, he worked as Finance and Accounting Directors at Arçelik Group / Grundig Multimedia B.V. between 2009 and 2010. After holding Director of Purchasing position from 2010 until 2015, Polat Şen served as the CFO and at the same time the Assistant General Manager responsible for Sub-Saharan Operations of Arçelik Group from 2015 until 2022. Polat Şen has been the CFO of Koç Holding since 2022

GIORGIO FOSSATI**Member of the Board of Directors**

Giorgio Fossati holds a degree in law from the University of Turin (Italy). He started his professional career in the Legal Department at Iveco S.p.A. in 1988 and joined Fiat S.p.A. in 1999 as a member of the legal staff. He became General Counsel of FCA Italy S.p.A. in 2002. He has served as the General Counsel for FCA Europe, Middle East and Africa Region and as Corporate General Counsel for Fiat Chrysler Automobiles N.V. in 2011. Mr. Fossati is a member of the Boards of Directors of FCA Partecipazioni S.p.A., Fiat Chrysler Risk Management S.p.A. In addition, he is the Vice President of Audit Committee of FCA Poland S.A. Giorgio Fossati has been serving as Member of the Tofaş Board of Directors since February 2016.

SERGIO DUCA**Independent Member of the Board of Directors**

Mr. Duca graduated with honors in Economics and Business from Bocconi University in Milan. As a certified chartered accountant and auditor, he acquired broad experience through the PricewaterhouseCoopers network as the external auditor of a number of significant Italian companies. From 1997 to 2007, Mr. Duca was the Chair of PricewaterhouseCoopers S.p.A. In addition, he has previously served as Chair of the Board of Auditors of the Silvio Tronchetti Provera Foundation, Chair of the Board of Auditors of the Compagnia di San Paolo until May 2016, member of the Edison Foundation's Advisory Board and the University Bocconi in Milan's Development Committee, as well as Chair of the Bocconi's Alumni Association's Board of Auditors and a member of the Board of Auditors of the ANDAF (Italian Association of Chief Financial Officers). Mr. Duca has previously served as Chair of the Board of Directors of Orizzonte SGR S.p.A. from 2008 until 2016, Chair of the Board of Statutory Auditors of Exor S.p.A. until May 2015, Chair of the Board of Statutory Auditors of GTech until April 2015, Chair of the Board of Statutory Auditors of Tosetti Value SIM and an Independent Director of Sella Gestione SGR until April 2010. Sergio Duca is the Chair of the Board of Statutory Auditors of Enel S.p.A. since April 2010. He also serves as Chair of the Board of Auditors of Compagnia di San Paolo School Foundation and ISPI (Italian Institute for International Political Studies) and Member of the Board of Auditors of Intesa San Paolo Onlus Foundation, a member of the board of directors of Nedcommunity, and an independent board member of OSAI Automation System S.p.A. Sergio Duca has been serving as Independent Member of the Tofaş Board of Directors since March 2018.

NESLİHAN TONBUL**Independent Member of the Board of Directors**

Having graduated with a high degree from the Economics and Political Science department of Rutgers University in 1981, Neslihan Tonbul completed her post-graduate study on International Finances and Economic Development at The Fletcher School of Law and Diplomacy - Tufts University. Appointed to the senior executive positions at New York, London and Istanbul agencies of various international finance institutions (The Irving Trust Company, The Bank of New York and BNY Mellon) from 1983 to 2008, she was appointed as regional manager overseeing a region that includes the Middle East, Africa, Eastern Europe and Türkiye. Serving as board member to the prominent Turkish holdings since 2008, she continues to work as a Consultant at the New Zealand Economic Development Agency and a Senior Advisor at Cambridge Family Enterprise Group. Gaining expertise in the Management of Family Companies by studying at the Harvard Business School, Tonbul has been teaching "Management of Family Companies" and "Impact Investing and Sustainability" at the Koç University since 2017.

CV'S OF SENIOR MANAGEMENT

CENGİZ EROLDU

Board Member & CEO

Cengiz Eroldu graduated from the Business Administration Faculty of Istanbul University in 1988 and completed the MBA program at LUISS University (Italy) in 1995. He began his career as an Audit Specialist at Koç Holding in 1989. He was appointed to the position of Assistant Accounting and Industrial Governance Manager for Tofaş in 1995, working in the Accounting and Industrial Governance Department and the Budget and Governance Department from 2001 to 2008, and in the Finance Department between 2008 until 2015. Since January 2015, he has been serving as Member of the Tofaş Board of Directors and CEO. As of 2022, Cengiz Eroldu also serves as the Chair Automotive Industry Association (OSD).

FABRIZIO RENZI

Financial Director (CFO)

Fabrizio Renzi received a degree in Business and Economics from Sapienza Università di Rome in Italy in 1992 and started his professional career as an accountant and tax advisor in 1992. Since 1998, Renzi has held various positions at Fiat Chrysler Automobiles. After serving at various levels in Finance Department until 2013, he worked as CFO in Serbia FCA from 2014 until 2018 when he was appointed the Financial Director of Tofaş.

ZEKİ ERDAL ŞİMŞEK

R&D Director

Zeki Erdal Şimşek graduated from Istanbul Technical University, Aeronautics and Space Sciences Department in 1987 and completed the MBA program at Istanbul University in 1989. In 1990, he began his professional career as a Project Engineer at Tofaş; after 11 years of service, he was appointed Plant Manager at the Fiat automobile plant in Cairo. Returning to Tofaş in 2003, Zeki Erdal Şimşek served as a manager in different departments before becoming Quality Director. He has been the Factory Director since April 2017.

GIUSEPPE MASCIOTTO

R&D Director

Giuseppe Masciocco graduated from University of Roma La Sapienza, Mechanical Engineering Department and completed his master degree at the same university and department in 1989. He started his career at Elasis as Steering System Designer in 1991. Between the years 1993-2007 he worked as System Engineer, Punto 99 Project Team Leader, "Panda Concept " Project Responsible, Vehicle Design Technical Manager, Vehicle R&D Design & Testing Manager. After 2007, he continued his career at Fiat Group Automobiles as Alfa Romeo Model Responsible (Segment E), Quality Vehicle Line (Segment A), Quality Product Evaluation & Special Vehicles. He has been working as Quality Vehicle Line (Maserati & Sport / Electrification) at Maserati S.P.A. since 2017. Masciocco joined Tofaş as R&D Director in August 2020.

ALTAN AYTAÇ

Fiat Business Unit Director

Altan Aytaç graduated from the Industrial Engineering Department of Boğaziçi University in 1992. He began his professional career at Tofaş Auto Trading where he was involved in setting up the first logistics department in the area of commerce. He completed the EMBA program at Koç University in 1997. The same year, he became Manager of the CBU Logistics Department. Mr. Aytaç was appointed Commercial Projects Coordinator in 2003, Fiat Brand Manager in 2004, and Business Unit Director Türkiye for the Alfa Romeo and Lancia brands in 2006. He rose to the position of Tofaş Supply Chain Director in 2008, and After Sales and Spare Parts Director in January 2015. Altan Aytaç has served as Fiat Business Unit Director since August 2015.

ÖMER ÖZGÜR ÇETİNOĞLU**Information and Communication Technologies Director**

Ömer Özgür Çetinoğlu graduated from Boğaziçi University, Department of Computer Engineering in 1992. He began his professional career the same year as a Software Engineer at Koç Holding. Between 1997 and 2002, Mr. Çetinoğlu worked as Business Development Manager at Koç Holding Consumer Products Group; in 2002, he was appointed Information Systems Manager at Beko Elektronik. From 2007 to 2016, he assumed several roles at Koç Sistem, including Consulting Group Manager, Business Solutions Director, Business Applications and R&D Director, respectively. In 2016, Mr. Çetinoğlu was appointed Information and Communication Technologies Director at Tofaş.

HASAN ERDOĞAN**Mobility Solutions Director**

Hasan Erdoğan graduated from Yıldız Technical University, Department of Industrial Engineering in 2004. Having completed his master's degree in Industrial Engineering at Boğaziçi University, Hasan Erdoğan completed the Executive MBA program at Koç University in 2013. Hasan Erdoğan started his career at Tofaş as a Spare Parts Logistics Specialist in 2006. Erdoğan worked as Spare Parts Sales Regional Manager and After Sales Business Development Manager, respectively. Hasan Erdoğan was appointed Light Commercial Vehicle Marketing Manager at the Fiat Marketing Directorate in 2016. Hasan Erdoğan has been working as Mobility Solutions Director at Tofaş since 2022.

MAHMUT KARACAN**Sales Director**

Mahmut Karacan graduated from Çukurova University, Department of Business Administration. He started his professional career as Logistics Expert at Çitasad A.Ş. in 1995; from 1996 to 2000, he was responsible for sales and marketing there. In 1997, he raced in the "Good Year Off-Road Cup." Between 2000 and 2012, he was responsible for Sales Marketing operations at Daimler-Chrysler. From 2000 to 2012, he was responsible for Sales and Purchasing at Daimler Chrysler; he founded Chrysler, Jeep® Dodge Academy in 2003. He served as Sales and After Sales Services Business Unit Director for Lancia, Alfa Romeo and Jeep® brands between 2013 and 2015. Mahmut Karacan was appointed Sales Director in 2015.

DOĞU ÖZDEN**Financial Planning and Control Director**

Doğu Özden (CIA, CFSA) is a graduated from Boğaziçi University, Department of Economics, completed the MBA program at Koç University and the London School of Economics Strategy Certificate Program. He began his professional career as an Audit and Financial Group Manager at Koç Holding in 2001. He worked as an Audit Assistant between 2002 and 2003, a Financial Specialist between 2004 and 2005, a Senior Audit Specialist between 2005 and 2008. From 2010 to 2017, he took on the duty of Accounting Manager and 2017 to 2018 Financial Planning and Control Manager at Tofaş. In 2018, Doğu Özden was appointed Financial Planning and Control Director at Tofaş.

YÜKSEL ÖZTÜRK**Purchasing Director**

Yüksel Öztürk graduated from Uludağ University, Mechanical Engineering Department in 1991. He began his professional career as Product Development Engineer at Tofaş in 1993. Between 2001 and 2005, he was appointed Direct Material Electrical Manager and Direct Material Electrical Manager. Since 2005, Yüksel Öztürk has been serving as Purchasing Director.

SABRİ ERKAN POLAT**Vehicle Engineering Director**

Erkan Polat graduated from Istanbul Technical University, Department of Mechanical Engineering in 1986. Between 1987 and 1989, he attended the Master's Program at the University of Manchester in the U.K. and earned his Master's Degree. Mr. Polat began his professional career as Design Engineer at Etibank Aluminum Enterprises in 1989. In 1992, he began working at Tofaş as Press Method Engineer. From 1999 to 2004, he served as Press Engineering Administrator and then Die and Press Business Development Manager, respectively. In 2006, he was appointed Die Production Manager, and from 2010 to 2013, he served as Die&Press Production Manager. Between 2013 and 2015, he worked as R&D Body Design Manager, and later as Egea Hatchback Model Manager from 2015 to 2016. Mr. Polat was appointed Product Engineering Director in 2016. Since 2018 Mr. Polat serves as Vehicle Engineering Director.

* Supply Chain Director Onur Yalçın will leave his position as of 1 March 2024, and Yüksel Öztürk will be appointed to replace him. As of the same date, Ersan Ferruh Arar will begin to serve as Purchasing Director.

CV'S OF SENIOR MANAGEMENT

ORÇUN SARICA

Human Resources and Industrial Relations Director

Orçun Sarıca completed his bachelor's degree in 2002 and his master's degree in 2005 at Dokuz Eylül University, Electrical & Electronics Engineering Department. Orçun Sarıca started his career in 2003 and worked in sales and project departments of various companies. Since 2006, he has worked as a Technological Systems Specialist, Paintshop Engineering Manager, Paintshop Manager, Supplier Quality and Development Manager, and Suspension, Chassis and Engine Systems Purchasing Manager at Tofaş, respectively. Orçun Sarıca has been working as Human Resources Director at Tofaş since 2021.

ÖZGÜR SÜSLÜ

Alfa Romeo and Jeep® Brand Director Fiat Marketing Director

Özgür Süslü graduated from Boğaziçi University, Mechanical Engineering Department. He started his professional career in Italy at Fiat Group Manager Training program. Süslü worked in product development and product manager positions in Tofaş between 2002-2006. Özgür Süslü undertook the role of Marketing Director of Fiat Light Commercial Vehicles between 2006-2010. He worked as the Director of Fiat Marketing at Tofaş between 2010 and 2016 and as Egea / Tipo Marketing Director in EMEA (Europe, Middle East and Africa) region at FCA. In 2017 he worked as Pricing Director of Fiat, Abarth and Lancia brands. Apart from this position, he also assumed the duties of Alfa Romeo and Jeep® Brand Director and Company Manager at Fer Mas Oto Ticaret A.Ş. in 2019.

HÜSEYİN ŞAHİN

After Sales and Spare Parts Director

Hüseyin Şahin received his Bachelor's degree in Public Administration from Uludağ University in 1990. He started his professional career as Project Manager at Efthor in 1996. He served as Human Resources Expert at Fruehauf from 1997, becoming the Human Resources Manager in 1999. He joined Otokoç as Human Resources Manager in 2001; between 2003 and 2005, he served as the Antalya Branch Manager and Birmot Zincirlikuyu Branch Manager of Otokoç. From 2005 to 2011, he was the Birmot Assistant Operational General Manager. After serving as Sales Director at Tofaş between 2011 and 2015, Hüseyin Şahin was appointed After Sales and Spare Parts Director in 2015.

RECEP TEMİZESEN

Production Director

Recep Temizesen obtained his Bachelor's degree in Mechanical Engineering from Middle East Technical University in 1988. He started his professional career at Çimhol A.Ş. in 1988, where he worked as Project Engineer until 1991. He joined Tofaş in 1992 as a Press Method Engineer, subsequently serving as Press Shop Process Section Manager, Press Shop Engineering and Technology Manager, Press Shop Manager and Assembly Shop Manager from 1999 to 2015. Recep Temizesen has served as Production Director since 2015.

ONUR YALÇIN **Supply Chain Director**

Onur Yalçın received his undergraduate degree in Industrial Engineering from Middle East Technical University in 1991 and his Master's degree in Operational and Industrial Engineering from Iowa State University (USA) in 1993. Since joining Tofaş as an Industrial Engineering Specialist in 1993, he has served as Production Planning Administrator, Parts Exports Manager, Order Manager, CBU Logistics Manager and Outbound Logistics Manager. Onur Yalçın was appointed Supply Chain Director in 2015.

ARZU YAZGAN **Corporate Communications Director**

Arzu Yazgan holds a degree in Economics (English) from Istanbul University. She began her professional career as a planning specialist at Doğuş Automotive Service and Trading in 1995. Between 1998 and 2003, she served as Planning and Logistics Manager and VW Commercial Vehicle Marketing Manager. From 2003 to 2004, she took on the duty of Regional Director at Doğuş Auto Marketing. Appointed Alfa Romeo Brand Manager at Tofaş in 2005, she continued as Business Unit Director of Alfa Romeo and Lancia in 2008. Since 2012, Arzu Yazgan has served as Corporate Communications Director at Tofaş.

İSMET KAĞAN YILDIRIM **External Relations Director**

İsmet Kağan Yıldırım graduated from Istanbul University Business Administration Department and completed his Business Administration education at Bielefeld University. Yıldırım began his professional career at Farel Plastik ve Elektronik in 2005. Between 2007-2011 Mr. Yıldırım served as Strategy and Business Development Senior Project Director (Head of the German Desk) and Strategy and Business Development Senior Project Director (Head of the Automotive Desk) at the TR Presidency Investment Office. In January 2020, İsmet Kağan Yıldırım was appointed External Relations Director at Tofaş.

SİNAN YILDIRIM **Quality Director**

Sinan Yıldırım graduated from the Middle East Technical University as a mechanical engineer in 1988 and started his career at BOTAŞ. He joined Tofaş in 1990 where he first worked as an engine engineer in Method Mechanical unit and then as an engine specialist in the R&D Department, followed by an assignment in Italy for the new engine project. Appointed as head of engineering to the Transmission Parts Manufacturing Unit, Mr. Yıldırım joined Fiat GM Powertrain in 2001, where he worked until 2007. Having rejoined Tofaş at the end of 207 as Product Quality Manager, he completed his MBA at Bilgi University in 2008. Appointed as Manufacturing Technology Manager in 2010, Sinan Yıldırım has been serving as Quality Director since 2017.

* Supply Chain Director Onur Yalçın will leave his position as of 1 March 2024, and Yüksel Öztürk will be appointed to replace him. As of the same date, Ersan Ferruh Arar will begin to serve as Purchasing Director.

DECLARATION OF CORPORATE GOVERNANCE PRINCIPLES AND COMPLIANCE REPORT

SECTION I: DECLARATION OF COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES

In 2023, full compliance was achieved with the applicable compulsory principles of the Corporate Governance Communiqué II-17.1 while compliance was achieved with most of the noncompulsory principles.

Although the aim is to achieve full compliance also with the noncompulsory Corporate Governance Principles, full compliance has not yet achieved due to reasons such as; difficulties in practicing some of the principles, continuing evaluations in our country and on international platform about complying with some of the principles, some of the principles not fully matching with the existing structure of the market and our Company. The process regarding the principles, which have not yet been adopted, is in progress and they are scheduled for adoption following the completion of managerial, legal, operational and technical infrastructure works in a manner to assist the Company in effective management. Comprehensive activities carried out within our company within the scope of the Corporate Governance Principles, and principles that was not complied with in relevant departments and conflicts of interest (if any) arising for this reason, are explained below.

In 2023, Corporate Governance activities were carried out particularly to achieve compliance with the Capital Markets Law that includes the new regulations of Capital Markets Board of Türkiye (CMB) about Corporate Governance Principles, and with the Communiqués based on this Law. Within this context, our Board of Directors and our Committees were formed in line with the requirements in the Corporate Governance Communiqué and the Board of Directors' Committees so set up pursue their activities efficiently.

Board of Directors' and executive managers' remuneration policy was determined and presented for the shareholders' information at the General Assembly. With the informative document prepared for the General Assembly; (i) General Assembly information (that must be announced according to the principles) such as privileged shares, rights to vote, organizational changes, (ii) résumés of the candidate Members of the Board of Directors, (iii) Board of Directors' and executive managers' remuneration policy, (iv) necessary reports that must be prepared and necessary information that must be announced regarding the related party transactions, were presented for the information of our shareholders and investors 3 weeks in prior the General Assembly. Furthermore, our Company's corporate website and Annual Report were

reviewed, necessary revisions were made in order to achieve full compliance with the principles.

In the upcoming period, developments in the legislation and practices will be taken into account and necessary activities will be carried out in order to achieve compliance with the Principles.

Within the scope of the Compulsory Corporate Governance Principles, in the context of exceptions in practicing the Corporate Governance principles - as per the first paragraph of the 6th Article of the Corporate Governance Communiqué; our Company's status is a "joint venture" (JV) composed of "two juridical persons" who "equally control the management with an agreement" while the number of the independent members of the Board of Directors is "two" in line with this regulation. With the CMB decision n.5/129 (date: 16.02.2012) approval was received for that it was sufficient to determine the number of the independent members of the Board of Directors as 2 (two).

Furthermore; as per Article 5 paragraph 6 of the said Communiqué, nominees for independent membership on the Board of Directors were determined in conformity with the requirement that reads "It is sufficient that [...the principle.....] is met by at least half of the independent members " with respect to the criterion of "being considered a resident in Türkiye in accordance with the Income Tax Law" as specified in paragraph (d) of the first clause of the compulsory principle numbered 4.3.6, and necessary permission has been obtained from the CMB. Along this line, the necessary consent has been received for the Board of Directors' independent member nominees with the CMB decision no. 29833736-110.07.07-E.1225 and dated 02.02.2018, and the independent members were elected at the General Assembly as at 14 March 2023 for a one-year term of office.

The implementation of Corporate Governance Principles has a decisive and ever-increasing importance for the Company as a result of the developments in Capital Markets and as a dynamic process. The Company continues its efforts to adopt corporate governance as a corporate culture by adopting the Corporate Governance Principles issued by the CMB, making the necessary improvements and regulations based on current conditions on areas that require adoption and making the necessary changes. We integrate sustainability into our corporate governance practices in accordance with the principles of transparency, accountability, fairness and responsibility, as described in the Corporate Governance Communiqué.

Following suit of previous years, our activities were meticulously carried on in 2023 by keeping a close eye on the changes made in the legislation or capital market regulations, and in line with our Company's corporate governance activities.

Within the framework of our corporate governance practices, our corporate governance rating was revised once periodically by the corporate governance rating firm SAHA Kurumsal Yönetim ve Kredi Derecelendirme Hizmetleri A.Ş. Within the scope of the Corporate Governance Rating Report issued on 26 October 2023 upon review of 2023 operations, our rating score was declared as 9.27 (92.69). The rating report can be reviewed on our Company website.

Due to reasons also mentioned above, full compliance has not yet been achieved with the non-compulsory Corporate Governance Principles specified below. Detailed information regarding the issue is presented in the relevant sections below. Our Company is not exposed to any conflicts of interest by reason of failure to fully comply with the non-compulsory principles.

Regarding principle no. 1.4.2, privileges listed below in section 2.4 were specified in our Articles of Association.

Regarding principle no. 1.5.2; our Articles of Association do not stipulate minority rights for those who hold less than one twentieth of the capital, and thus rights were provided within the framework of the general regulations in the legislation.

Regarding principle no. 4.3.9; there is no target ratio and time set for the ratio of female members on the Board of Directors, and evaluation of the matter continues. Detailed information regarding the issue is given in section 5.1. below.

Regarding principle no. 4.4.5; the Company has in place long-standing and consistently implemented processes related to how the Board of Directors meetings will be held; however, there is no internal written regulation specific to this matter.

As per principle no. 4.5.5., board members are assigned to committees based on their knowledge and experience levels and in accordance with applicable regulations. Some board members serve on multiple committees. Board members, who serve on multiple committees, are responsible for ensuring communication and cooperation between committees that oversee areas related to each other.

Regarding principle no. 4.6.1; there has been no specific initiative aimed at performance evaluation at the Board of Directors level.

Regarding principle n. 4.6.5: remuneration of the Members of the Board of Directors and managers who have administrative responsibilities is disclosed collectively in parallel to the common practice in the footnotes of our financial statements and at the General Assembly meetings.

Our Company has espoused a sustainable approach to governance by ensuring a broad-based establishment of the corporate governance concept as a dynamic process and corporate culture, in line with the implementation of Corporate Governance Principles. Additionally, in case of a significant change during the period, such change will be included in the interim activity report.

2023 Corporate Governance Compliance Report (CRF) and Corporate Governance Information Form (CGIF) of Tofaş Türk Otomobil Fabrikası A.Ş., which is prepared according to the new reporting formats as per the CMB decision no. 2/49 dated 10 January 2019 is attached to the annual report (page 121-128) and it will also be separately disclosed on the Public Disclosure Platform (KAP) within due time deemed appropriate by the CMB.

SECTION II- SHAREHOLDERS

2.1 Investor Relations Department

Our Company's Financial Director, and the Financial Risk Management and Investor Relations Unit, Accounting Unit and Legal Counseling Unit, organized under the Financial Directorate, are assigned with the performance of the duties stipulated under Article 11 of the CMB's Corporate Governance Communiqué no. II-17.1.

The functions of the Investor Relations Unit are performed by Mr. Mehmet Aydın Ağyüz, Financial Risk and Investor Relations Manager.

Along this line, as of 2023, the duties set forth under Article 11 of the Corporate Governance Communiqué are being fulfilled by Mr. Mehmet Aydın Ağyüz under the supervision of the Company's Financial Director, Mr. Fabrizio Renzi. In the Corporate Governance Committee, which functions within the frame of the operating principles set out by our Board of Directors, Mr. Fabrizio Renzi serves in addition to the existing members.

Within the scope of the considerations stipulated in Article 11 of the CMB Corporate Governance Communiqué, Investor Relations Department Report was prepared regarding the activities carried out in 2023, and was presented to the Board of Directors as of 13 February 2024 after it was discussed in the Corporate Governance Committee.

DECLARATION OF CORPORATE GOVERNANCE PRINCIPLES AND COMPLIANCE REPORT

Within this framework; the Risk Management and Investor Relations Unit made investor and analyst company visits, and attended teleconferences, domestic and international investor conferences. A total of 169 meetings were held, including 68 corporate investor and 101 financial analyst meetings.

During the year, 8 video conferences were attended. In addition, 39 meetings were held with analysts and investors via teleconference.

As of the end of 2023, 41.7% of the Company's publicly-floated shares were being held by foreign investors.

The General Assembly meeting, which was organized during the reporting period within the frame of shareholder relations, was convened as per the legislation in force via Electronic General Meeting System (e-GEM). The meeting, announcements and records regarding the meeting were organized in conformity with the capital market regulations, the Company's Articles of Association and other internal regulations.

Relevant procedures concerning the activities of the Committees under the Board of Directors are monitored and records are kept. The issues including public disclosures, responds to shareholders' and investors' information requests are handled and monitored, and material event disclosures are made through the Company's corporate website, such portals as e-Company and e-Governance, and PDP within the scope of the Capital Market legislation.

In addition to the above, as stated in the Declaration of Compliance section above, the Company's corporate governance rating was declared 9.27 (92.69%) upon the annual periodic review performed.

During the reporting period, 22 material event disclosures were released; disclosures of an important nature for the investors, along with their translations into the English language, were posted on the corporate website as well as on PDP. In 2023, 125 queries were received from shareholders in writing or via telephone, and information continued to be provided as necessary. While queries were mostly concerned with financial statements, sales performance, projections, there were requests for annual reports and sustainability reports. Moreover, necessary responses were given to information requests regarding capital market regulations.

2.2. Dividend Rights

There is no privilege regarding participation in Company profit or allocation of dividends. Dividends are distributed equally regardless of the whole current shares or their dates of issuance and acquisition.

Our Company's Dividend Policy is available in the Company's Annual Report and on the corporate website; also, the Dividend Policy covering matters related to dividend distribution has been laid down for the approval of the General Assembly, and the General Assembly Meeting Minutes incorporate the fact that it has been ratified. Accordingly, profit distribution is made as per the provisions of the Turkish Commercial Code, Capital Market regulations, Tax Regulations, other applicable legislation and the article concerning profit distribution of the Articles of Association. A balanced and consistent policy between the shareholders' and Company's interests is pursued in profit distribution in line with the Corporate Governance Principles; in principle, the net distributable profit for the period is calculated as per the Capital Market regulations by taking into account the market projections, the Company's long-term strategies, investment and financing policies, profitability and cash status, and the maximum amount of cash dividends and/or bonus shares are distributed to our shareholders, so long as it can be covered from our financial records, and to the extent permitted by the applicable regulations and financial means. Furthermore, within the scope of this Profit Distribution Policy, the aim is to make profit distribution within maximum one month after the General Assembly meeting while the profit distribution date is decided by the General Assembly. The General Assembly or the Board of Directors, in case authorized by the General Assembly, may decide to distribute dividends with installments in conformity with the Capital Market Regulations.

According to the Articles of Association of the Company; the Board of Directors, provided that it is authorized by the General Assembly and it complies with the Capital Markets Regulations, may make advanced dividend payment.

SECTION III - PUBLIC DISCLOSURE AND TRANSPARENCY:

3.1. Annual Report

Board of Directors prepares the annual and interim Annual Reports with the details to fully and accurately inform the public on company activities. Information listed by Corporate Governance Principles are included with due care.

Our Annual Report for the past period, prepared in conformity with the Corporate Governance Principles stipulated in the CMB's "Corporate Governance Communiqué" n.II-17.1 that entered into force after being 03.01.2014) is an accurate and reliable source just like in the previous years, available both in print and online via our website.

In addition, necessary additions have been made to our Annual Report which has been produced in view of the provisions of the Regulation on Determining the Minimum Contents of Annual Reports of Companies published by the T.R. Ministry of Customs and Trade in the Official Gazette dated 28 August 2012, and our Annual Report is being updated within the frame of the legislation and regulations.

The headings in the present Annual Report have been addressed under 6 main sections: These main sections are titled as "Tofaş At a Glance", "General Assembly", "Tofaş in 2023", "Sustainability", "Corporate Governance", and "Financial Information".

The following subsections are listed under the main sections: Key Financial and Operational Indicators, Institutional Investor Relations, Board of Directors, Senior Management, Automotive Industry, Tofaş's Place in the Industry, Subsidiaries, Sustainability and Social Responsibility Policy, Customer Satisfaction Policy, Agenda of General Assembly Meeting, Declaration of Corporate Governance Principles and Compliance Report, Associate Company Report, 2023 Dividend Distribution Proposal, Consolidated Financial Statements, and Independent Auditor's Report.

The Annual Report for the past period was prepared in strict conformity with the Corporate Governance Principles stipulated in the CMB's "Corporate Governance Communiqué" No. II-17.1, Article 2.2. titled "Annual Report", and contains accurate and complete information.

The 2023 Annual Report has also been prepared and reviewed in accordance with applicable laws and regulations.

SECTION IV- STAKEHOLDERS

4.1. Keeping Stakeholders Informed

Based on the concept of "stakeholders" referring to employees, suppliers, customers and basically third parties in direct relationship with the company, our Company develops policies for various stakeholders and/or stakeholder groups.

All rightful parties and stakeholders are entitled to the same practices, implementations and effective communications. Our corporate governance practices ensure the protection of our stakeholders' rights, which are both defined by relevant regulations and also those which are not defined yet.

Necessary and systematic communication channels have been established to keep the Company's stakeholders informed on matters that are of concern to them. Additionally, the Company has also made available the necessary mechanisms for reporting the illegitimate and unethical transactions to the Audit Committee via Internal Audit. Both the Audit Committee and the Early Detection of Risk and Risk Management Committee pay maximum attention to these matters during the meetings. Besides Tofaş Rules of Ethical Conduct and Operating Guidelines for the Ethics Board, Anti-bribery and Anti-Corruption Policy was issued in 2015, and posted on the corporate website. Within the scope of anti-bribery and anti-corruption program, necessary guidelines, procedures and policies have been produced and put into force.

Specifically, headings such as Human Resources, Rules of Ethical Conduct and topics related to Tofaş Dealer Network and Supply Chain Management practices are addressed in the Company's Annual Report.

We adhere to, and are guided in our actions by, the principles spelled out in the "United Nations Global Compact", to which our partner Koç Holding is a signatory, and which are implemented at Koç Group companies in the audit and reporting of related processes, and by the principle of being a responsible corporate citizen together with all our employees, dealers, suppliers and authorized service outlets.

DECLARATION OF CORPORATE GOVERNANCE PRINCIPLES AND COMPLIANCE REPORT

Tofaş Code of Ethics, Anti-Bribery and Corruption Policy, procedures concerning the Ethics Board's activities can be accessed on our Company's Internet and Intranet sites. Any deviation from these guidelines and policies can be notified via electronic mail (etikkurul@tofas.com.tr) or in writing by our employees, business partners and all other stakeholders. Any notifications made to the Board shall be kept in confidence.

Through the communication and whistleblower line, stakeholders can notify illegitimate practices and unethical acts and actions to Tofaş Ethics Board for handling by the relevant Committee. The Ethics Board will adhere to the procedures in its preliminary assessment.

Tofaş Ethics Board is formed of the Company's CEO, related Directors, HR Director and the Company's Chief Legal Counsel. The Board holds periodic meetings; in addition, the Ethics Board is required to meet within no later than two business days upon invitation by any one of its members.

The Board is ex officio or upon any application, entitled to make necessary investigation and research about actions and practices contrary to principles. Notifications can be named or anonymous. For the investigation and research it will make about actions and practices contrary to principles, the Board may request information and documents from entities by using channels of public authorities.

In terms of Corporate Governance Principles, the system implemented and the Board decisions taken within the scope of the Company's internal control are submitted for the information of the Audit Committee. The Audit Committee determines the methods and criteria to be implemented for reviewing and resolving the complaints received regarding the Company's accounting and internal control system and independent audit, and for handling the Company employees' notifications regarding the Company's accounting and independent audit within the frame of confidentiality principle. Furthermore, relevant issues can also be separately addressed by the Early Detection of Risk and Risk Management Committee, if deemed necessary.

Anti-Bribery and Anti-Corruption Policy sets out the basics about the topic. Information on the Tofaş Ethics Board and its operation setting out the duties, responsibilities and operating principles of the Ethics Board are available to the public on Tofaş website.

4.2. Participation of Stakeholders in Management

Procedures allowing the participation of the stakeholders in the improvement of administrative matters and expressing their ideas actively in this respect are in place in our company. The process and mechanisms to ensure that beneficiaries as stakeholders participate in Company Management regarding the issues related with them are supported and implemented by the Company.

Tofaş adopts the "Stellantis Production System" (SPW), inspired by excellence in production processes, to create the best value and mobility solutions for its customers. Additionally, in line with the Stellantis Production System (SPW), our Company undertakes strategic efforts based on total quality philosophy, such as quality planning and quality control systems, quality improvement methods, Kaizen studies, and open door meetings, all of which aim to increase productivity. Detailed information relating to these efforts is provided in the Annual Report and the Integrated Report.

Stakeholder expectations are managed and addressed by relevant Departments. To this end, systematic meetings and training programs are organized so that employees, suppliers and customers can voice their demands. Also, surveys such as "working life assessment questionnaires" are conducted in line with Human Resources Policies. In addition to the corporate website, the Company also has an intranet application aimed at improving internal communication and facilitating information flow.

In addition to dealership council and dealership organization meetings, there is a system through which customer demands and satisfaction level are analyzed. The company management evaluates this information, takes necessary actions and provides feedback accordingly. Moreover, activities regarding "Customer Relations Principles" and similar practices ensure effectiveness and maximization of customer relations and implementation of policies towards improvement of the service quality. In connection with these practices, we have planned and implemented studies covering current events within the reporting period. Additionally, practices aimed at customers and suppliers are monitored and updated continuously in line with modern practices.

Within the frame of relations with customers and clients, any and all actions to ensure customer satisfaction during marketing, sale and post-sale of the goods and services of the company have been taken and put into practice. A prompt response is made to customer queries and demands regarding our products and the customers are provided with the required feedback. Maximum efforts and resources are used for proactive solutions to company complaints. Improvement studies are organized systematically and high quality is assured by means of quality certifications and quality standards.

The principles and policies for suppliers as well as satisfaction criteria in customer centered product and services are regularly measured and followed up by the related units of the company. Furthermore, we attach importance to arrangements related to customers and suppliers based on the market developments. Comprehensive application procedures are available in this regard.

In addition to those, the Customer Relations Management department continued to work effectively and in coordination in 2023 as it did in previous years to enhance customer satisfaction concerning marketing and sales of the Company's products and services.

Our company accords utmost importance to practices that are built upon quality, efficiency and institutionalization. Also due care "governance" methods that will increase participation of beneficiaries in management in line with the stakeholders' feedback. Therefore, beneficiaries' comments and feedback are regarded as important inputs with respect to significant decisions that bear an implication in respect of beneficiaries or that directly concern them.

Furthermore, "Sustainability Management" and "Stakeholder Relations" bear significance in terms of "Governance and Sustainability", as underlined in the Integrated Report which has been prepared under the Company's Sustainability Policy and which can be accessed and reviewed from our website. Necessary efforts are being spent to implement these two topics effectively. Working environment, improving the value chain and corporate citizenship gain visibility as our key parameters. Additionally, "we deem it as a primary

responsibility to establish an environment of communication" with a special focus on "transparency with stakeholder groups", as mentioned in the Integrated Reports. We seek stakeholders' opinions about our operations and we constantly inform them. "When planning our activities, we take into account the characteristics of stakeholder groups in order to develop the most appropriate channels."

4.3. Ethics and Social Responsibility

Social activities for the district where the plant is located and the society in general are organized, carried out and followed up according to corporate social responsibility and societal impact area criteria. Related activities during the reporting period are detailed in the Annual Report. Furthermore, TofaşGO, an online intranet publication, covers our social initiatives ranging from corporate to individual activities, as well as various news and information. In addition to sponsorship of a range of printed works, sponsorship support is extended to Koç Group's social responsibility initiatives and/or associations, foundations and organizations working for social causes.

In this context, support is given to projects in a wide range of disciplines from education to sports, from cultural activities to the arts. These initiatives include, among others, Fiat Laboratory, Tofaş Science High School, Tofaş Sports Club, Tofaş Basketball Schools, Bursa Museum of Cars and Anatolian Carriages, Pamukkale Hierapolis Archaeological Excavations, and Gender Equality projects. The Company's social responsibility policy focuses on dynamics that will drive corporate and social development.

Activities that will raise awareness and recognition, and "sustainability perspective" are important elements of these social responsibility initiatives and sponsorships.

Revised in 2016, the Sustainability Policy is of particular importance in this respect. Information on these topics is available in the Company's Annual Report and Integrated Report and also on the environmental, social and corporate sustainability application at our corporate website.

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There were no complaints regarding environmental issues during the reporting period and we have records including environmental assessment reports. We have been implementing effective practices and inform our stakeholders within the scope of environmental sensitivity policies with the existing ISO certificates related to meeting quality and effectiveness standards. Furthermore, our Company continues its extensive activities related to Social Responsibility projects and environmental protection and presents them to the knowledge of the public. Furthermore; with comprehensive Corporate Social Responsibility projects, issues of protecting the environment, energy management and awareness and activities for climate change are given maximum importance.

Additionally, Tofaş was the first automotive company to be included in Borsa Istanbul (BIST) Sustainability Index in 2014.

Tofaş's Environment & Energy Policy reflects the Company's environmental sensitivity and efforts related to about sustainable manufacturing and green products.

The Company takes necessary steps to ensure compliance with, and implementation of ethical rules in general. Related information has been presented in detail in the relevant subsections hereinabove. The members of the company comply with the generally accepted ethical rules forming a part of the regulations and arrangements. Furthermore, ethical rules were put into writing under the Corporate Governance Principles, and made public on our website under the title "Tofaş Ethics Rules and Implementation Principles". The said document is referred to within our Company's "Personnel Regulations". These ethical rules cover issues regarding our shareholders, disclosure of information, employee activities, stakeholders and the Board of Directors.

An Ethics Board was established within the scope of Company's Corporate Policies. Moreover, "Ethics Rules and Implementation Principles" has been distributed to Tofaş employees working at any level, and necessary information is provided also periodically.

Tofaş Code of Ethics applies to all Tofaş employees, Board of Directors members, Shareholders, Subsidiaries, Dealers and Suppliers - in brief all Tofaş people.

All Tofaş people are expected to comply with Tofaş Code of Ethics. Tofaş People are obliged to abide by Tofaş Code of Ethics.

Tofaş does not exercise discrimination in whatsoever manner in its business dealings on the basis of language, race, gender, political affiliation, philosophical belief, religion, sect or similar reasons. Unless dictated by reasons pertaining to the nature of the job such as the risk associated with the specific position, employee safety, legal obligations, etc., different practices are not implemented directly or indirectly by reason of gender or pregnancy when concluding an employment contract, formulating its terms and conditions, and/or terminating it. Lower remuneration cannot be determined due to gender for the same or equivalent job. Recruitment, appointment and promotion are based on objective performance criteria without discriminating on the basis of language, religion, gender, race, etc.

In accordance with Tofaş Code of Ethics, all employees of the Company fill out a Conflict of Interest Statement form, pledging that they will not be involved in any situations that may generate a conflict of interest and therefore negatively impact their decisions, impartiality or loyalty to the Company.

For our employees, in particular, and for all our shareholders in the value chain we have created, Tofaş tries to expand the practices that have respect and awareness for human rights. As a consequence of our approach in this issue, absolutely no "child workers" are employed in Tofaş; and there are no "involuntary servitude" practices.

One instance of the importance Tofaş gives to human rights and practices related to them is to be seen in the first article of the Tofaş Code of Ethics which states that the company "respects human rights and the constitutional rights of freedom of association and collective bargaining".

Acting in compliance with the principles determined by the “United Nations Global Compact”, to which our partner Koç Holding is a signatory and which is implemented at Koç Group companies in the audit and reporting of related processes, has been espoused within the frame of the principle of being a role model of corporate citizenship together with all our employees, dealers, suppliers and authorized service outlets.

The Company confirms that its anti-corruption policy, procedures and systems are adequate and in place. To this end, the Early Detection of Risk and Risk Management Committee oversees internal audit, internal control, anti-corruption and anti-bribery mechanisms implemented by the Company.

Related activities have been carried out exercising due care in 2023, as in previous years.

The Company’s Information Disclosure Policy was revised and posted on PDP on 30 November 2016. All stakeholders, shareholders in particular, and the public are informed of any amendments or updates to the Policy.

SECTION V - BOARD OF DIRECTORS

5.1. Board of Directors’ Structure and Formation

The task and duties of the Chair of the Board of Directors and the CEO are assumed by different persons. Company CEO is an executive Member of the Board of Directors. Members of the Board of Directors pay attention to spare the necessary time for the Company affairs. There are no restrictions for them to assume other tasks outside the company. Particularly for the reason that independent members’ Professional and sectoral experience has significant contribution to the Board of Directors, there is no need for such restriction. Before the General Assembly, members’ résumés and tasks they assume outside the company are presented for the shareholders’ information.

Corporate Governance Committee carries out the tasks of the Nomination Committee within our Company.

The number of independent member candidates presented to the Corporate Governance Committee for 2023 was two. ID information, statement of candidacy and résumés of these persons were evaluated at the Corporate Governance Committee meeting held on 11 January 2023 and at the Board of Directors meeting no. 2023/01 held on 11 January 2023, and a decision was taken to nominate all of them as independent member candidates. All Independent Members of the Board of Directors presented their independence statements to the Corporate Governance Committee. As per the sixth paragraph of the 5th Article of the mentioned Communiqué, Ms. Neslihan Tonbul and Mr. Sergio Duca were determined as Board of Directors’ independent member candidates in conformity with the regulation “minimum half of the independent members (would be sufficient)” for the criteria “to be considered resident in Türkiye according to the Income Tax Law” stipulated in the paragraph (d) of the first clause of the compulsory principle n.4.3.6. After the necessary consent received with the CMB decision n. 29833736110.07.07-E.1151 (date: 24 January 2019) for the independent member candidates of the Board of Directors within the scope of the Article n.4.3.7 of the Communiqué, the independent members were elected for a one-year term at the General Assembly held on 14 March 2023.

As of 2023 operating period, there were no situations that would prejudice independency.

DECLARATION OF CORPORATE GOVERNANCE PRINCIPLES AND COMPLIANCE REPORT

Independent Member of the Board of Directors Ms. Neslihan Tonbul's Independence Statement is given below;

I do declare that I am a candidate for assuming the role of an "Independent Member" in the Board of Directors of Tofaş Türk Otomobil Fabrikası A.Ş. (Company); within the scope of the criteria stipulated in the legislations, the Articles of Association of the Company and the CMB's Corporate Governance Communiqué II-17.1, and within this scope;

a) Within the last five years, no executive employment relation that would give important duties and responsibilities has been established between myself, my spouse, my second degree relatives by blood or by marriage and (i) the Company and (ii) the subsidiaries of Company, and (iii) shareholders who control the management of Company or who have significant influence in Company and juridical persons controlled by these shareholders; and that I neither possess more than 5% of any and all capital or voting rights or privileged shares nor have significant commercial relations,

b) Within the last five years, I have not worked as an executive manager who would have important duties and responsibilities or have not been a member of the Board of Directors or been a shareholder (more than 5%) particularly in the companies that provide auditing, rating and consulting services for the Company (including tax audit, legal audit, internal audit), and in the companies that the Company purchase products and services from or sells products and services to within the framework of the agreements signed (during the timeframe of selling/purchasing of the products and services,

c) I do have the professional training, knowledge, and experience that will help me properly carry out the tasks and duties I will assume as a result of my independent membership in the Board of Directors,

ç) In accordance with the legislations, I will not be working fulltime in public institutions and organizations (except working as an academician at the university) after being elected as a member,

d) I am considered a resident in Türkiye according to the Income Tax Law (n.193) dated 31/12/1960 and 19/12/1960,

e) I do have the strong ethical standards, professional standing and experience that will help me positively contribute to the activities of Company and remain neutral in conflicts of interests between Company shareholders, and that will help me take decisions freely by taking the rights of the stakeholders into consideration,

f) I will be able to devote the sufficient time for the activities of the Company to an extent that will help me pursue the activities of the Company and fulfill the requirements of my tasks and duties,

g) I have not been a member of the Board of Directors of the Company for more than 6 years in total within the last decade,

ğ) I have not been an independent member of the Board of Directors in more than three of the companies controlled by the Company or by the shareholders who control the management of the Company and in more than five of the publicly traded companies in total,

h) I have not been registered and announced on behalf of the juridical person elected as member of the Board of Directors,.



NESLİHAN TONBUL

Independent Member of the Board of Directors Mr. Sergio Duca's Independence Statement is given below;

I hereby declare that I stand for serving as an 'independent member' on the Board of Directors of Tofaş Türk Otomobil Fabrikası A.Ş. (the Company) under the criteria set out in the Company's Articles of Association and Corporate Governance Principles Communiqué no. II-17.1 released by the CMB, save for the criteria "being considered a resident of Türkiye for the purposes of the Income Tax Law". In this context, I hereby declare as follows:

a) Within the last five years, no executive employment relation that would give important duties and responsibilities has been established between myself, my spouse, my second degree relatives by blood or by marriage and (i) the Company and (ii) the subsidiaries of Company, and (iii) shareholders who control the management of Company or who have significant influence in Company and juridical persons controlled by these shareholders; and that I neither possess more than 5% of any and all capital or voting rights or privileged shares nor have significant commercial relations,

b) Within the last five years, I have not worked as an executive manager who would have important duties and responsibilities or have not been a member of the Board of Directors or been a shareholder (more than 5%) particularly in the companies that provide auditing, rating and consulting services for the Company (including tax audit, legal audit, internal audit), and in the companies that the Company purchase products and services from or sells products and services to within the framework of the agreements signed (during the timeframe of selling/purchasing of the products and services,

c) I do have the professional training, knowledge, and experience that will help me properly carry out the tasks and duties I will assume as a result of my independent membership in the Board of Directors,

ç) In accordance with the legislations, I will not be working fulltime in public institutions and organizations (except working as an academician at the university) after being elected as a member,

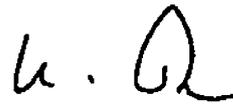
d) I do have the strong ethical standards, professional standing and experience that will help me positively contribute to the activities of Company and remain neutral in conflicts of interests between Company shareholders, and that will help me take decisions freely by taking the rights of the stakeholders into consideration,

e) I will be able to devote the sufficient time for the activities of the Company to an extent that will help me pursue the activities of the Company and fulfill the requirements of my tasks and duties,

f) I have not been a member of the Board of Directors of the Company for more than 6 years in total within the last decade,

g) I have not been an independent member of the Board of Directors in more than three of the companies controlled by the Company or by the shareholders who control the management of the Company and in more than five of the publicly traded companies in total,

ğ) I have not been registered and announced on behalf of the juridical person elected as member of the Board of Directors,



SERGIO DUCA

DECLARATION OF CORPORATE GOVERNANCE PRINCIPLES AND COMPLIANCE REPORT

Summary information about the members of our Company's Board of Directors and their positions as of the end of the reporting period is as follows:

NAME SURNAME	POSITION	CURRENT POSITIONS HELD OUTSIDE THE PARTNERSHIP	INDEPENDENT/NON-INDEPENDENT	COMMITTEES AND POSITION
ÖMER M. KOÇ	Chair	Chair of the Board of Directors in Koç Holding A.Ş.	Non-independent	None
SAMIR CHERFAN	Vice Chair	Stellantis Chief Operating Officer Middle East and Africa and Member of the Global Executive Committee.	Non-independent	None
CENGİZ EROLDU	Executive Member	None	Non-independent	None
TEMEL KAMİL ATAY	Member	None	Non-independent	None
KENAN YILMAZ	Member	Koç Holding A.Ş. Strategy and Business Development Director	Independent	None
SILVIA VERNETTI BLINA	Member	Stellantis, Head of Corporate Planning and Business Development	Non-independent	Corporate Governance Committee - Member
POLAT ŞEN	Member	Koç Holding A.Ş. CFO	Non-independent	Corporate Governance Committee - Member Risk Early Detection and Management Committee Member
GIORGIO FOSSATI	Member	General Counsel for Fiat Chrysler Automobiles N.V.; General Counsel for FCA EMEA	Non-independent	Risk Early Detection and Management Committee - Member
NESLİHAN TONBUL	Independent Member	Member of the Board of Directors at Turcas Petrol, independent member of the Board of Directors at Vakıfbank International (Vienna), Advisor at New Zealand Trade and Enterprise, Senior Advisor at Cambridge Family Enterprise Group' (USA).	Independent	Audit Committee - Chair & Risk Early Detection and Management Committee - Chair - & Corporate Governance Committee - Member
SERGIO DUCA	Independent Member	Chair of the Board of Statutory Auditors at Enel S.P.A	Independent	Corporate Governance Committee - Chair & Audit Committee - Member & Risk Early Detection and Management Committee - Member

Curriculum vitae of current Board Members and Company CEO are included in the relevant section of the Annual Report.

We believe that diversity of knowhow, experience and point of view in our Board of Directors will have positive impacts on the Company activities and will enable the Board of Directors to work effectively. Furthermore; Corporate Governance Principle n.4.3.9 is evaluated within this scope. Our evaluations continue to set a target ratio and policy for female Members of the Board of Directors who also serve as an instrument for representing different ideas. One woman member was serving on our Board of Directors as at the end of the reporting period.

5.2. Functioning of the Board of Directors

Titles or agenda items regarding Resolutions of the Board of directors are prepared and issued periodically and as necessary. The number of the meetings of the Board may vary depending on emerging needs.

Board of Director meetings are called and convened physically in line with the Turkish Commercial Code and the relevant articles of our Articles of Association whenever Company business requires it, and when necessary, it takes its decisions by hand circulation method in accordance with the provision of the 4th paragraph of Article 390 of the Turkish Commercial Code. The Board of Directors has made 18 decisions in 2023 and the minutes of meetings regarding the decisions are duly registered.

The relevant unit coordinates the meeting agenda, minutes, and board resolution records. When there is a dispute regarding a board resolution, the relevant case, along with its justifications, is recorded. Board resolutions also should contain relevant inquiries and responses in this regard. Board decisions are made by attendance and positive vote of absolute majority of members (within the scope of Article 10 of the Articles of Association). Requirements set forth by Corporate Governance Principles by CMB are reserved.

No weighted votes or vetoing rights are granted as per the TCC. Articles 10 and 11 of the Articles of Association govern the election, formation, decision quorum and term of office of the Board of Directors, the distribution of tasks in the Board of Directors, representation and delegation of management.

As mentioned above, all Board of Directors decisions are passed by the attendance and affirmative votes of the absolute majority of all members. However, attendance and affirmative votes of at least two non-independent Board members representing Group A shares and of at least two non-independent Board members representing Group D shares are required for achieving this quorum as per Article 10 of the Articles of Association. The provision of Article 15 of the Articles of Association is reserved with respect to decisions requiring the attendance and affirmative vote of independent members.

Article 11 of the Company Articles of Association regulates “Division of Tasks, Representation and Transfer of Management for the Board of Directors”. In addition, other items the Articles of Association also cover the required issues. The Company management is specified pursuant to Turkish Trade Code and the relevant regulations mainly based on representation and binding of the company, and the authorities are exercised pursuant to legal requirements. Duties and responsibilities of members of the Board of Directors and the executives of the Company are included in the legal regulations, capital market regulations and the Articles of Association.

The Corporate Governance Committee carries out the procedures related to nominating candidates to the seats on the Board of Directors, and to election and appointment of the nominees. There is an “Officers’ Liability Insurance” policy for our Company’s Board of Directors members and senior executives separately for Koç Holding and FCA Italy S.p.A. representing Group A and Group D.

While overseeing the Company’s operations, the Board of Directors assesses whether a conflict of interest is likely to arise, and the outcomes of such conflict, if applicable, and passes the necessary decisions to the best interests of the Company. Moreover, The Board of Directors ensures regulatory compliance in related party transactions, considers possible misconduct risks, and meticulously addresses related party transactions.

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5.3. Number, Structure and Independency of Committees Formed under the Board of Directors

Pursuant to the Article 11 of the Articles of Association, an Executive Committee consisting of 4 persons -2 Group A and Group D shareholders - can be established if and when deemed necessary. The Committee can be established among the members of the Board of Directors in order to carry out the necessary actions between two Board meetings.

Pursuant to the relevant CMB Communiqué, an Audit Committee has been set up and pursuing activities since 2003; the Committee is responsible for presenting its opinion and proposal regarding the financial results to the Board of Directors based on available information derived by following up financial matters, reviewing periodical financial statements and notes thereto, carrying out the necessary activities as defined by the Corporate Governance Principles and reviewing the Independent Auditor's Report. The Audit Committee is also charged with monitoring the internal audit process and it is constituted by independent Board members pursuant to the CMB Communiqué No: II-17.1. In 2012, the operating principles of the Audit Committee were revised and publicly disclosed.

The Audit Committee has been reconstituted by the Board of Directors decision no. 2023/12 dated 14 March 2023. As at the end of the reporting period, Ms. Neslihan Tonbul (Chair - independent Board member) and Mr. Sergio Duca (Member - independent Board member) were serving on the Committee.

The Early Detection of Risk and Risk Management Committee has been reconstituted by the Board of Directors decision no. 2023/13 dated 25 July 2023. As at the end of the reporting period, Ms. Neslihan Tonbul (Chair - independent Board member), Mr. Sergio Duca (Member - independent Board member) and Mr. Polat Şen (Member - Board member) were serving on the Committee.

Furthermore, Corporate Governance Committee under Corporate Governance Principles been established in 2008. Corporate Governance Committee has started its activities in accordance with the Corporate Governance Principles, regulations issued by CMB as per the related legislation and the activities of the Company regarding Corporate Governance Principles. Compliance of the Company with Corporate Governance Principles is followed up by the Board of Directors, rules of procedures of Corporate Governance Committee have been revised in 2018 and disclosed.

The Corporate Governance Committee has been reconstituted by the Board of Directors Decision no. 2023/16 dated 3 August 2023. As per the said decision, the Committee was formed of Mr. Sergio Duca (Chair - independent Board member), Ms. Neslihan Tonbul (Member - independent Board member), Mr. Polat Şen (Member - Board member), Ms. Silvia Verneti Blina (Member - Board member) and Mr. Fabrizio Renzi (CFO).

As per the governing provisions of the new Turkish Commercial Code effective as of 01 July 2012, Early Detection of Risk and Risk Management Committee has been established with the purposes of efficiency of Committees established under the Board of Directors, early detection of risks which may jeopardize the Company's existence, improvement and progression, implementation of measures related with such risks and risk management and implementation and follow-up of Company's internal control, internal audit and risk management activities and its rules of procedures have been set as of 2012.

Early Detection of Risk and Risk Management Committee was restructured by the Board of Directors decision no. 2022/11 dated 25 April 2022. As at the end of the reporting period, the Committee was formed of Ms. Neslihan Tonbul (Chair - Independent Board Member), Mr. Sergio Duca (Member - Independent Board Member), Mr. Melih Poyraz (Member - Board Member) and Mr. Giorgio Fossati (Member - Board Member).

Board members are assigned to committees based on their knowledge and experience levels and in accordance with applicable regulations. Some board members serve on multiple committees. Board members, who serve on multiple committees, are responsible for ensuring communication and cooperation between committees that oversee areas related to each other. The Chairmen of these Committees should be selected among Independent Board Members as per the mentioned Communiqué on Corporate Governance Principles. Both Independent Board Members are members of each committee.

Audit Committee, Corporate Governance Committee and Early Detection of Risk and Risk Management Committee hold periodic and other meetings as required by the legislation. In accordance with the rules of procedures, meetings with a certain agenda can be held other than periodic meetings. In this context, Audit Committee, Early Detection of Risk, Risk Management Committee and Corporate Governance Committee have held 4 meetings each in 2023.

Board of Directors is informed about the committee roles, its activities and the reports. When required, experts and other managers who are not Committee members but related with the agenda can be invited to the Committee. Furthermore, task groups consisting of people with required experience and information can be formed. The committees act in line with their responsibilities and submit their comments and recommendations to the Board. Final decisions are made by the Board. The Board of Directors expressed its positive opinion regarding the efficiency of the Committees.

5.4. Risk Management and Internal Control Mechanism

A risk management is envisaged and internal control organization is established depending on financial and administrative activities of the company and the functioning and effectiveness of the internal auditing shall be followed up according to capital market regulations and rules.

Board of Directors is responsible for proper functioning of internal control system and internal audit and CEO will make the coordination on behalf of the Board of Directors. Early Detection of Risk and Risk Management Committee as well as the Audit Committee will follow-up proper functioning of internal control system, internal audit and risk management and submit the results to the Board of Directors.

Thus, corporate risk management and internal control systems were established by the Board of Directors. The activities of these processes and systems are coordinated within the Committees. Internal Control Systems and Internal Audit Process are primarily monitored and pursued in the Audit Committee. Furthermore; the effectiveness of these systems are evaluated by the Early Risk Detection and Risk Management Committee together with the corporate risk management process.

In line with the Risk Management Policy, Company's risk management is organized in conformity with the legal regulations and legislation to make reporting to the Board of Directors. Within this framework the policy is based on the following principles; "protecting company assets and values", "ensuring commercial, financial and operational confidence" and "ensuring sustainability in corporate risk management". In addition to this, Company Management is financially, commercially, operationally and organizationally responsible for taking and implementing all measures necessary for corporate risk management and internal audit activities.

As of the end of 2023, it has been assessed that proactive measures are taken against financial and operational risks and predictable potential risks through the Company's internal control system, internal audit activities and corporate risk management and that the Company meets the legislative requirements regarding internal control, internal audit and risk management. After reviews, it has been stated that no important problems were observed on the effectiveness of internal controls for providing effective, secure and uninterrupted provision of Company's activities and services; integrity, consistency, timely availability and reliability of data provided by the Company's accounting and financial reporting system; effectiveness, efficiency and adequateness of internal controls aimed at providing security and the running of internal control, internal audit and risk management system regarding the preparation of consolidated financial tables in accordance with the applicable legislation and corporate risk management and the internal control system function well and the related records are kept.

The Internal Audit Department directly reports to the Company's CEO who at the same time is a Member of the Board of Directors. This department examines processes and prepares reports regarding current and potential risks and proposes solutions. Predictable risks attached to the activities will be evaluated, information flow will be followed up by the Board Member and CEO and the results will be evaluated by the Audit Committee and Early Detection of Risk and Risk Management Committee and submitted to the Board of Directors.

Within this framework, the Board of Directors carries out risk management activities via the Early Detection of Risk and Risk Management Committee, as stated in related sections hereinabove. The Early Detection of Risk and Risk Management Committee reviews the effectiveness of the risk management systems, and reports its activities and assessments to the Board of Directors. The Committee's activities are covered in the section titled "Activities of the Early Detection of Risk and Risk Management Committee" of this Annual Report. The Annual Report also includes the Auditor's Report containing the independent auditor's assessment and clearance about the topic.

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5.5. Strategic Targets of the Company

Company's strategic targets are set, approved, and implemented by the Board of Directors. Board of Directors makes assessments by periodically reviewing the level of achieving Company's targets, and activities and previous performance of the Company. In this context, the Board of Directors ensures that necessary measures are taken in a manner most appropriate to Company's risk, growth and revenue balance in terms of strategic decisions while it administers the Company by overseeing the Company interests.

As per the strategic priorities and objectives, the mission, vision and values of the Company have been formulated and published and renewed upon revisions in line with the improvements. Board of Directors audits the management and performance of the Company within the scope of providing necessary resources and risk management by identifying Company's strategic targets.

Vision, mission and values along with designation and implementation of Company's strategic objectives will be completed by the Company top-level management, submitted to the Board of Directors and followed-up. Strategic decisions of our Company were implemented in 2023 according to their priorities. Based on the strategic targets, the Board of Directors reviews and evaluates previous year's performance, compares the results with targets and determines the upcoming year objectives proposed by the senior management.

Board of Directors will coordinate the Company Top-Level Management in designation of Company's strategic objectives, actively participate in approval and implementation processes, periodically review the level of achievement of objectives, activities and performance of the Company and evaluate the functioning, efficiency and outcomes of the related system.

In accordance with the vision and methods offered by the Board of Directors and the legislation, Company Top-Level Management will use its maximum efforts to ensure effective management of the Company and periodically inform the Board of Directors and the related Board Committees as per the regulations and the legislation based on Directorates on behalf of the CEO and all stakeholders.

The Board of Directors exercises the necessary degree of responsibility with respect to the sustainability of these strategic efforts, as well as to enhancing their efficiency.

5.6. Financial Rights

Board of Directors is responsible for Company's determined and publicly announced operational and financial performance targets. Furthermore; remuneration principles for the Members of the Board of Directors and executives who have administrative responsibilities were printed and presented to the shareholders' information with a separate agenda item at the General Assembly.

Our Company's "Remuneration Policy for the Members of the Board of Directors and Executive Managers" - that includes all their rights, benefits and remuneration of the Members of the Board of Directors and executive managers as well as the criteria and remuneration principles used in determining these rights, benefits and remuneration - was presented to our shareholders' review on our corporate website and in the Annual Report and also with the "Informative Document" issued three weeks prior to our Ordinary General Assembly held on 28 March 2023. Subsequently, the policy was put into practice after the General Assembly. No revisions were made to the said policy during 2023.

The policy, which has been publicly disclosed on the corporate website and in the Annual Report, has been included in the agenda of the Ordinary General Assembly meeting that will be held to address 2023 activities, the date of which will be released by the Board of Directors once it is definitively set. The policy will be laid down for the opinions of shareholders in the General Assembly Meeting.

The total amount of payments made and benefits provided to Members of the Board of Directors and Executive Managers within the framework of the Remuneration Policy, are evaluated every year by the Corporate Governance Committee and Board of Directors. In our financial statements' footnotes, the payments made and benefits provided to the Members of the Board of Directors and executive managers are classified together and publicly announced in parallel to general practices.

Furthermore, the Company does not perform any transactions that may create conflicts of interest and does not lend money, extend credit, or does not give surety to any of the members of the Board of Directors or executive managers who have administrative responsibilities.

In the reporting period and as of 2023, no loans were granted to the members of the Board or to the senior managers and no credit was utilized by them; none of them received benefits through third-persons and moreover, no indemnities or similar were provided in their favor.

	Company Compliance Status					Explanation
	Yes	Partial	No	Exempted	Not Applicable	
Corporate Governance Compliance Report						
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	There has been no such transaction notification.
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				For donations, a separate agenda item was included in the general assembly agenda, and the details of donations with highest amount were explained in the general assembly information document. The balance, not detailed in the information document, consists of various donations to various institutions and organizations, each below 210,000 TRY, which do not constitute an important information for investors. Donations below this amount are not followed by our investors, and it is planned to continue making announcements with this materiality limit in the following years.
1.3.11 - The General Shareholders' Meeting was held open to the public, including the stakeholders, without having the right to speak.	X					

DECLARATION OF CORPORATE GOVERNANCE PRINCIPLES AND COMPLIANCE REPORT

	Company Compliance Status					Explanation
	Yes	Partial	No	Exempted	Not Applicable	
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			At the General Assembly, there is one right to vote for each share, but there are no privileges in right to vote. Shareholders attending the General Assembly meeting use their rights to vote in proportion to the nominal value of the total shares. However, Members of the Board of Directors must be elected from among the candidates who will be nominated by the Privileged Shareholders of Group A and D. (10 th Article of the Articles of Association). This issue is legally confirmed due to the fact that our Company's status is a "business partnership" (joint venture) composed of "two juridical persons" who "equally control the management with an agreement".
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	Tofaş does not have a mutual affiliate relationship that brings along a dominance relationship.
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 are not granted to those who have a share of less than one-twentieth of the capital in line with the articles of association. In line with general practices, minority rights have been granted within the framework of general provisions in regulations. No request has been received from investors in this regard, and general best practice examples are followed, and no changes are foreseen in this regard 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					

	Company Compliance Status					Explanation
	Yes	Partial	No	Exempted	Not Applicable	
1.6.3 - The reasons for retaining earnings, and their allocations, are stated in the relevant agenda item.					X	Dividend has been distributed.
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				In our Articles of Association, the principles for transfer of shares are regulated, there is a restriction on the transfer of non-registered shares, however there are no practices that make it difficult for registered shareholders to freely transfer their shares or there are no provisions restricting the transfer of their shares.
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					Since there is no legislative change that could significantly affect the company's activities and there is no conflict of interest with the service providers in matters such as rating, no explanation has been made about these matters in the activity report.
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					

DECLARATION OF CORPORATE GOVERNANCE PRINCIPLES AND COMPLIANCE REPORT

	Company Compliance Status					Explanation
	Yes	Partial	No	Exempted	Not Applicable	
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					

	Company Compliance Status					Explanation
	Yes	Partial	No	Exempted	Not Applicable	
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					
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					

DECLARATION OF CORPORATE GOVERNANCE PRINCIPLES AND COMPLIANCE REPORT

	Company Compliance Status					Explanation
	Yes	Partial	No	Exempted	Not Applicable	
4.2. ACTIVITIES OF THE BOARD OF DIRECTORS						
4.2.1-The board of directors documented its meetings and reported its activities to the shareholders.	X					
4.2.2 - Duties and authorities of the members of the board of directors are disclosed in the annual report.	X					
4.2.3-The board has ensured the company has an internal control framework adequate for its activities, size and complexity.	X					
4.2.4 - Information on the functioning and effectiveness of the internal control system is provided in the annual report.	X					
4.2.5 - The roles of the Chairman and Chief Executive Officer are separated and defined.	X					
4.2.7-The board of directors ensures that the Investor Relations department and the corporate governance committee work effectively. The board works closely with them when communicating and settling disputes with shareholders.	X					
4.2.8 - The company has subscribed to a Directors and Officers liability insurance covering more than 25% of the capital.		X				There is Directors and Officers liability insurance, but the amount is lower than mentioned here.
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			It is considered that providing diversity in terms of knowledge, experience and outlook at our Board of Directors will contribute positively to the activities of our company and the effective operation of our board of directors, and the current board structure reflects this perspective. Although there is no policy for the minimum rate of female members in the board of directors, the rate of female board members is 10%. Although policy development on the subject is not on the agenda at this stage, it can be evaluated in the following years in case of an increase in the number of suitable candidates.
4.3.10 - At least one member of the audit committee has 5 years of experience in audit/accounting and finance.	X					

	Company Compliance Status					Explanation
	Yes	Partial	No	Exempted	Not Applicable	
4.4. BOARD MEETING PROCEDURES						
4.4.1-Each board member attended the majority of the board meetings in person.		X				No physical meeting was held in 2023, however the board members were regularly informed about the company's performance and relevant developments, but all of the decisions were taken by shuffling method.
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				There is no such definition. The time of presentation of information to the board members is determined by taking into account both subject and process on the board of directors, whereby the members are informed in advance of a reasonable time
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	Although they could express their opinions, no such notification has been received from the board members who could not attend the meeting
4.4.4 - Each member of the board has one vote.	X					
4.4.5 - The board has a charter/ written internal rules defining the meeting procedures of the board.			X			Although our company has consistently maintained processes for many years regarding how the board of directors meetings will be held, there is no written internal regulation specific to this issue
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				Due to the significant contribution of work and sectorial experiences of board members to the Board of Directors, they are not allowed to take other duties outside the company. Resumes of our board members are included in our activity report. Thanks to the effective work of the board of directors, there is no change foreseen in the short term in the existing practice, which is considered to not create any negative situation in terms of corporate governance
4.5. BOARD COMMITTEES						
4.5.5 - Board members serve in only one of the Board's committees.			X			Members serving on more than one committee ensure communication and increase the opportunities for cooperation between committees working on related issues. The existing committee structure is evaluated effectively, taking into account the efficient work of the board members with the contribution of their knowledge and experiences; therefore no need for a change is foreseen in the near future.

DECLARATION OF CORPORATE GOVERNANCE PRINCIPLES AND COMPLIANCE REPORT

	Company Compliance Status					Explanation
	Yes	Partial	No	Exempted	Not Applicable	
4.5.6 - Committees have invited persons to the meetings as deemed necessary to obtain their views.			X			In accordance with the principles of the committees, it is possible for the committees to claim opinions from the independent professionals. However, committee members did not claim any independent expert opinion.
4.5.7 - If external consultancy services are used, the independence of the provider is stated in the annual report.					X	There is no consultancy service received in this regard
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			Although the performance of those who have administrative responsibility are evaluated and they are rewarded accordingly, no special practice has been adapted on this issue at the level of board of directors. The best practices on the subject are being researched and their implementation can be evaluated in the medium term.
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			In line with general practices, payments to both board members and executives with administrative responsibilities are disclosed to the public collectively through the Ordinary General Assembly and in our financial statement footnotes. Market practices are closely monitored on this issue, which is considered important in terms of confidentiality of personal information, and it is envisaged to act in parallel with common practice

CORPORATE GOVERNANCE INFORMATION FORM

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	Above 150
1.2. Right to Obtain and Examine Information	
The number of special audit request(s)	-
The number of special audit requests that were accepted at the General Shareholders' Meeting	-
1.3. General Assembly	
Link to the PDP announcement that demonstrates the information requested by Principle 1.3.1. (a-d)	https://www.kap.org.tr/en/Bildirim/1115054
Whether the company provides materials for the General Shareholders' Meeting in English and Turkish at the same time	It is provided.
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 are no transactions that are not approved by the majority.
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)	None.
The links to the PDP announcements associated with common and continuous transactions in the context of Article 10 of the Communique on Corporate Governance (II-17.1)	https://www.kap.org.tr/en/Bildirim/1115056
The name of the section on the corporate website that demonstrates the donation policy of the company	The Upper limit for the donations are determined during the General Assembly each year.
The relevant link to the PDP with minute of the General Shareholders' Meeting where the donation policy has been approved	https://www.kap.org.tr/tr/Bildirim/1011190
The number of the provisions of the articles of association that discuss the participation of stakeholders to the General Shareholders' Meeting	Article 14 of the Articles of Association
Identified stakeholder groups that participated in the General Shareholders' Meeting, if any	General Assembly was open to the participation of stakeholders
1.4. Voting Rights	
Whether the shares of the company have differential voting rights	No
In case that there are voting privileges, indicate the owner and percentage of the voting majority of shares.	There are no shares with voting privileges
The percentage of ownership of the largest shareholder	37.86%

CORPORATE GOVERNANCE INFORMATION FORM

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.	There are no decrees in the articles of association regarding the scope of minority rights.
1.6. Dividend Right	
The name of the section on the corporate website that describes the dividend distribution policy	In our company web-site https://www.tofas.com.tr/en/Pages/default.aspx under the "Investor Relations" tab, under the "Corporate Governance" section below the title "Corporate governance policies" https://www.tofas.com.tr/en/InvestorRelations/CorporateGovernance/Documents/Dividend-Policy.pdf
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.	It was decided to distribute dividends
PDP link to the related general shareholder meeting minutes in case the board of directors proposed to the general assembly not to distribute dividends	It was decided to distribute dividends

General Assembly Meetings									
General Meeting Date	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	Percentage of shares directly present at the GSM	Percentage of shares represented by proxy	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	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	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	The link to the related PDP general shareholder meeting notification
15/3/2022	0	80.14%	0%	75.93%	Corporate Web Site - Investor Relations - Corporate Governance - General Assembly Meetings	Corporate Web Site - Investor Relations - Corporate Governance - General Assembly Meetings	None	0	https://www.kap.org.tr/en/Bildirim/1115054

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.	In our company web-site https://www.tofas.com.tr /en/Pages/default.aspx under the “Investor Relations” tab, under the “Corporate Governance” section below the title “Corporate governance policies” https:// www.tofas.com.tr/en/ InvestorRelations/ CorporateGovernance/ Documents/ Disclosure-Policy.pdf
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.	In our company web-site https://www.tofas.com.tr /en/Pages/default.aspx under the “Investor Relations” tab, under the “Corporate Governance” section https://www.tofas.com.tr/en/ InvestorRelations/CorporateGovernance/Pages/default.aspx
List of languages for which the website is available	Turkish: https://www.tofas.com.tr/Pages/default.aspx English: https://www.tofas.com.tr/en/Pages/default.aspx

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	Declaration of Corporate Governance Principles and Compliance Report “ section under the title “Section V – Board of Directors
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	Declaration of Corporate Governance Principles and Compliance Report” section under the title “ Section V – Board of Directors
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	Declaration of Corporate Governance Principles and Compliance Report” section under the title “ Section V – Board of Directors
c) 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	“Information on the Capital Structure and Shareholding of the Company” 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	“Information on the Capital Structure and Shareholding of the Company” 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	Declaration of Corporate Governance Principles and Compliance Report” section under the title “ Section I – Declaration of Compliance with Corporate Governance Principles
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%	Declaration of Corporate Governance Principles and Compliance Report” section under the title “ Section II – Rights to Vote and Minority Rights
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	“Corporate Social Responsibility” section

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	Company has been acting according to Labour Law number 4857
The number of definitive convictions the company was subject to in relation to breach of employee rights	This information is deemed as confidential and is not shared with the public.
The position of the person responsible for the alert mechanism (i.e. whistleblowing mechanism)	Tofaş Ethical Board
The contact detail of the company alert mechanism	etikkurul@tofas.com.tr
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	None
Corporate bodies where employees are actually represented	Various committees have been established to coordinate employee relations and employees also have representatives in each of these committees. However, no representative has been selected and/or assigned to coordinate relations directly with the employees except for the employee union relationships.
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	Succession plan formed all key management positions, following the approval of CEO, The Chairman gives final 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.	"In its personnel recruitment and hiring practices Tofaş makes use of techniques such as personality inventorying, competency-based interviews, foreign language proficiency exams, technical interviews, role-requirement analyses, presentations, and reference checks that will help it make the best and most appropriate choices among candidates. In the conduct of its recruitment processes, Tofaş ensures that announcements concerning vacant positions are visible among all Koç Group companies through the group's internal bulletin board system"
Whether the company provides an employee stock ownership programme	There isn't an employee stock ownership programme.
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.	All forms of discrimination be they based on language, race, gender, political affiliation, religious belief, or similar considerations are prohibited in the conduct of business and workplace relationships at Tofaş. Work agreements between the company and its employees may not incorporate any terms or conditions which, directly or indirectly, would subject an employee to prejudicial treatment on the grounds of gender or pregnancy at the time the agreement is entered into, while it is in effect, or when it is terminated except in cases where job-related risks, employee safety, or the requirements of law dictate otherwise. The principle of "Equal Pay For Equal Work" applies to everyone and no employee may be paid more or less based on their gender.
The number of definitive convictions the company is subject to in relation to health and safety measures	0

3.5. Ethical Rules and Social Responsibility

The name of the section on the corporate website that demonstrates the code of ethics	Company Web Site - Sustainability -Policies - Code of Ethics, Anti-Bribery and Corruption Policy
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.	Company Web Site - Sustainability
Any measures combating any kind of corruption including embezzlement and bribery	In the “Code of Ethics, Anti-Bribery and Corruption Policy” of the company: https://www.tofas.com.tr/en/ustainability/Policies/Pages/default.aspx

4. BOARD OF DIRECTORS-I

4.2. Activity of the Board of Directors

Date of the last board evaluation conducted	None
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	None
Number of reports presented by internal auditors to the audit committee or any relevant committee to the board	10
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	Activities of the Early Detection of Risk and Risk Management Committee” section, segment “C
Name of the Chairman	ÖMER MEHMET KOÇ
Name of the CEO	CENGİZ EROLDU
If the CEO and Chair functions are combined: provide the link to the relevant PDP announcement providing the rationale for such combined roles	They are not the same person.
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	There is liability insurance for the top management, but the amount is lower than mentioned here.
The name of the section on the corporate website that demonstrates current diversity policy targeting women directors	None
The number and ratio of female directors within the Board of Directors	2, 20%

CORPORATE GOVERNANCE INFORMATION FORM

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
MEHMET ÖMER KOÇ	Non-executive	Not independent director	6/6/2016	-	Not considered	No	Yes
SAMIR CHERFAN	Non-executive	Not independent director	9/11/2021	-	Not considered	No	Yes
CENGİZ EROLDU	Executive	Not independent director	13/1/2015	-	Not considered	No	Yes
TEMEL KAMİL ATAY	Non-executive	Not independent director	14/4/1994	-	Not considered	No	Yes
KENAN YILMAZ	Non-executive	Not independent director	1/4/2015	-	Not considered	No	Yes
SILVIA VERNETTI BLINA	Non-executive	Not independent director	14/10/2022	-	Not considered	No	Yes
GIORGIO FOSSATI	Non-executive	Not independent director	18/2/2016	-	Not considered	No	Yes
NESLİHAN TONBUL	Non-executive	Independent director	15/3/2018	https://www.kap.org.tr/tr/Bildirim/820947	Considered	No	Yes
SERGIO DUCA	Non-executive	Independent director	15/3/2018	https://www.kap.org.tr/tr/Bildirim/820947	Considered	No	Yes
POLAT ŞEN	Non-executive	Not independent director	16/3/2021	-	Not considered	No	Yes

4. BOARD OF DIRECTORS-II	
4.4. Meeting Procedures of the Board of Directors	
Number of physical board meetings in the reporting period (meetings in person)	In line with the Turkish Commercial Law and the related clauses of our Articles of Association, our Board of Directors convene physically when there is a necessity regarding the Company's operations. During the reporting period, no physical meeting was held due to Covid-19, while the decisions could be taken in accordance with the procedure determined in the Turkish Commercial Code Article 390 - Subclause 4.
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 description on the subject. The timing is based on subjects and continuum of the items on the agenda.
The name of the section on the corporate website that demonstrates information about the board charter	In the Articles of Association which can be found in Company Web Site - Investor Relations - Corporate governance policies
Number of maximum external commitments for board members as per the policy covering the number of external duties held by directors	None
4.5. Board Committees	
Page numbers or section names of the annual report where information about the board committees are presented	"2018 Annual Report - Declaration of Corporate Governance Principles and Compliance Report - 5.3. Number, Structure and Independency of Committees Formed under the Board of Directors section"
Link(s) to the PDP announcement(s) with the board committee charters	Corporate Governance Committee: https://www.kap.org.tr/tr/Bildirim/220675 Audit Committee: https://www.kap.org.tr/tr/Bildirim/202214 Early Risk Detection and Risk Management Committee: https://www.kap.org.tr/tr/Bildirim/238875

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	-	NESLİHAN TONBUL	Yes	Board member
Audit Committee	-	SERGIO DUCA	No	Board member
Corporate Governance Committee	-	SERGIO DUCA	Yes	Board member
Corporate Governance Committee	-	NESLİHAN TONBUL	No	Board member
Corporate Governance Committee	-	POLAT ŞEN	No	Board member
Corporate Governance Committee	-	SILVIA VERNETTI BLINA	No	Board member
Corporate Governance Committee	-	FABRIZIO RENZI	No	Not board member
Committee of Early Detection of Risk	-	NESLİHAN TONBUL	Yes	Board member
Committee of Early Detection of Risk	-	SERGIO DUCA	No	Board member
Committee of Early Detection of Risk	-	POLAT ŞEN	No	Board member
Committee of Early Detection of Risk	-	GIORGIO FOSSATI	No	Board member

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 Compliance Report, the Board of Directors section
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 Compliance Report, the Board of Directors section
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)	Duties are undertaken by the Corporate Governance Committee
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 Compliance Report, the Board of Directors section
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)	Duties are undertaken by the Corporate Governance Committee
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)	Under the sections "Chairman's Message" and "CEO's Assessment"
Specify the section of website where remuneration policy for executive and non-executive directors are presented.	Remuneration Policy for Top-Level Managers and Members of the Board of Directors
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)	Remuneration Policy for Top-Level Managers and Members of the Board of Directors

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%	4	8
Corporate Governance Committee	-	80%	40%	4	7
Committee of Early Detection of Risk	-	100%	50%	4	7

SUSTAINABILITY PRINCIPLES COMPLIANCE STATEMENT

Tofaş has been keeping a close watch on sustainability-related good practices, including those set out in the Capital Markets Board's "Sustainability Principles Compliance Framework", for many years and it seeks to comply as much as possible with generally-accepted sustainability-related best practices in the conduct of its operations. Tofaş's management of many issues related to sustainability was already consistent with the CMB framework when that framework went into effect in 2020. In effect this means that Tofaş A.Ş. is in compliance with many of those principles. Compliance with CMB sustainability principles is not mandatory but, in keeping with the "Comply or Explain" approach with which the framework is informed, companies are required to state in what respects they are not in compliance with them and to explain why. Full compliance with some principles may not yet have been achieved for many reasons such as difficulties in their implementation, uncertainties about specific principles at the national and/or international levels, incompatibilities with existing company structures, incomplete information owing to compliance reviews that are still in progress, etc. Tofaş is currently examining international sustainability practices capable of contributing to its goal of creating sustainable value while also collecting data using technical infrastructure that it is developing in-house. The company intends to correct any instances of non-compliance once these and similar projects have been completed.

Tofaş sustainability practices that coincide with the principles in the CMB Sustainability Principles Compliance Framework are described in detail in the Sustainability and Human Resources sections of the annual report. Our explanations about core principles that have not been fully complied with are presented below. The impact of non-compliance with non-mandatory principles on the company's environmental and social risk-management processes is being monitored and is dealt with as part of its general sustainability-related efforts.

- In order to enhance the reliability of the data that it publishes, such data is independently verified and the scope of such verification is expanded every year by increasing the number of parameters by which it is measured. Both verified data and any unverified data (together with the reasons for non-verification) are publicly disclosed in the appropriate sections of the report. Environmental-performance indicators are regularly subjected to independent verification. As of this writing, Tofaş's water, greenhouse gas emissions, and energy-consumption performance in 2023 is still undergoing verification and only verified data related to the company's performance in previous years' is presented at this time.

- As is discussed in detail in the Sustainability section of Tofaş's 2023 annual report, the climate change is an environmental issue of the utmost concern for the company. In line with this urgency, Tofaş is developing a strategy whereby these risks may be managed at the highest level and performance targets may be determined within the framework of national and international developments. As part of its general sustainability-related efforts, Tofaş's Scope 1, Scope 2, and Scope 3 emissions are regularly calculated and all such data is independently verified pursuant to the requirements of the ISO 14064-1 standard. In a similar way, energy-consumption performance indicators are also monitored and independently verified in accordance with the requirements of ISO 50001. On both matters however, Tofaş is still working on identifying science-based target parameters and will publicly disclose such targets as they are determined.
- As of this writing, no Tofaş operations or other activities have been included in any carbon pricing system, no carbon credits have been purchased, and no carbon-pricing mechanisms are being implemented within the company. A variety of low-carbon-economy transition-strategy tools are currently under consideration. Those which are deemed to be strategy-appropriate will be implemented, after which they will be publicly disclosed.
- The relationship of all company operations with United Nations 2030 Sustainable Development Goals is publicly disclosed in Tofaş's sustainability reports while a general overview of its processes' fitness for purpose is presented in its annual reports. (<http://irsustainability.tofas.com.tr/2022/en/>)
- The most recent versions of Tofaş's personal data protection and data security policies are always available on the company's corporate website at tofas.com.tr.
- The Tofaş Human Rights Policy, the Tofaş Anti-Bribery & Anti-Corruption Policy, and the Tofaş Supply Chain Policy are being updated and will be published separately once they have been approved by the Tofaş Board of Directors. (<https://www.tofas.com.tr/en/Sustainability/Policies>)

SUSTAINABILITY PRINCIPLES COMPLIANCE REPORT

	PRINCIPLE	COMPLIANCE				EXPLANATION	RELATED REPORT/LINK
		YES	NO	PARTIAL	N/A		
	A. General Principles						
	A1. Strategy, Policy and Targets						
A1.1	The Board of Directors determines material environmental, social and governance (ESG) issues, risks and opportunities.	x				At Tofaş, the Board of Directors is responsible for risk management processes. Tofaş takes a comprehensive approach to risk management entailing economic, environmental and social aspects, and carries out its activities in line with the principles of “protecting company assets and values”, “ensuring commercial, financial and operational trust”, and “sustainability in enterprise risk management”	Annual Report sustainability section (Page: 70-71)
	The Board of Directors establishes relevant ESG policies (e.g. Environmental Policy, Energy Policy, Human Rights and Employee Policy, etc.) and they are publicly disclosed.	x				Sustainability-related policies put into implementation by Tofaş can be found on the company website.	Corporate Website - Policies
A1.2	Publicly discloses short- and long-term goals set according to ESG policies.	x				Making its environmental and sustainability targets available for the information of all its stakeholders, Tofaş transparently reports the results from its activities in these areas on its corporate website and in its sustainability reports	Annual Report sustainability section (Page: 68-100)
	A2. Implementation/ Monitoring						
A2.1	Determines and discloses the committees/units responsible for the execution of ESG policies, and the highest level positions in charge of ESG issues at the Company and their duties.	x				Sustainability approach and practices are addressed as a whole, incorporating all stakeholders of Tofaş. The CEO and the Company’s senior management are responsible for; • determining and managing strategic trends, • ensuring the operation of risk management, early warning and control systems, • setting corporate targets, • achieving compliance with corporate governance principles and executing the efforts for capturing the anticipated performance and outcomes in this area	Annual Report sustainability section (Page: 68-100)
	The responsible committee and/or unit reports the activities carried out as per the policies during the year at least once a year to the Board of Directors.	x				Tofaş Corporate Sustainability Policy is followed up at the Board of Directors level, and related matters are evaluated and reported by the committees under the Board of Directors. A regular Sustainability Report is published annually	Annual Report sustainability section (Page: 68-100)

	PRINCIPLE	COMPLIANCE				EXPLANATION	RELATED REPORT/LINK
		YES	NO	PARTIAL	N/A		
A2.2	Creates and discloses implementation and action plans aligned with ESG targets	x				Tofaş transparently discloses its corporate sustainability strategy and associated implementations which guarantee the continuity of its operations, and the performance values resulting from the actions taken by the Company to the public and stakeholders. Climate targets, diversity and inclusion targets, and all other ESG action plans are publicly disclosed	Annual Report sustainability section (Page: 68-100)
A2.3	Discloses ESG Key Performance Indicators (KPI) and the degree of their achievement by years.	x				Tofaş has been monitoring ESG key performance indicators since 2013. They are reported in a format showing the past 5 years' trends on the corporate website, in the annual report and sustainability report	Annual Report sustainability section (Page: 68-100)
A2.4	Discloses efforts for improving sustainability performance with respect to work processes or products and services.	x				Tofaş achieves full compliance with national and international legal requirements in all its activities, constantly strives to mitigate the impacts of its manufacturing, products and services by employing improvement tools and appropriate technologies, and implements actions that will better its performance. The outcomes of the Company's activities in these departments are published transparently	Annual Report sustainability section (Page: 68-100)
A3. Reporting							
A3.1	Discloses sustainability performance, targets and actions in an intelligible, accurate and adequate manner in annual reports.	x					Annual Report sustainability section
A3.2	Provides information about which of the United Nations (UN) 2030 Sustainable Development Goals its activities relate to.	x				Provided in detail in the table titled SDGs and What does Tofaş do about it?	Annual Report sustainability section (Page: 73)
A3.3	Makes disclosures regarding the lawsuits filed and/or concluded against the company on account of ESG issues, which are material with respect to ESG policies and/or have material impact on operations.	x				No lawsuits, including those on account of environmental, social and governance matters, of a nature to impact the Company's financial position and activities have been brought against the Company; nor are there any administrative or financial sanctions imposed against the Company or the governing body on account of any practices contrary to the provisions of the legislation.	Annual Report sustainability section (Page: 83)

SUSTAINABILITY PRINCIPLES COMPLIANCE REPORT

	PRINCIPLE	COMPLIANCE				EXPLANATION	RELATED REPORT/LINK
		YES	NO	PARTIAL	N/A		
A4. Verification							
A4.1	ESG Key Performance measurements are verified by an independent third party and publicly disclosed.			x			Tofaş Sustainability Report
B. Environmental Principles							
B1	Publicly discloses its environmental management policy and practices, action plans, environmental management systems (known by ISO 14001 standard) and programs	x				Having initiated activities related to environmental management system in 1997, Tofaş has been the first plant to obtain ISO 14001 Environmental Management System certification in the automotive industry in 1998. Tofaş has been employing ISO 14064-1 GHG Management System and annual GHG reporting verification since 2010, and ISO 50001 Energy Management System since 2013. Independent audits conducted on the said management systems in 2022 demonstrated “Zero Non-compliance”.	Annual Report sustainability section (Page: 83)
B2	Publicly discloses the limitations over the reporting scope, reporting period, reporting date, reporting conditions of the environmental reports to be prepared for providing environmental management information	x				Environment data disclosed in Tofaş 2022 Annual Report covers all the operations of Tofaş Türk Otomobil Fabrikası A.Ş. between 01 January 2022 and 31 December 2022. Unless otherwise stated, the reports do not cover environmental performance of Fer Mas Oto Ticaret A.Ş. and Koç Fiat Kredi Finansman A.Ş., two of Tofaş’s subsidiaries, and the environmental performance pertaining to dealers. For the same reason, 2022 data have not been verified by a third party organization on the date of the writing of the report; past data for the previous years have been verified.	Annual Report sustainability section (Page: 82)
B4	Discloses the environmental targets included in rewarding criteria within the scope of performance incentive systems on the basis of stakeholders (board members, executives, employees and so on).	x				Tofaş uses the OKR (Objectives and Key Results) methods whereby employees set objectives and key results aligned with the Company targets and strategies and objectives are dynamically revised according to priorities that change during the year. Environment targets are included in the OKRs of Tofaş CEO, Plant Manager, Sustainability Committee members and employees. Environmental management is also a part of annual target deployment and performance evaluation system.	Annual Report sustainability section (Page: 84)

	PRINCIPLE	COMPLIANCE				EXPLANATION	RELATED REPORT/LINK
		YES	NO	PARTIAL	N/A		
B5	Explains how environmental issues identified to be material are integrated into business goals and strategies.	x				In line with AA1000 Stakeholder Engagement Standard, Tofaş classified its material issues in the area of sustainability as issues with low, medium, and high materiality according to the results from the survey participated by both internal and external stakeholders	Annual Report sustainability section (Page: 72)
B7	Explains how it manages environmental issues throughout the Company's value chain including suppliers and customers so as to cover the operation process as well and how they are integrated into its business goals and strategies.	x				Within the frame of its sustainability approach, Tofaş holistically highlights environmental, social and economic values for its employees and all its stakeholders in its sphere of influence. The Company focuses on taking under control indirect environmental impacts throughout its value chain, as well as its direct impacts on the environment, and on minimizing them at the highest extent possible	Annual Report sustainability/ Environment section (Page: 82-89)
B8	Discloses whether it is involved in policy-making processes on environmental issues of relevant institutions and non-governmental organizations and its collaborations with these institutions and organizations, if any.	x				Cooperation is established with civil society organizations, associations and governmental agencies to develop environmental policies and to mitigate environmental impacts. OSD (Automotive Manufacturers Association) membership and memberships on TUSIAD (Turkish Business and Industry Association) working groups, alongside collaborations with universities and partnerships with associations and chambers are intended to contribute to the value chain.	Annual Report sustainability/ Environment section (Page: 82-89)
B9	Periodically reports information about its environmental impacts comparatively in the light of environmental indicators; GHG emissions Scope-1 (Direct), Scope-2 (Indirect from purchased energy), Scope-3 (Other indirect), air quality, energy management, water and wastewater management, waste management, biodiversity implications).	x				Within the scope of sustainability activities, Scope 1 and Scope 2 GHG emissions are regularly calculated, verified by an independent third party pursuant to ISO 14064-1, and publicly disclosed. Similarly, environmental indicators such as energy consumption, water and waste are also regularly monitored and reported.	Annual Report sustainability/ Environment section (Page: 82-89)
B10	Discloses the standard, protocol, methodology and baseline year details used to collect and calculate its data.	x				Detailed information is provided in the explanation for each indicator on relevant page s of the annual report.	Annual Report sustainability/ Environment section (Page: 82-89)

SUSTAINABILITY PRINCIPLES COMPLIANCE REPORT

	PRINCIPLE	COMPLIANCE				EXPLANATION	RELATED REPORT/LINK
		YES	NO	PARTIAL	N/A		
B11	Publicly discloses the status of environmental indicators for the reporting year (increase or decrease) in comparison with previous years.	x				5 year-data are disclosed.	Annual Report sustainability/ Environment section (Page: 82-89)
B12	Sets short and long-term goals to reduce its environmental impact and discloses these goals and the progress, if any, as compared to the targets set in previous years.	x				Short-, medium- and long-term targets and the actual situation are disclosed.	Annual Report sustainability/ Environment section (Page: 82-89)
B13	Discloses its strategy and actions to combat the climate crisis.	x				Tofaş targets to put its renewable energy investments into use from 2022 and to reduce its GHG emissions resulting from manufacturing by 22.6% by 2026 solely with the support of these investments	Annual Report sustainability/ Environment section (Page: 82-89)
B14	Explains its programs or procedures to prevent or minimize the potential negative impacts of the products and/or services it offers.	x				Tofaş considers its products and services with a lifetime perspective and manages the positive or negative impacts created. While the Company works to mitigate the environmental impact resulting from the manufacturing and usage of its vehicles, it continuously develops projects to make its vehicles more environment-friendly	Annual Report sustainability/ Environment section (Page: 82-89)
	Takes and explains its actions for driving reduction of GHG emission quantities of third parties (e.g. suppliers, sub-contractors, dealers, etc.).	x				At the heart of Tofaş's green procurement activities lie spreading the sustainability culture across its supply chain and the philosophy of highlighting products and services with reduced environmental impact. With the green purchasing initiative, Tofaş aims at the reduction of its suppliers' environmental impacts resulting from their production processes and the services they produce, improvement of their overall environmental performances, and mitigating environmental risks.	Annual Report sustainability/ Environment section (Page: 82-89)
B15	Discloses the total number of actions taken, projects carried out and initiatives undertaken to mitigate its environmental impacts, along with the benefits/ revenues and cost savings they provide.	x					Annual Report sustainability/ Environment section (Page: 82-89)

	PRINCIPLE	COMPLIANCE				EXPLANATION	RELATED REPORT/LINK
		YES	NO	PARTIAL	N/A		
B16	Reports energy consumption data (gas, diesel oil, fuel oil, LPG, coal, electricity, heating, cooling, etc.) and discloses its energy consumption as Scope-1 and Scope-2.	x				Within the scope of sustainability activities, Scope 1 and Scope 2 GHG emissions are regularly calculated, verified by an independent third party pursuant to ISO 14064-1, and publicly disclosed. Similarly, energy consumption data are also reported broken down into “renewables/ non-renewables” to correspond to the expectations of international sustainability indices.	Annual Report sustainability/ Environment section (Page: 82-89)
B17	Discloses information about the electricity, heat, steam and cooling generated during the reporting year.	x					Annual Report sustainability/ Environment section (Page: 82-89)
B18	Conducts and discloses studies on increasing the use of renewable energy, transition to zero or low carbon electricity.	x				Tofaş carries on with its efforts and projects to be a carbon-neutral facility. Thanks to hundreds of energy efficiency projects carried out, Tofaş, sustains its energy intensity reduction trend	Annual Report sustainability/ Environment section (Page: 82-89)
B19	Discloses data on its renewable energy generation and consumption.	x					Annual Report sustainability/ Environment section (Page: 82-89)
B20	Develops energy efficiency projects and discloses the quantity reduced in energy consumption and emission enabled by these efforts.	x				During 2022, Tofaş carried out activities identified using the World Class Manufacturing-Energy methodology, which are targeted at reducing energy consumption and CO ₂ emissions. Within the scope of these activities, the Company implemented 194 energy efficiency projects, which helped save 99,224 GJ energy in total, and in turn, avoided 8,751 tonnes of CO ₂ emissions	Annual Report sustainability/ Environment section (Page: 82-89)
B21	Reports the amount of underground or overground water withdrawn, recycled and discharged, the resources and procedures.	x					Annual Report sustainability/ Environment section (Page: 82-89)

SUSTAINABILITY PRINCIPLES COMPLIANCE REPORT

	PRINCIPLE	COMPLIANCE				EXPLANATION	RELATED REPORT/LINK
		YES	NO	PARTIAL	N/A		
B22	Discloses whether its operations or activities are included in any carbon pricing system (Emission Trading System, Cap & Trade or Carbon Tax).	x				As of the date of this writing, Tofaş operations and other activities were not included in any carbon pricing system, nor any carbon credits were purchased. The Company does not implement a carbon pricing mechanism in its organization	Annual Report sustainability/ Environment section (Page: 82-89)
B23	Discloses the carbon credits saved or purchased during the reporting period.	x				As of the date of this writing, Tofaş operations and other activities were not included in any carbon pricing system, nor any carbon credits were purchased. The Company does not implement a carbon pricing mechanism in its organization	Annual Report sustainability/ Environment section (Page: 82-89)
B24	Discloses the details if carbon pricing is applied within the Company	x				As of the date of this writing, Tofaş operations and other activities were not included in any carbon pricing system, nor any carbon credits were purchased. The Company does not implement a carbon pricing mechanism in its organization	Annual Report sustainability/ Environment section (Page: 82-89)
B25	Discloses the platforms that it reports its environmental information to.	x				Making its environmental and sustainability targets available for the information of all its stakeholders, Tofaş transparently reports the results from its activities in these areas on its corporate website and in its sustainability reports.	Annual Report sustainability/ Environment section (Page: 82-89)
C. Social Principles							
C1. Human Rights and Employee Rights							
C1.1	Develops a Company Human Rights and Employee Rights Policy, which pledges full compliance with the Universal Declaration of Human Rights, ILO Conventions ratified by Türkiye and other applicable legislation. Discloses the policy and the roles and responsibilities associated for its implementation.	x					Corporate Website - Policies

	PRINCIPLE	COMPLIANCE				EXPLANATION	RELATED REPORT/LINK
		YES	NO	PARTIAL	N/A		
C1.2	Incorporates equitable workforce, improvement of working standards, women's employment and inclusion (not discriminating on the basis of gender, race, religion, language, marital status, ethnicity, sexual orientation, gender identity, family responsibilities, union activities, political affiliation, disabilities, social and cultural differences, etc.) in its policy concerning employee rights, while looking out for the effects of supply and value chain.	x					Corporate Website - Policies
C1.3	Discloses the measures taken throughout the value chain for protecting the rights of groups sensitive to certain economic, environmental, social factors (low-income groups, women, etc.) or for securing minority rights/ equal opportunity.	x					Annual Report (page 76-81)
C1.4	Reports on progress in relation to actions for preventing and remedying discrimination, inequality, human rights violations, forced labor and child labor.	x					Annual Report (page 76-81)

SUSTAINABILITY PRINCIPLES COMPLIANCE REPORT

	PRINCIPLE	COMPLIANCE				EXPLANATION	RELATED REPORT/LINK
		YES	NO	PARTIAL	N/A		
C1.5	Incorporates investments in employees (training, development policies), employee compensation, fringe benefits granted, the right to unionize, work/life balance solutions and talent management in its policies concerning employee rights.	x					Annual Report (page 76-81)
	Determines the mechanisms for resolution of employee complaints and labor disputes, and establishes conflict resolution processes.	x					Annual Report (page 76-81)
	Discloses the activities for ensuring employee satisfaction during the reporting period.	x					Annual Report (page 76-81)
C1.6	Establishes and discloses occupational health and safety policies.	x					Corporate Website - Policies
	Discloses the measures adopted for preventing workplace accidents and for protecting occupational health along with statistical data on accidents.	x					Annual Report page 81)
C1.7	Establishes and discloses personal data protection and data security policies.	x					Corporate Website - Policies
C1.8	Establishes and discloses a code of ethics.	x					Annual Report page 94
C1.9							Annual Report (page 95-99)
C1.10	Organizes information meetings and training programs on ESG policies and practices for employees.	x					Annual Report page 80

	PRINCIPLE	COMPLIANCE				EXPLANATION	RELATED REPORT/LINK
		YES	NO	PARTIAL	N/A		
C2. Stakeholders, International Standards and Initiatives							
C2.1	Establishes and discloses a customer satisfaction policy for handling and resolving customer complaints.	x					Corporate Website - Policies
C2.3	Discloses information about the communication maintained with stakeholders (which stakeholders, topics and frequency).	x					Annual Report (page 74-75)
C2.3	Discloses the international reporting standards embraced in its reporting.	x					Annual Report sustainability section
C2.4	Discloses the principles embraced in relation to sustainability, international organizations, committees and principles that it is a signatory or member of.	x					Annual Report sustainability section
C2.5	Makes improvements and concrete efforts to qualify for inclusion in sustainability indices of Borsa İstanbul and/ or international index providers.	x				The Company works to qualify for, and improve its performance on, nationally or internationally leading sustainability indices including Borsa İstanbul, and reports the indices that it is a constituent of	Annual Report sustainability section
D. Corporate Governance Principles							
D.1	Seeks stakeholders' opinions when determining the measures and strategies in relation to sustainability.	x				In line with AA1000 Stakeholder Engagement Standard, Tofaş classified its material issues in the area of sustainability as issues with low, medium, and high materiality according to the results from the survey participated by both internal and external stakeholders	Annual Report page 72
D.2	Works on raising awareness of sustainability and its importance through social responsibility projects, awareness activities and training programs.	x					Annual Report (page 95-99)

ACTIVITIES OF THE EARLY DETECTION OF RISK AND RISK MANAGEMENT COMMITTEE

a. Risk Management

A significant portion of commercial risks are managed under the guarantee of the previously signed 'take-or-pay' export contracts conducted with Stellantis Europe S.P.A. for the allocation of a certain portion of annual factory capacity to export sales. These export contracts provide substantial protection to the Company against cost, profitability, FX and foreign market risks and help keep commercial risks to a minimum.

2023 was a year in which our company successfully navigated its home-market commercial risks. Even in the face of macroeconomic developments and supply chain disruptions, we once again demonstrated our resilience in our country's expanding automotive market and remained its leader. Domestic retail sales were up by 33.2% year-on-year and numbered approximately 199.3 thousand units. The Egea Sedan continued to dominate the C segment, with a commanding 41% market share of it. The company is not exposed to any significant credit risks on account of its home-market sales.

The financial debt of the Company is composed of long-term bank loans that do not bear foreign exchange risk due to hedging, and are related to the Egea line revamp facelift project. Revenues and cash flows of these models and projects are covered under the guarantee of export agreements. Other financial debts apart from project loans are those of Koç Fiat Kredi Tüketici Finansmanı A.Ş. FX and interest rate risks were minimized through swap and derivative transactions.

A summary of key financial indicators and ratios for 2023 and 2022 is presented in the accompanying chart.

Financial Indicators		
(TL million)	2023	2022
Total Net Sales	127,601	124,019
Net Profit	15,083	9,374
Total Assets	78,667	73,799
Ratios		
Current Ratio	1.7	1.3
Profit After Tax/Net Sales	12%	8%
Profit After Tax/Total Assets	19%	13%
Profit After Tax/Equity	41%	36%
Total Debt/Equity	32%	44%

b. Activities of the Early Detection of Risk and Risk Management Committee

Early Detection of Risk and Risk Management Committee was established as per the Tofaş Board of Directors resolution dated 1 October 2012 in order to ensure compliance with Article 378 of the Turkish Commercial Code No. 6102, which went into force on 1 July 2012, and also to ensure efficient operation of the Board Committees. The Committee is responsible for early detection of risks that may threaten the Company's existence, development and continuity, and takes necessary actions relating to identified risks, and manages these risks.

In 2023, 6 meetings were held under the Chairship of Ms. Neslihan Tonbul, with the participation of committee members Mr. Sergio Duca, Mr. Polat Şen (appointed to replace Mr. Melih Poyraz within 2023) and Mr. Giorgio Fossati.

Following its establishment, the Committee initially evaluated the Risk Management System in place at Tofaş Türk Otomobil Fabrikası A.Ş., and spelled out the principles of risk reporting. Reports produced in accordance with the set principles and the Committee's assessments are being presented for the information of the Board of Directors periodically.

The Company management carefully considers the extent of the impact the Company's operations, risks and financial, commercial and operational results stemming from the risks will have upon the Company, and manages the same proactively. For the purpose of systematically managing risks, the Company management takes necessary measures to define, measure, assess the risks and to mitigate/transfer them when necessary, and ultimately to monitor and report them.

Information was provided about the activities carried out in legal and regulatory matters and about working processes, and relevant considerations were taken into account in Committee meetings. Lawsuits filed against the company and provisions for these lawsuits are also closely monitored and brought to the agenda of the committee.

In 2023, various assessments were made in line with the financial data received from the suppliers taking into consideration various parameters used for determining the financial risks of suppliers (EBITDA %, Liquidity Ratio, Debt Servicing Ratio, ROE, Net Debt/Equity), and the findings were considered by risk committees.

Financial and administrative conditions of suppliers, which are critical to production continuity, are analyzed, upon which evaluation reports are generated. These activities are crucial for early diagnosis of a given supplier's possible technical bankruptcy or inability to supply products; in such a case, the Board of Directors is informed and suggested countermeasures can be developed. On another front, global macroeconomic perspective concerning material input costs and current and projected price developments are watched closely. The surge in energy costs fueled by developments taking place in 2022 continued to be closely monitored in 2023.

Risks arising from the impact of the February 2023 earthquakes on our production and distribution operations were closely monitored; measures were taken as needed to head off any disruptions.

Through the Direct Debit System (DDS), our Company effectively manages the debt payment risks of dealers, and minimizes the risks stemming from the remaining debts by way of credit insurance. When it is considered that these risky receivables are not likely to be collected, necessary provisions are reserved and the subject is followed through legal processes.

In 2023, the current situation, possible risks (cyber risks) and measures taken regarding the company's IT infrastructure and applications were closely monitored and brought to the agenda of the committee.

NPL ratios and credit allocation policies are regularly monitored also at KFK, an affiliate of our Company, and risk management is carried out successfully.

On 1 March 2023, Tofaş Türk Otomobil Fabrikası AŞ ("Tofaş") publicly announced the signing of a Framework Agreement with the Stellantis Group. This agreement outlines key principles governing Tofaş's acquisition of shares in Stellantis Otomotiv Pazarlama AŞ ("Stellantis Otomotiv"). Following the completion of due diligence as mentioned in that announcement and in accordance with a Tofaş Board of Directors resolution, a Share Transfer Agreement was signed with the Stellantis Group under which all of Stellantis Otomotiv's shares, operations in Türkiye, and brands are to be acquired by Tofaş. As one of the stipulations of the agreement is that the transfer of ownership must first be approved by Türkiye's Competition Authority, a formal request for approval has been submitted and the Risk Management Committee is keeping a close watch on proceedings as they move forward.

Risk management at Tofaş has been organized in line with the Risk Management Policy and with the applicable legislation and so as to be reported to the Board of Directors. It is based on the principles of "protecting the Company assets and values", "ensuring commercial, financial and operational confidence" and "sustainability of enterprise risk management".

Additionally, the Company management is financially, commercially, operationally, and organizationally responsible for, and charged with, taking and implementing all necessary measures necessitated by risk management, internal audit and internal control activities.

AFFILIATED COMPANY REPORT

THE AFFILIATED COMPANY REPORT PREPARED AND ISSUED WITHIN THE SCOPE OF THE 199TH ARTICLE OF THE TURKISH CODE OF COMMERCE

As per the Article 199 of the Turkish Code of Commerce n.6102 (that entered into force on 1 July 2012), Tofaş Türk Otomobil Fabrikası A.Ş. Board of Directors is obligated; (i) to prepare and issue a report within the first quarter of the operating year about the Company's relations with its parent company and affiliated companies of the parent company in the previous operating year, and (ii) to include the conclusion part of this report in the Annual Report. Necessary explanations about Tofaş Türk Otomobil Fabrikası A.Ş.'s transactions with the related parties are available in the footnote 27 of the financial report.

The Report issued by Tofaş Türk Otomobil Fabrikası A.Ş. Board of Directors on 13 February 2024, states: "In all Tofaş Türk Otomobil Fabrikası A.Ş. transactions carried out with the parent company and the affiliated companies of the parent company in 2023; we have concluded that; (i) reasonable return was provided on each transaction according to the circumstances at the time of making the transaction or at the time of taking/not taking measure, and (ii) there were no measures taken/not taken against any transactions that could cause loss for the Company, and (iii) there were no transactions or measures that would require settlement within this framework."

INDEPENDENT AUDITOR'S REPORT ON THE EARLY IDENTIFICATION OF THE RISK COMMITTEE AND SYSTEM

(Convenience translation of a report originally issued in Turkish)

INDEPENDENT AUDITOR'S REPORT ON THE EARLY IDENTIFICATION OF THE RISK COMMITTEE AND SYSTEM

To the Board of Directors of TOFAŞ Türk Otomobil Fabrikası Anonim Şirketi,

We have audited the Early Identification of the Risk System and Committee established by TOFAŞ Türk Otomobil Fabrikası Anonim Şirketi.

Responsibility of the Board of Directors

Pursuant to paragraph 1 of Article 378 of the Turkish Commercial Code 6102 ("TCC"), the board of directors is obliged to establish a committee of experts and operate and improve the system for the purposes of: early identification of factors posing a threat on the company's existence, development and continuation; implementation of necessary measures and solutions in this regard; and management of the risk.

Responsibility of the independent auditor

Our responsibility is to express a conclusion on the Early Identification of the Risk System and Committee based on our audit. Our audit was conducted in accordance with TCC and the "Principles on the Independent Auditor's Report on Early Identification of the Risk System and Committee" and ethical requirements as announced by Public Oversight Accounting and Auditing Standards Authority ("POA") of Turkey. These principles require us to determine whether the early identification of the risk system and committee has been established, and if established, to evaluate whether the system and committee operate in accordance with Article 378 of TCC. Our audit does not involve auditing the appropriateness of the solutions on the risks identified by the Early Identification of the Risk System and Committee and the practices performed by the management against the risks.

Information Regarding the Early Identification of the Risk System and Committee

The Company established the Early Identification of the Risk System and Committee which consists of 4 members. For the period between January 1 – December 31, 2022, the committee has met for the purposes of early identification of factors posing a threat on the company's existence and development, implementation of necessary measures and solutions in this regard and the management of the risk; and has submitted the reports it has prepared to the Board of Directors.

Conclusion

Based on our audit, we have reached the conclusion that the early identification of the risk system and committee of TOFAŞ Türk Otomobil Fabrikası Anonim Şirketi is, in all material respects, in compliance with article 378 of the TCC.

The Early Identification of the Risk Committees have to submit their report to the Board of Directors at least bimonthly in accordance with Article 378 of TCC. The Early Identification of the Risk Committee of the Company has submitted their report 6 times during the year to the Board of Directors

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



Mehmet Can Altıntaş, SMMM
Partner

Istanbul, February 13, 2024

TOFAŞ TÜRK OTOMOBİL FABRİKASI ANONİM ŞİRKETİ
CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED
FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2023
TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

(Originally issued in Turkish)

INDEPENDENT AUDITOR'S REPORT



Güney Bağımsız Denetim ve SMMM A.Ş.
Maslak Mahallesi Eski Büyükdere Cad.
Orjin Maslak İş Merkezi No: 27 Kat: 2-3-4
Daire: 54-57-59
34485 Sarıyer
İstanbul - Türkiye

Tel: +90 212 315 3000
Fax: +90 212 230 8291
ey.com
Ticaret Sicil No: 479920
Mersis no: 0-4350-3032-6000017

To the General Assembly of TOFAŞ Türk Otomobil Fabrikası Anonim Şirketi;

A) Report on the Audit of the Consolidated Financial Statements

1) Opinion

We have audited the consolidated financial statements of TOFAŞ Türk Otomobil Fabrikası Anonim Şirketi ("the Company") and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at December 31, 2023, and the consolidated statement of comprehensive income, consolidated statement of other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the Turkish Financial Reporting Standards ("TFRS").

2) Basis for Opinion

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

3) Key Audit Matters

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

Key Audit Matters	Auditor's response
<p>Revenue recognition related to customer contracts</p> <p>Revenue is recognized in the financial statements based on the transaction price in accordance with TFRS 15 "Revenue from Customer Contracts". The transaction price is the amount that the entity expects to be entitled to in exchange for transferring the goods promised to the customer, excluding amounts collected on behalf of third parties. The Company recognized revenue in financial statements when control of the goods or services is transferred to the customers.</p> <p>Revenue is the most important indicator in evaluating the performance of the Group. Revenue is significant for evaluating the results of strategies implemented during the year and monitoring performance and has been determined as a key audit matter in the audit due to its importance as the most important financial statement item in terms of net income or loss and comprehensive income statement for the period ending on December 31, 2023.</p> <p>The details of the Group's revenue from contracts with customers are disclosed in Note 19 and 2.3 of the financial statements.</p>	<p>The following procedures have been implemented in the audit of revenue:</p> <ul style="list-style-type: none"> - Understanding the sales processes and evaluating the design of controls related to the processes, - Evaluating the conformity of the accounting policies applied by the Company management for revenue recognition with TAS, - Applying analytical procedures to determine whether the revenue recorded in the financial statements is at the expected levels, - Testing the accuracy of sales invoices through sampling and matching them with delivery notes, - Testing the transfer of the control of products on selected invoices by sampling to verify that they have been transferred to the customer, - Testing the completeness of revenue by matching the sample selected from shipping documents with accounting records and relevant invoices, - Obtaining confirmation letters from customers for sample selected trade receivables balances and controlling the conformity of the received replies with accounting records.

INDEPENDENT AUDITOR'S REPORT

Key Audit Matters	Auditor's response
<p>Warranty provision</p> <p>As of December 31, 2023, in Note 15, warranty provision on consolidated financial statements is amounting to TL 1,740,828 thousand. Assessment of appropriate provision includes sensitive assumptions because calculation of warranty provisions recognized at consolidated financial statements is based on estimation for future part costs after the sale of product, estimates of labor expenses and warranty usage rates in prior periods.</p>	<p>As part of our audit procedures, calculation of warranty provision has been provided from the Group management. Information regarding to the realization of warranty provisions within the last three years in the calculation have been controlled with the amounts in the accounting records. The sales prices and unit prices of spare parts used in the calculation have been also checked. In addition, the assumptions used by the Group management on labor costs, which are part of the cost of sales, have been evaluated.</p> <p>Compliance of warranty provision calculated by Entity Resource Planning (ERP) with the Group's policy has been examined. Profit estimation adjustment on ERP calculation and the rationale of the adjustments to the profit estimation have been discussed with the management.</p> <p>Furthermore, we assessed the appropriateness of the disclosures in the financial statements in Note 15, provision, contingent assets and contingent liabilities, in terms of TAS 37.</p>
<p>Receivable from financial sector operations</p> <p>As of December 31, 2023, in Note 9, provisions for the receivables related to the financial sector operations amounting to TL 9,644,526 thousand is significant for our audit, since the assessments of the Group management during the calculation of the amount of provision are detailed and depend on management's estimations and assumptions.</p> <p>We have an audit risk due to the risk that receivables from financial sector operations may impair and therefore the carrying amount of financial sector operations might be higher than the estimated recoverable amount.</p>	<p>As a part of our audit procedures, internal controls in process of issuance, recognizing, monitoring and payment of the loans have been tested and evaluated to assess operational efficiency of key controls designed to determine impairment in receivables of financial sector receivables and required provision.</p> <p>In addition, based on our professional judgment, sample selection has been made over receivables from financial sector operations and the existence of objective evidence of impairment within the receivables of financial sector operations has been assessed.</p> <p>Furthermore, we assessed the appropriateness of the disclosures in the financial statements in Note 9, receivables from financial sector operations, in terms of TFRS.</p>

Key Audit Matters	Auditor's response
<p>Application of the hyperinflationary accounting</p> <p>As stated in 2.1.1.2 to the consolidated financial statements, the Group has started to apply "TAS 29 Financial Reporting in Hyperinflation Economies" since the functional currency of the Group (Turkish Lira) is the currency of a hyperinflationary economy as per TAS 29 as of December 31, 2023.</p> <p>In accordance with TAS 29, consolidated financial statements and corresponding figures for previous periods have been restated for the changes in the general purchasing power of Turkish Lira and, as a result, are expressed in terms of purchasing power of Turkish Lira as of the reporting date.</p> <p>In accordance with the guidance in TAS 29, the Group utilised the Türkiye consumer price indices to prepare inflation adjusted financial statements. The principles applied for inflation adjustment is explained in 2.1.1.2.</p> <p>Given the significance of the impact of TAS 29 on the reported result and financial position of the Group, we have assessed the hyperinflation accounting as a key audit matter.</p>	<p>Our audit procedures included the following;</p> <ul style="list-style-type: none"> - We inquired management responsible for financial reporting on the principles, which they have considered during the application of TAS 29, identification of non-monetary accounts and tested TAS 29 models designed, - We have tested the inputs and indices used, to ensure completeness and accuracy of the calculations, - We have audited the restatements of corresponding figures as required by TAS 29, <p>We assessed the adequacy of the disclosures in inflation adjusted financial statements for compliance with TAS 29.</p>

4) Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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

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

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

5) Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

INDEPENDENT AUDITOR'S REPORT

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

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

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

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

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

B) Report on Other Legal and Regulatory Requirements

- 1) Auditors' report on Risk Management and Risk Committee prepared in accordance with paragraph 4 of Article 398 of Turkish Commercial Code ("TCC") 6102 is submitted to the Board of Directors of the Company on 13 February 2024.
- 2) In accordance with paragraph 4 of Article 402 of the TCC, no significant matter has come to our attention that causes us to believe that the Company's bookkeeping activities for the period 1 January - 31 December 2023 and financial statements are not in compliance with laws and provisions of the Company's articles of association in relation to financial reporting.
- 3) In accordance with paragraph 4 of Article 402 of the TCC, the Board of Directors submitted to us the necessary explanations and provided required documents within the context of audit.

The name of the engagement partner who supervised and concluded this audit is Mehmet Can Altıntaş.

Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi
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TOFAŞ TÜRK OTOMOBİL FABRİKASI ANONİM ŞİRKETİ CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2023 AND 2022

(Amounts expressed in thousands of Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise indicated.)
(Convenience translation of consolidated financial statements originally issued in Turkish)

		<i>Audited</i>	<i>Audited</i>
	Notes	31 December 2023	31 December 2022
ASSETS			
Current assets:			
Cash and cash equivalents	4	24,815,473	19,804,382
Financial investments	5	40,788	-
Trade receivables			
- <i>Related parties</i>	27	9,757,566	17,290,413
- <i>Third parties</i>	7	8,660,132	7,352,616
Receivables from finance sector operations	9	7,102,060	4,997,566
Other receivables	8	11,552	471
Inventories	10	9,712,040	5,553,569
Prepaid expenses	17	195,942	162,105
Other current assets	17	208,377	37,112
Total current assets		60,503,930	55,198,234
Non-current assets:			
Receivables from finance sector operations	9	2,542,466	2,925,683
Other receivables	8	925	758
Investment properties	11	148,680	161,634
Property, plant and equipment	12	8,815,998	9,233,448
Right of use assets		29,854	32,978
Intangible assets	13	4,262,146	5,596,048
Prepaid expenses	17	633,647	64,614
Deferred tax assets	25	1,729,649	585,697
Total non-current assets		18,163,365	18,600,860
Total assets		78,667,295	73,799,094

These consolidated financial statements as of and for the year ended 31 December 2023 have been approved for issue by the Board of Directors on 13 February 2024. Therefore, mentioned consolidated financial statements will be finalized after the approval in General Assembly.

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

TOFAŞ TÜRK OTOMOBİL FABRİKASI ANONİM ŞİRKETİ

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2023 AND 2022

(Amounts expressed in thousands of Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise indicated.)
(Convenience translation of consolidated financial statements originally issued in Turkish)

	Notes	Audited 31 December 2023	Audited 31 December 2022
LIABILITIES			
Current liabilities:			
Short-term financial liabilities	6	700,000	963,922
Short-term portion of long-term financial liabilities	6	6,038,258	7,391,410
Trade payables			
- Related parties	27	12,047,631	17,375,540
- Third parties	7	11,513,247	13,934,169
Employee benefit liabilities	16	1,059,573	466,673
Other payables	8	57,589	93,972
Contract liabilities	17	163,252	177,615
Government incentives and grants	14	13,862	13,862
Deferred income	17	294,196	123,738
Current income tax liabilities	25	1,214,405	721,157
Short-term provisions	15	1,998,726	1,330,459
Other current liabilities		465,380	259,657
Other financial liabilities		-	154,587
Total current liabilities		35,566,119	43,006,761
Non-current liabilities:			
Long-term financial liabilities	6	5,092,531	3,112,460
Government incentives and grants	14	-	13,862
Long-term provisions			
- Provisions for employment termination benefits	16	1,129,061	1,816,943
Total non-current liabilities		6,221,592	4,943,265
Total liabilities		41,787,711	47,950,026
Equity:			
Paid-in share capital	18	500,000	500,000
Adjustment to share capital		13,331,627	13,331,627
Other comprehensive losses not to be reclassified under profit or losses			
- Actuarial loss on employment termination benefit obligation		(156,830)	(925,057)
Other comprehensive losses to be reclassified under profit or losses			
- Cash flow hedge reserves		(2,440,143)	(3,293,549)
Restricted reserves		2,647,404	2,201,870
Retained earnings		7,914,087	4,660,138
Net profit for the year		15,083,439	9,374,039
Total equity		36,879,584	25,849,068
Total liabilities and equity		78,667,295	73,799,094

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

TOFAŞ TÜRK OTOMOBİL FABRİKASI ANONİM ŞİRKETİ
CONSOLIDATED STATEMENTS OF PROFIT OR LOSS
FOR THE YEARS ENDED 31 DECEMBER 2023 AND 2022

(Amounts expressed in thousands of Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise indicated.)
(Convenience translation of consolidated financial statements originally issued in Turkish)

		<i>Audited</i>	<i>Audited</i>
	Notes	1 January - 31 December 2023	1 January - 31 December 2022
Revenue	19	127,601,000	124,019,056
Cost of sales (-)	19	(105,107,908)	(108,956,607)
Gross profit from operations		22,493,092	15,062,449
Revenue from finance sector operations		2,652,914	3,795,549
Expenses from finance sector operations (-)		(1,986,700)	(2,848,074)
Gross profit from finance sector operations		666,214	947,475
Gross profit		23,159,306	16,009,924
General administrative expenses (-)	20	(2,210,740)	(1,812,268)
Marketing, selling and distribution expenses (-)	20	(4,108,103)	(2,609,028)
Research and development expenses (-)	20	(1,111,756)	(767,100)
Other income from main operations	22	10,548,426	10,435,095
Other expense from main operations (-)	22	(12,269,129)	(12,006,042)
Operating profit before financial income		14,008,004	9,250,581
Income from investing activities	23	132,008	138,452
Expenses from investing activities	23	(12,954)	(25,901)
Operating profit before financial income		14,127,058	9,363,132
Financial income	24	11,665,667	6,811,422
Financial expenses (-)	24	(5,184,253)	(7,576,895)
Monetary gain/(loss)		(2,281,947)	2,180,692
Profit before tax from continuing operations		18,326,525	10,778,351
Tax income/(loss) for the period		(3,243,086)	(1,404,312)
- Taxes on income	25	(4,644,502)	(1,219,160)
- Deferred tax income/(expense)	25	1,401,416	(185,152)
Net profit for the year		15,083,439	9,374,039
Net profit attributable to:			
Non-controlling interests		-	-
Equity holders of the parent		15,083,439	9,374,039
Earnings per share (Kr)	26	30.17	18.75

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

TOFAŞ TÜRK OTOMOBİL FABRİKASI ANONİM ŞİRKETİ

CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE INCOME

FOR THE YEARS ENDED 31 DECEMBER 2023 AND 2022

(Amounts expressed in thousands of Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise indicated.)
(Convenience translation of consolidated financial statements originally issued in Turkish)

		<i>Audited</i>	<i>Audited</i>
	Notes	1 January - 31 December 2023	1 January - 31 December 2022
Net profit for the year		15,083,439	9,374,039
Other comprehensive income:			
Other comprehensive income not to be reclassified under profit and loss			
- Actuarial gain/(loss) on employment termination benefit obligation	16	1,024,303	(1,156,321)
Taxes relating to other comprehensive income not to be reclassified under profit and loss			
Actuarial loss on post-employment termination benefit obligation, tax effect	25	(256,076)	231,264
Other comprehensive income to be reclassified under profit and loss			
- Gaining/(losses) on hedging	2	(436,631)	1,538,183
Taxes relating to other comprehensive income to be reclassified under profit and loss			
- Losses on hedging, tax effect	25	109,158	(307,637)
Other comprehensive income/(loss)		440,754	305,489
Total comprehensive income		15,524,193	9,679,528
Total comprehensive income attributable to:			
Non-controlling interests		-	-
Parent company interests		15,524,193	9,679,528

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

TOFAŞ TÜRK OTOMOBİL FABRİKASI ANONİM ŞİRKETİ CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED 31 DECEMBER 2023 AND 2022

(Amounts expressed in thousands of Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise indicated.)
(Convenience translation of consolidated financial statements originally issued in Turkish)

			Other comprehensive income not to be reclassified under profit and loss	Other comprehensive income to be reclassified under profit and loss
	Paid in share capital	Adjustments to share capital	Actuarial loss on employment termination benefit obligation	Loss on cash flow hedge
Balances at 1 January 2022	500,000	13,331,627	-	(6,654,836)
Transfers	-	-	-	2,040,741
Total comprehensive income	-	-	(925,057)	1,230,546
Dividends paid	-	-	-	-
Balances at 31 December 2022	500,000	13,331,627	(925,057)	(3,293,549)
Balances at 1 January 2023	500,000	13,331,627	(925,057)	(3,293,549)
Transfers	-	-	-	1,180,879
Total comprehensive income	-	-	768,227	(327,473)
Dividends paid	-	-	-	-
Balances at 31 December 2023	500,000	13,331,627	(156,830)	(2,440,143)

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

Retained earnings

Restricted reserves	Retained earnings	Net profit for the year	Total equity
1,463,923	14,876,799	-	23,607,513
737,947	(2,778,688)	-	-
-	-	9,374,039	9,679,528
-	(7,437,973)	-	(7,437,973)
2,201,870	4,660,138	9,374,039	25,849,068
2,201,870	4,660,138	9,374,039	25,849,068
445,534	7,747,626	(9,374,039)	-
-	-	15,083,439	15,524,193
-	(4,493,677)	-	(4,493,677)
2,647,404	7,914,087	15,083,439	36,879,584

TOFAŞ TÜRK OTOMOBİL FABRİKASI ANONİM ŞİRKETİ

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED 31 DECEMBER 2023 AND 2022

(Amounts expressed in thousands of Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise indicated.)
(Convenience translation of consolidated financial statements originally issued in Turkish)

	Notes	<i>Audited</i> 1 January - 31 December 2023	<i>Audited</i> 1 January - 31 December 2022
A. Cash flows from operating activities:		7,753,455	19,959,493
Net profit for the year		15,083,439	9,374,039
Adjustments to reconcile profit for the period		3,294,955	3,728,088
- Depreciation and amortization	21	3,938,015	7,293,590
- Income from revaluation of investment properties	11, 23	12,954	25,901
- Adjustments related to doubtful receivables	7,9	48,228	12,436
- Adjustments related to interest income	24	(3,799,704)	(1,492,908)
- Adjustments related to provision for inventories	10	(154,592)	79,403
- Gain on sale of property, plant and equipment	23	(132,008)	(138,452)
- Provision for employment termination benefits	16	1,703,848	283,252
- Adjustments for reversal of lawsuit and/or penalty provisions	15	2,910	2,527
- Adjustments related to warranty provisions	15, 20	1,817,900	941,348
- Adjustments related to other provisions	15	153,063	99,443
- Adjustments related to interest expense	24	108,503	189,212
- Adjustments for tax loss/(income)	25	3,243,086	1,404,312
- Deferred financial expenses from credit purchases/sales, net	22	(1,766,153)	(236,344)
- Adjustments related to unrealized gain on foreign currency differences		1,202,718	3,863,516
- Adjustments related to exchange differences of cash and cash equivalents		(7,737,847)	(4,896,578)
- Adjustments related to monetary (gain) loss, net		4,654,034	(3,702,570)
Changes in net working capital		(5,563,105)	8,319,586
- Change in inventories		(4,003,880)	1,027,371
- Change in receivables from third parties		3,552,492	2,200,474
- Change in receivables from related parties		7,532,847	(1,967,866)
- Change in other receivables from operating activities		(11,248)	1,538
- Change in trade payables due to third parties		(2,420,922)	3,960,143
- Change in trade payables due to related parties		(8,421,676)	(1,691,813)
- Adjustments for increase (decrease) in contract liabilities arising from customer contracts		(14,363)	(8,802)
- Change in receivables from finance sector operations		(1,769,593)	3,927,435
- Change in prepaid expenses		(602,870)	66,889
- Change in deferred revenue		170,458	(97,520)
- Change in government incentives and grants		(13,862)	(51,369)
- Change in other assets from operating activities		(168,141)	552,273
- Change in other liabilities from operating activities		607,653	406,582
- Change in derivative financial instruments		-	(5,749)
Net cash generated from operating activities		12,815,289	21,370,614
- Taxes paid		(4,151,254)	(634,947)
- Payments related to employment termination benefits	16	(379,027)	(151,645)
- Other cash outflows	15	(531,553)	(675,628)
B. Cash flows from investing activities		(2,095,443)	(1,442,134)
- Purchases of tangible assets	12	(1,578,568)	(652,363)
- Purchases of intangible assets		(681,204)	(976,914)
- Proceeds from sale of tangible and intangible assets		205,117	186,493
- Change in financial assets	5	(40,788)	650
C. Cash flows from financing activities		1,578,430	(9,827,291)
- Proceeds from financial liabilities	6	11,412,751	9,144,147
- Bank loans paid	6	(8,652,950)	(12,636,747)
- Payment of lease liabilities	6	(14,335)	(13,068)
- Dividend paid		(4,493,677)	(7,437,973)
- Interest paid		(101,597)	(184,023)
- Other cash inflows (outflows)/(change in restricted deposits)		(301,675)	(142,637)
- Interest received		3,729,913	1,443,010
D. Effect of monetary loss on cash and cash equivalents		(10,334,664)	(5,331,772)
E. Effects of currency translation differences on cash and cash equivalents		7,737,847	4,896,578
Net change in cash and cash equivalents (A+B+C+D+E)		4,639,625	8,203,775
F. Cash and cash equivalents at the beginning of the year		19,561,031	11,357,256
Cash and cash equivalents at the end of the year	4	24,200,656	19,561,031

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

TOFAŞ TÜRK OTOMOBİL FABRİKASI ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

(Amounts expressed in thousands of Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise indicated.)
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NOTE 1 - GROUP'S ORGANISATION AND NATURE OF OPERATIONS

Tofaş Türk Otomobil Fabrikası A.Ş. (the "Company" or "Tofaş") was established in 1968 as a Turkish-Italian cooperation venture. The core business of the Company is manufacturing, exporting and selling passenger cars and light commercial vehicles under licenses of Stellantis Europe SPA. Tofaş, which is a joint venture of Koç Holding A.Ş. ("Koç Holding") and Stellantis Group, also produces various automotive spare parts used in its automobiles. The Company's head office is located at Büyükdere Cad. No: 145 Zincirlikuyu Şişli, İstanbul. The manufacturing facilities are located at Bursa. The Company manufactures its cars, except for Mini Cargo and New Doblo, pursuant to license agreements between the Company and Stellantis. The Company has been registered with the Turkish Capital Market Board ("CMB") and quoted on the İstanbul Stock Exchange ("ISE") since 1991.

Fiat Chrysler Automobiles signed a merger agreement with the PSA Group at the end of 2019, in which both companies will have a 50% share. Stellantis N.V. was established by merger in January 2021.

The Company conducts a significant portion of its business with affiliates of Koç Group and Stellantis Group (Note 27).

The Company's subsidiaries as of 31 December 2023 and 2022 which are subject to consolidation are as follows:

Name of the company	Operating area	Rate of ownership of the Company (%)	
		31 December 2023	31 December 2022
Koç Fiat Kredi			
Finansman A.Ş. ("KFK")	Consumer financing	100	100
Fer Mas Oto Ticaret A.Ş.	Trading of automobile and spare parts	100	100
Koç Fiat Sigorta Aracılık Hizmetleri A.Ş.	Insurance Services	100	100

For the purpose of the consolidated financial statements, Tofaş and its consolidated subsidiaries are referred to as the "Group".

The average number of personnel in accordance with the Group's categories is as follows:

	Average		Period end	
	1 January - 31 December 2023	1 January - 31 December 2022	31 December 2023	31 December 2022
Hourly-rated	4,215	4,637	4,381	4,498
Monthly-rated	1,541	1,492	1,644	1,514
	5,756	6,129	6,025	6,012

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

2.1 Basis of presentation

2.1.1 Financial reporting standards

The accompanying consolidated financial statements are prepared in accordance with the Communiqué Serial II, No:14.1, "Principles of Financial Reporting in Capital Markets" ("the Communiqué") published in the Official Gazette numbered 28676 on 13 June 2013. According to the article 5 of the Communiqué, consolidated financial statements are prepared in accordance with Turkish Financial Reporting Standards ("TFRS") and its addendum and interpretations ("IFRIC") issued by Public Oversight Accounting and Auditing Standards Authority ("POA") Turkish Accounting Standards Boards. The consolidated financial statements of the Group are prepared as per the CMB announcement of 4 October 2022 relating to financial statements presentations.

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

2.1.1.2 Financial reporting in hyperinflationary economy

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

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

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

TOFAŞ TÜRK OTOMOBİL FABRİKASI ANONİM ŞİRKETİ

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

2.1 Basis of presentation (Continued)

2.1.1.2 Financial reporting in hyperinflationary economy (continued)

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

Year end	Index	Index, %	Conversion Factor
2004	113.86	13.86	16.33041
2005	122.65	7.72	15.16005
2006	134.49	9.65	13.82541
2007	145.77	8.39	12.75557
2008	160.44	10.06	11.58925
2009	170.91	6.53	10.87929
2010	181.85	6.40	10.22480
2011	200.85	10.45	9.25756
2012	213.23	6.16	8.72007
2013	229.01	7.40	8.11921
2014	247.72	8.17	7.50597
2015	269.54	8.81	6.89835
2016	292.54	8.53	6.35599
2017	327.41	11.92	5.67906
2018	393.88	20.30	4.72068
2019	440.50	11.84	4.22107
2020	504.81	14.60	3.68333
2021	686.95	36.08	2.70672
2022	1128.45	64.27	1.64773
2023	1859.38	64.77	1,00000

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

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

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

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

TOFAŞ TÜRK OTOMOBİL FABRİKASI ANONİM ŞİRKETİ

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

2.1 Basis of presentation (Continued)

2.1.1.3 Going Concern

The Group has prepared its consolidated financial statements in accordance with the going concern principle.

2.1.2 Comparatives and adjustment of prior periods' consolidated financial statements

In order to allow for the determination of the financial situation and performance trends the Group's consolidated financial statements have been presented comparatively with the previous year. Where necessary, comparative figures have been reclassified to conform to the changes in presentation in the current period.

2.1.3 Functional and reporting currency

The Group's functional and reporting currency is Turkish Lira ("TL"). Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation are recognized in the consolidated statement of income.

2.1.4 Basis of consolidation

Subsidiaries are all 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 and deconsolidated from the date that control ceases. Inter-group transactions, balances and unrealized gains on transactions between Group companies are eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

2.1.5 Significant accounting judgments, estimates and assumptions

The preparation of financial statements requires the Group 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 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 financial statements and the significant judgments with the most significant effect on amounts recognized in the financial statements are as follows:

- The Company determines warranty provision by considering the past warranty expenses and remaining warranty period per vehicle. In calculation of the warranty provision; vehicle quantity, warranty period and the historical warranty claims incurred are considered. As of 31 December 2023, the amount of guarantee expense is TL 1,817,900 (31 December 2022: TL 941,348) (Note 15).
- KFK, the subsidiary of the Group, has established a specific credit risk provision for loan impairment to provide for management's estimate of credit losses as soon as the recovery of an exposure is identified as doubtful. Impairment and collectability are measured and recognized individually for loans and receivables that are individually significant. As of 31 December 2023, general provisions for finance loans amounted to TL 65,864 (31 December 2022: TL 53,682) has been booked in the consolidated financial statements (Note 9).
- The cost of defined benefit plans is determined using actuarial valuations which involve making assumptions about discount rates, future salary increases and employee turnover. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.
- While recording provisions for litigations, the Group makes evaluations in accordance with the Group's legal counsels about the possibility of losing the lawsuits and results that will be incurred if the lawsuit is lost.
- The data in the discounted price list are used to calculate inventory impairment. If expected net realizable value is less than cost, the Group allocates provisions for inventory impairment.
- Investment properties are accounted for using the fair value model at the financial statements. Fair values are determined based on an annual valuation performed by an accredited and licensed by CMB external independent valuer.
- Group management has made assumptions based on the experience of the technical staff in determining the useful life of tangible and intangible assets.
- Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases which is used in the computation of taxable profit. In determination of deferred tax asset to be recognized, there are certain assumptions and judgments made about future taxable income to be recognized in the future. Deferred tax asset is recorded for the periods ending as of December 31, 2023 and 2022 since the assumptions used regarding that the Company has taxable profit in following periods

TOFAŞ TÜRK OTOMOBİL FABRİKASI ANONİM ŞİRKETİ

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(Convenience translation of consolidated financial statements originally issued in Turkish)

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

2.1 Basis of presentation (Continued)

2.1.5 Significant accounting judgments, estimates and assumptions (continued)

i) The Group, recognised development expenditures on an individual project as an intangible asset when the Group can demonstrate below:

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

Other development expenditures are recognized as an expense when they are incurred. Development costs previously recognized as an expense are not capitalized as an asset in a subsequent period.

The Group capitalizes ongoing development expenditures and assesses whether the related asset has an impact on the assets that will increase or decrease the cost of the Company during the useful life of the asset in the subsequent periods and whether there is an impairment of the year. As of 31 December 2023, and 31 December 2022, no impairment has been identified for capitalized development expenses (Note 13).

2.2 Amendments in Turkish Financial Reporting Standards

The new standards, amendments and interpretations

The accounting policies adopted in preparation of the consolidated financial statements as of December 31, 2023 are consistent with those of the previous financial year, except for the adoption of new and amended TFRS and TFRS interpretations effective as of January 1, 2023 and thereafter. The effects of these standards and interpretations on the Group's financial position and performance have been disclosed in the related paragraphs.

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

Amendments to TAS 8 - Definition of Accounting Estimates

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

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

Amendments to TAS 1 - Disclosure of Accounting Policies

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

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

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

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

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

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

2.2. Amendments in Turkish Financial Reporting Standards (Continued)

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

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

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

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

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

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

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

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

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

TFRS 17 - The new Standard for insurance contracts

POA issued TFRS 17 in February 2019, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. TFRS 17 model combines a current balance sheet measurement of insurance contract liabilities with the recognition of profit over the period that services are provided. The mandatory effective date of the Standard postponed to accounting periods beginning on or after January 1, 2024 with the announcement made by the POA.

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

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

In January 2021 and January 2023, POA issued amendments to TAS 1 to specify the requirements for classifying liabilities as current or non-current. According to the amendments made in January 2023 if an entity's right to defer settlement of a liability is subject to the entity complying with the required covenants at a date subsequent to the reporting period ("future covenants"), the entity has a right to defer settlement of the liability even if it does not comply with those covenants at the end of the reporting period. In addition, January 2023 amendments require an entity to provide disclosure when a liability arising from a loan agreement is classified as non-current and the entity's right to defer settlement is contingent on compliance with future covenants within twelve months. This disclosure must include information about the covenants and the related liabilities. The amendments clarified that the classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability for at least twelve months after the reporting period. The amendments are effective for periods beginning on or after 1 January 2024. The amendments must be applied retrospectively in accordance with TAS 8. Early application is permitted. However, an entity that applies the 2020 amendments early is also required to apply the 2023 amendments, and vice versa.

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

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

2.2 Amendments in Turkish Financial Reporting Standards (Continued)

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

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

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

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

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

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

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

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

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

Amendments to IAS 21 - Lack of exchangeability

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

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

2.3 Summary of significant accounting policies

Cash and cash equivalents

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

Financial assets

Classification

The Group classifies its financial assets in three categories; through amortization, through fair value difference reflected in other comprehensive income and through financial assets at fair value through profit and loss. The classification is based on the business model used by the entity for the management of financial assets and the characteristics of the contractual cash flows of the financial assets. The Group classifies its assets at the date of the purchase. Financial assets are not reclassified after initial recognition unless the business model that the Group uses in the management of financial assets change, and in case of a change in business model, the financial assets are reclassified on the first day of the following reporting period.

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

2.3 Summary of significant accounting policies (Continued)

Financial assets (Continued)

Recognition and Measurement

Financial assets measured at amortized cost is a non-derivative financial asset that is held as part of a business model that aims to collect contractual cash flows and that have cash flows that include interest payments on principal dates and principal balances on certain dates under contractual terms. The Group's financial assets which are recognized at amortized cost include, "cash and cash equivalents", "trade receivables", "trade payables", "other receivables", "financial investments. The aforementioned assets are measured at their fair values in the initial recognition of financial assets and discounted values by using the effective interest rate method in the subsequent accounting. Gains and losses resulting from the valuation of non-derivative financial assets measured at amortized cost are recognized in the consolidated statement of profit and loss.

"Financial assets whose fair value difference is reflected in other comprehensive income", is a non-derivative financial asset that includes cash flows that are held only on principal dates and interest on certain dates under contractual terms and that are held within a business model aimed at collecting contractual cash flows and selling the financial assets. Gains or losses arising from the aforementioned financial assets are recognized in other comprehensive income with the exception of impairment gain or loss and foreign exchange gain or loss. For investments in equity-based financial assets, the Group may irrevocably choose the method of reflecting the subsequent changes in the fair value of other comprehensive income in the financial statements for the first time. In the event that such preference is made, dividends received from related investments are recognized in the consolidated statement of profit and loss. Financial assets at fair value through profit and loss are comprised of financial assets measured at amortized cost except for the financial assets at fair value through profit and loss. Gains and losses arising from the valuation of the aforementioned assets are recognized in the consolidated income statement.

Financial Exclusion

The Group derecognizes a financial asset when the Group discontinues its rights to cash flows in accordance with the contract for financial assets or, when the related rights are transferred by a trading transaction to the ownership of all risks and rewards of the financial asset. Any rights created or held by the Group in respect of the financial assets transferred by the Group are recognized as a separate asset or liability.

Impairment

Impairment on financial assets and contractual assets is calculated by using a method called Expected Loan Loss (ELL). This impairment model is applied to amortised cost financial assets and contractual assets.

Loss provisions were measured on the following basis;

- 12-month ELL; is the ELL of the possible default events within 12 months of the reporting date.
- Lifetime ELL; is the expected loss of loans resulting from all possible default events during the expected life of a financial instruments.

The expected lifetime loan loss measurement is applied when the credit risk associated with a financial asset is significantly increased at the reporting date. In all other cases where the related increase has not occurred, 12-Month ELL calculation has been applied. The Group may determine that the credit risk of the financial asset does not increase significantly if the credit risk of the financial asset has a low credit risk at the reporting date. Nevertheless, the ELL measurement (with a simplified approach) is always applicable to trade receivables and contract assets without a significant financing element.

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

2.3 Summary of significant accounting policies (Continued)

Receivables from finance sector operations

Receivables from finance sector operations are carried at amortized cost in the consolidated balance sheet of the Group.

Provision for impairment of receivables from finance sector operations

The Group recognize provisions for the receivables from finance sector operations for the impairment of consumer finance loans based on a credit review of the receivables portfolio. Provision amount is determined based on the Group's credit risk policies, composition and financial performance of the credit portfolio and economical environment and reflected as "Doubtful Loans" after deducting the related fair value of the guarantee amounts. Changes in the provision amount are accounted for under period income/loss. When a loan is deemed uncollectible, it is written off against the related provision for impairment. The loan is written off after all necessary legal proceedings have been completed and the amount of the loan loss is finally determined. Subsequent recoveries are credited to the profit or loss if previously written off.

The allowances for impairment of receivables from finance sector operations are established based on a credit review of the Group's receivables from finance sector operations portfolio.

The Group can also recognize specific provision even if the overdue days are less than the days stated above, or receivables are not overdue at all, by taking into account all the existing data regarding the creditor and based on the principals of reliability and prudence.

Group also recognizes a general provision for the receivables which is not related to a specific transaction that can be recognized for the losses arising from the principal or interest of consumer finance loans that are not overdue or overdue less than 90 days but the amount of loss is not certain. Group sets a general provision for consumer finance loans that have not been considered as doubtful yet.

Trade receivables

Trade receivables that are created as a result of providing products or services to the buyer are recognized at amortized cost using the effective interest method. Short-term receivables with no stated interest rate are measured at the original invoice amount unless the effect of imputing interest is significant. A simplified approach (is applied for the impairment of trade receivables, which are recognized at amortized cost in the financial statements and which do not include a significant financing component (less than one year). In cases where the trade receivables are not impaired due to certain reasons (except for the realized impairment losses), the provisions for losses related to trade receivables are measured by an amount equal to the expected credit losses. In case of collecting all or part of the receivable amount that is impaired following the provision for impairment, the collected amount is deducted from the main activities to other income by deducting the amount deducted from the provision for impairment. Income/expense related to commercial transactions and foreign exchange gains/losses are accounted for under the other operating income/expenses in the consolidated statement of profit or loss.

Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

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

Inventories

Inventories are valued at the lower of cost or net realizable value. Costs incurred in bringing each product to its present location and condition are accounted for as follows: Raw materials - purchase cost on a monthly average basis; finished goods and work-in-process - cost includes the applicable allocation of fixed and variable overhead costs on the basis of monthly average basis. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sale. The scrap inventory is written off when identified (Note 10).

Derivative financial instruments

Derivative financial instruments, including foreign exchange contracts with maturities, are initially measured at fair value and are remeasured at their fair values subsequently. The classification of gains or losses arising from derivative financial instruments changes depending on the classification of the derivative financial instruments. Even though derivative financial instruments are used as part of the Group's risk management, they do not meet the criteria for hedge accounting therefore they are measured at fair value including expenses at the time of inception and are remeasured at fair value in subsequent periods. Gains or losses arising from the change in the fair value of such instruments are accounted for in the consolidated statement of income.

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

2.3 Summary of significant accounting policies (Continued)

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation, including property under construction for such purposes. Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value (Note 11). An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from disposal.

Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognized.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment loss. When assets are sold or retired, their costs and accumulated depreciation are eliminated from the accounts and any gain or loss resulting from their disposal is included in the consolidated statement of income.

The initial cost of property, plant and equipment comprises its purchase price, including import duties and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the property, plant and equipment have been put into the operation, such as repairs and maintenance and overhaul costs are normally charged to income in the period the costs are incurred. Expenditures are added to cost of assets if the expenditures provide economic added value for the future use of the related property, plant and equipment.

Depreciation is computed on a straight-line basis over the estimated useful lives (Note 12). 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.

The depreciation terms are as follows;

	Years
Land improvements	33
Buildings	33
Machinery and equipment	12-33
Motor vehicles	4-10
Furniture and fixtures	8-14
Leasehold improvements	5-30

In case of any indication of the impairment in the carrying value of property, plant and equipment, the recoverable amount is reassessed and provision for impairment is reflected in the consolidated financial statements.

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.

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

TOFAŞ TÜRK OTOMOBİL FABRİKASI ANONİM ŞİRKETİ NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

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

2.3 Summary of significant accounting policies (Continued)

Intangible assets

Intangible assets acquired separately from a business are capitalized at cost. Intangible assets created within the business are not capitalized and expenditure is charged against profits in the year in which it is incurred. Intangible assets are amortized on a straight-line basis over their useful lives. The depreciation period for the intangibles capitalized in relation with the new models will be started after the production of these models is started. The carrying values of intangible assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable (Note 13).

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use assets includes the following:

- the amount of the initial measurement of the lease liability,
- any lease payments made at or before the commencement date, less any lease incentives received,
- any initial direct costs incurred by the Group, and

Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

Right-of-use assets are subject to impairment.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable.

The lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

- Fixed payments, less any lease incentives receivable,
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be paid under residual value guarantees
- exercise price of a purchase option reasonably certain to be exercised by the Group
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

After the commencement date, Group measures the lease liability by:

- increasing the carrying amount to reflect interest on the lease liability,
- reducing the carrying amount to reflect the lease payments made.

In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the substance fixed lease payments or a change in the assessment to purchase the underlying asset.

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

2.3 Summary of significant accounting policies (Continued)

Research and development expenditures

Expenditures for research and development are charged against income in the period incurred except for project development costs which comply with the following criteria:

- The product or process is clearly defined, and costs are separately identified and measured reliably,
- The technical feasibility of the product is demonstrated,
- The product or process will be sold or used in-house,
- A potential market exists for the product or its usefulness in case of internal use is demonstrated, and
- Adequate technical, financial and other resources required for completion of the project are available.

The costs related to the development projects are capitalized when the criteria above are met and amortized by straight-line basis over the useful lives of related projects (2-13 years).

Impairment of assets

The carrying amounts of the Group's tangible and intangible assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. When an indication of impairment exists, the Group compares the carrying amount of the asset with its net realizable value which is the higher of value in use or fair value less costs to sell. Impairment exists if the carrying value of an asset or a cash generating unit is greater than its recoverable amount which is the higher of value in use or fair value less costs to sell. An impairment loss is recognized immediately in the consolidated statement of profit or loss.

The increase in carrying value of the assets (or a cash generated unit) due to the reversal of recognized impairment loss shall not exceed the carrying amount of the asset (net of amortization amount) in case where the impairment loss was reflected in the consolidated financial statements in prior periods. Such a reversal is accounted for in the statement of profit or loss.

Revenue from contracts with customers

In accordance with TFRS 15 "Revenue from Customer Contracts", the Group has started to use the five-step model below to recognize revenue.

- Identification of customer contracts
- Identification of performance obligations
- Determination of the transaction price in the contracts
- Allocation of transaction price to the performance obligations
- Recognition of revenue when the performance obligations are satisfied

Group evaluates each contracted obligation separately and respective obligations, committed to deliver the distinct goods or perform services, are determined as separate performance obligations.

According to this model, firstly, the goods or services in the contract with the customers are assessed and each commitment for transferring the goods or services is determined as a separate performance obligation. Then it is assessed whether the performance obligations will be fulfilled at a point in time or over time. When the Group transfers control of a good or service over time, and therefore fulfills a performance obligation over time, then the revenue is recognised over time by measuring the progress of completion. Revenue is recognized when control of the goods or services is transferred to the customers.

Following indicators are considered while evaluating the transfer of control of the goods and services:

- a) presence of Group's collection right of the consideration for the goods or services,
- b) customer's ownership of the legal title on goods or services,
- c) physical transfer of the goods or services,
- d) customer's ownership of significant risks and rewards related to the goods or services,
- e) customer's acceptance of goods or services.

Performance obligations

Automotive sector operations:

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenues are stated net of discounts, value added and sales taxes. Revenue is recognized when the transfer of control of the goods have passed to the buyer and the amount of revenue can be measured reliably. Net sales are invoiced amounts of delivered goods excluding sales returns.

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

2.3 Summary of significant accounting policies (Continued)

Revenue from extended warranty sales

The Group sells a warranty commitment for the period from the end of the legal period required by the laws for the products it produces. The price of the additional warranty commitments is determined separately from the products sold and considered as a different service under the contract. For this reason, the Group may be recognized as a performance obligation.

For each performance obligation, the Group determines whether it has fulfilled its performance obligation at the beginning of the contract or whether the performance obligation fulfilled at a certain point in time. The Group transfers the control over the service in extended warranty sales over time and thus fulfills the performance obligations related to the sales in question in time and measures the progress on the fulfillment of this performance obligation and takes the revenue over the consolidated financial statements. The Group records revenue from product sales in the consolidated financial statements following the transfer of control to the customer.

Finance sector operations

The interest income incurred from loans is recognized by using effective interest rate method and on accrual basis. Interest income is not recognized when consumer financing loans given by the Group become doubtful or when the borrower defaults.

Loan allocation fees of the Group which are collected on the execution and disbursement of loans and advances to customers and are recognized as income by netting off from the loan balance using a systematic deduction method over the contractual life of loans in the consolidated financial statements.

Also, the Group has a revenue sharing agreement with the insurance company over the insurance premiums collected from loan customers. The Group recognizes insurance premium income as deferred revenue under other liabilities initially and subsequently recognizes it as income over the payment plan of loans using a systematic method.

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.

Borrowings

Borrowings are initially recognized at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognized in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a prepayment for liquidity services and amortized over the period of the facility to which it relates (Note 6).

Borrowing Costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized during the period of time that is required to complete and prepare the asset for its intended use or sale. Such borrowing costs are capitalized as part of the cost of the asset when it is probable that they will result in future economic benefits to the entity and the costs can be measured reliably. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization. Other borrowing costs are expensed in the period in which they are incurred.

For the year ended 31 December 2023, the Group has no capitalized borrowing costs (31 December 2022: no capitalized borrowing costs).

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

2.3 Summary of significant accounting policies (Continued)

Current and deferred tax

The tax expense for the period comprises current and deferred tax. Tax is recognized in the income statement, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively (Note 25).

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax is recognized on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realized, or the deferred tax liability is settled. Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred tax liability is recognized on all temporary differences regarding subsidiaries unless neither utilization date of taxable temporary differences is reviewed nor utilization of temporary difference in an estimated period is probable.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Employment termination benefits

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

In the consolidated financial statement, the Group has reflected a liability calculated using "Projected Unit Credit Method" and based upon factors derived using the Group's experience of personnel terminating their services and being eligible to receive benefits, discounted by using the current market yield at the balance sheet date on government bonds.

The current service cost of the defined benefit plan, recognized in the income statement in employee benefit expense, except where included in the cost of an asset, reflects the increase in the defined benefit obligation resulting from employee service in the current year, benefit changes curtailments and settlements. Past-service costs are recognized immediately in income.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in employee benefit expense in the income statement.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise (Note 16).

Earnings per share

Earnings per share disclosed in the consolidated statement of income are determined by dividing net income by the weighted average number of shares that have been outstanding during the related period concerned.

In Türkiye, 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 revaluation surplus. 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 Group, are regarded similarly (Note 26).

Provisions

Provisions for environmental restoration, restructuring costs and legal claims are recognized when: the group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated (Note 15). Provisions are not recognized for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

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

2.3 Summary of significant accounting policies (Continued)

Warranty expense provision

The Group provides free of charge maintenance service for the vehicles, in accordance with the period determined in the agreement following the date of domestic sale. Export sales of the Group are not under a warranty commitment. Warranty provision is periodically reviewed and reassessed in accordance with the realized expenses in the previous periods. The Group does not have a significant liability due to extended warranty (Note 15).

Contingent assets and liabilities

Contingent liabilities are not recognized in the financial statements but are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognized in the consolidated financial statements but disclosed when an inflow of economic benefits is probable.

Offsetting

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

Foreign currency transactions

Income and expenses arising in foreign currencies during the year have been translated at the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies have been translated at the exchange rates prevailing at the balance sheet dates, which are announced by Central Bank of the Republic of Türkiye. Exchange gains or losses arising from the settlement and translation of foreign currency items have been included in the related income and expense accounts, as appropriate.

Segment reporting

An entity shall report separately information about an operating segment if its reported revenue, including both sales to external customers and intersegment sales or transfers, is 10 per cent or more of the combined revenue, internal and external, of all operating segments, The absolute amount of its reported profit or loss is 10 per cent or more of the greater, in absolute amount, of the combined reported profit of all operating segments that did not report a loss and the combined reported loss of all operating segments that reported a loss, its assets are 10 per cent or more of the combined assets of all operating segments.

Operating segments that do not meet any of the quantitative thresholds may be considered reportable, and separately disclosed, if management believes that information about the segment would be useful to users of the financial statements.

Group has identified its operating segments based on the reports reviewed by the Board of Directors and used in taking strategic decisions. The operating segments of the Group has been determined as automobile and trading of spare parts. The Group management evaluates the performance of its operating segments based on operating profit before financial income in accordance with TFRS.

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

2.3 Summary of significant accounting policies (Continued)

Cash flow hedge

Changes in the fair value of a hedging instrument that qualifies as a highly effective cash-flow hedge are recognized directly in shareholders' equity. The ineffective portion is immediately recognized in net profit or loss. If the cash flow hedge results in the recognition of an asset or a liability, all gains and losses previously recognized directly in equity are transferred from equity and included in the initial measurement of the cost or carrying value of the asset or liability. Otherwise, for all other cash flow hedges, gains and losses initially recognized in equity are transferred from hedging reserve to net profit or loss in the same period or periods during which the hedged firm commitment or forecasted transaction affects the statement of income.

When the hedge ceases to be highly effective, hedge accounting is discontinued prospectively. In this case, the cumulative gain or loss on the hedging instrument that has been reported directly in equity is retained in equity until the committed or forecasted transaction occurs. When the committed or forecasted transaction is no longer expected to occur, any net cumulative gain or loss previously reported in equity is transferred to the statement of income. As of 31 December 2023, gains on cash flow hedging accounted for under the statement of other comprehensive loss is TL 436,631 (31 December 2022: gain amounting to TL 1,538,183).

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognized when the forecast transaction is ultimately recognized in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the current year income statement.

There is an effective cash flow hedge relationship between foreign currency originated long term loans and the realized and forecasted sales (items subject to be hedged) of light commercial vehicles (New Doblo, Doblo FL and Doblo US) and commercial vehicles (Egea, Stationwagon, Hatchback). According to the agreements made between the Group and Stellantis, the long-term loan liabilities will be covered by the planned sales of New Doblo, Doblo FL and Doblo US to Stellantis starting from 2009 until December 2022. Furthermore, according to the agreement made between Stellantis and the Group, long term loan liabilities will be covered through a portion of sales of Egea and Stationwagon/Hatchback to Stellantis starting from 2021 until December 2024.

The hedge effectiveness is assessed on an ongoing basis and determined actually to have been highly effective throughout the financial reporting periods for which the hedge was designated, and effectiveness of the hedge consistent with the documented risk management strategy.

Related parties

Parties are considered related to the Group if (Note 27);

- (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) An entity is related to a reporting entity if any of the following conditions applies:
 - (i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (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 defined 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).

Investment, research and development incentives

Government grants are recognized at fair value 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. Government grants relating to costs are deferred and recognized in the income statement over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to the income statement on a straight-line basis over the expected lives of the related assets. Investment and research and development incentives are recognized when incentive applications of the Group are approved by fiscal authorities (Note 14).

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NOTE 3 - SEGMENT REPORTING

The reportable operational segments for segment reporting as of 31 December 2023 and 2022 are as follows:

	Trading of spare parts and automobile	Consumer financing	Total
2023			
Revenue	127,601,000	2,652,914	130,253,914
Gross profit	22,493,092	666,214	23,159,306
Operating expenses (-)	(7,266,124)	(164,475)	(7,430,599)
Other income from main operations	10,363,530	5,265	10,368,795
Other expenses from main operations (-)	(12,230,062)	(39,067)	(12,269,129)
Operating profit	13,360,436	467,937	13,828,373
2022			
Revenue	124,019,056	3,795,549	127,814,605
Gross profit	15,062,449	947,475	16,009,924
Operating expenses (-)	(5,007,668)	(180,728)	(5,188,396)
Other income from main operations	10,424,647	10,448	10,435,095
Other expenses from main operations (-)	(12,003,140)	(2,902)	(12,006,042)
Operating profit	8,476,288	774,293	9,250,581

As of 31 December 2023, the distribution of assets and liabilities of consumer financing segment is followed by TL 8,908,633 in current asset, TL 2,589,086 in non-current asset as receivables from finance sector operations and TL 5,604,553 in current liabilities, TL 5,090,731 in non-current liabilities as financial liabilities.

A significant portion of revenue consists of sales to related party's ratio to 48% (31 December 2022: 65%) (Note 27).

The Group management focuses on operating profit before financial expense in segment reporting, so the Group does not distribute financial income and expenses on a segment basis.

NOTE 4 - CASH AND CASH EQUIVALENTS

	2023	2022
Cash on hand	-	27
Due from banks		
- time deposits	23,957,120	19,267,324
- demand deposits	414,041	394,394
- blocked demand deposits	444,300	142,621
- blocked time deposit	12	16
	24,815,473	19,804,382

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NOTE 4 - CASH AND CASH EQUIVALENTS (Continued)

As of 31 December 2023 and 2022, the details of time deposits are as follows:

	2023		2022	
	Amount	Effective interest rate per annum (%)	Amount	Effective interest rate per annum (%)
EUR	10,542,343	0.7-4.5	5,637,694	0.35-2.75
TL	13,414,777	35-47.5	13,629,630	12.00-29.00
	23,957,120		19,267,324	

As of 31 December 2023, the maturities of time deposits vary between 4 and 37 days (31 December 2022: between 3 and 38 days).

As of 31 December 2023, the cash at banks comprise time and demand deposits amounting to TL 1,784,970 (31 December 2022: TL 4,618,219) which are deposited at a bank which is a related party of the Group (Note 27).

As of 31 December 2023 and 2022, the reserves of cash and cash equivalent in cash flow statement;

	2023	2022
Cash and cash equivalents	24,815,473	19,804,382
Less: interest accruals	(170,505)	(100,714)
Less: blocked deposits	(444,312)	(142,637)
	24,200,656	19,561,031

As of 31 December 2023, the company has TL 444,312 worth of blocked deposits. TL 444,300 of this amount is emerging from the required reserve requirement of the Central Bank of the Republic of Türkiye, the remaining 12 TL is the guaranty fund of Istanbul Settlement and Custody Bank Inc. - Takasbank. (31 December 2022: TL 142,621 of this amount is emerging from the required reserve requirement of the Central Bank of the Republic of Türkiye, the remaining 16 TL)

NOTE 5 - FINANCIAL ASSETS

a) Financial assets to fair value through profit or loss

As of 31 December 2023, the Group has value of 40,788 financial assets to fair value through profit or loss. (31 December 2022: no available).

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NOTE 6 - FINANCIAL LIABILITIES

a) Short-term financial liabilities

	2023			2022		
	Original amount (thousand)	TL equivalent	Interest rate per annum (%)	Original amount (thousand)	TL equivalent	Interest rate per annum (%)
Borrowings in TL ^(*)	-	700,000	49.88-55.49	-	963,922	16.54-33.86
		700,000			963,922	

b) Short-term portion of long-term financial liabilities

	2023			2022		
	Original amount (thousand)	TL equivalent	Interest rate per annum (%)	Original amount (thousand)	TL equivalent	Interest rate per annum (%)
Borrowings in TL ^(*)	-	3,637,438	18.32-59.85	-	4,571,157	16.64-34.50
Borrowings in EUR	57,163	1,862,033	2.00	58,403	1,918,380	2.00
Bonds ^(1,2,3,4)	-	525,525	30.00-52.85	-	887,495	20.35-34.50
Borrowings in lease liability	-	13,262	-	-	14,378	-
		6,038,258			7,391,410	

c) Long-term financial liabilities

	2023			2022		
	Original amount (thousand)	TL equivalent	Interest rate per annum (%)	Original amount (thousand)	TL equivalent	Interest rate per annum (%)
Borrowings in EUR ^(**)	-	-	-	55,924	1,836,945	2.00
Borrowings in TL ^(*)	-	3,506,785	16.64-34.50	-	1,253,180	16.64-34.50
Bonds ^(1,2,3,4)	-	1,567,678	30.00-52.85	-	-	-
Borrowings in lease liability	-	18,068	-	-	22,335	-
		5,092,531			3,112,460	

^(*) The whole short-term and long-term bank borrowings amounting to TL 7,844,223 (31 December 2022: TL 6,788,259) which are denominated in TL comprise bank borrowings obtained by KFK, consolidated subsidiary, to finance consumer financing loans as of 31 December 2023 and 2022.

^(**) The Group signed the loan agreement amounting to EUR 130,000 thousand with for MCA investment as of 16 March 2020. Yearly total cost will be 4 years 2.00%. As of 31 December 2023, the remaining amount is TRY 1,210,157 (the equivalent of EUR 37,151 thousand) (31 December 2022: TRY 2,440,762 (equivalent of EUR 74,302)).

The Group signed the loan agreement amounting to EUR 70,000 thousand with for MCA investment as of 12 May 2020. Yearly total cost will be 4 years 2.00%. As of 31 December 2023, the remaining amount is TRY 651,876 (the equivalent of EUR 20,012 thousand) (31 December 2022: TRY 1,314,563 (equivalent of EUR 40,025)).

⁽¹⁾ The Group issued 13-months maturity bonds on 13 January, with a nominal amount of TL 450,000 and at an interest rate by 30.00%.

⁽²⁾ The Group issued 18-months maturity bonds on 3 August 2023, with a nominal amount of TL 500,000 and at an interest rate by 39.00%.

⁽³⁾ The Group issued 24-months maturity bonds on 7 September 2023, with a nominal amount of TL 290,000 and at an interest rate by 52.85%.

⁽⁴⁾ The Group issued 24-months maturity bonds on 7 December 2023, with a nominal amount of TL 650,000 and at an interest rate by 48.50%.

As of 31 December 2023, interest rates are fixed for all Turkish Lira and Euro loans.

As of 31 December 2023, TL 854,772 (31 December 2022: TL 834,184) of short-term and long-term financial liabilities are obtained through banks which are related parties of the Group (Note 27).

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NOTE 6 - FINANCIAL LIABILITIES (Continued)

The redemption schedule of the long-term bank borrowings as of 31 December 2023 and 2022 is as follows:

	2023	2022
1-2 years	4,419,066	3,090,125
2-3 years	655,397	-
Total	5,074,463	3,090,125

The movement of financial liabilities as of 31 December 2023 and 2022 is as follows:

	2023	2022
1 January	11,467,792	21,001,582
Borrowing used	11,412,751	9,144,147
Principal payment	(8,652,950)	(12,636,747)
Unrealized foreign exchange differences	1,639,349	2,325,333
Changes in TFRS 16 - lease liabilities	(14,335)	(13,068)
Change in accrual of interest	6,906	5,189
Monetary loss (gain)	(4,028,724)	(8,358,644)
31 December	11,830,789	11,467,792

NOTE 7 - TRADE RECEIVABLES AND PAYABLES

a) Trade receivables

	2023	2022
Trade receivables	8,902,757	7,911,577
Doubtful trade receivables	14,554	25,546
Less: provision for doubtful receivables	(12,844)	(21,277)
Less: unearned credit finance income	(244,335)	(563,230)
	8,660,132	7,352,616

Movement of the provision for doubtful receivables is as follows:

	2023	2022
1 January	21,277	33,856
Changes in current period, net	(88)	854
Monetary gain (loss)	(8,345)	(13,433)
31 December	12,844	21,277

Collateral received related with trade receivables

As of 31 December 2023, the letter of guarantees amounting to TL 2,000,510 guarantee, mortgages amounting to TL 5,328 and direct debit system limit (payment guarantee limit secured by the banks) obtained as collateral for Group's trade receivables amount to TL 9,288,866 respectively (31 December 2022: letter of guarantees amounting to TL 772,785 guarantee notes amounting to TL 3,665 mortgages amounting to TL 69,160 and direct debit system limit amounting to TL 6,587,732).

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NOTE 7 - TRADE RECEIVABLES AND PAYABLES (Continued)

b) Trade payables

	2023	2022
Trade payables	11,647,289	14,697,977
Less: not accrued credit finance expense	(134,042)	(763,808)
	11,513,247	13,934,169

NOTE 8 - OTHER RECEIVABLES

a) Other receivables

As of 31 December 2023 other receivables included in current and non current assets consist of deposits and guarantees given, personnel advances amounting to TL 12,477 (31 December 2022: TL 1,229).

b) Other payables

	2023	2022
Taxes and payables	57,368	78,941
Other	221	15,031
	57,589	93,972

NOTE 9 - RECEIVABLES FROM FINANCE SECTOR OPERATIONS

	2023	2022
Short-term consumer financing loans	7,140,806	5,019,949
Non-performing loans	62,342	101,919
	7,203,148	5,121,868
Provision for specific loan impairment	(52,997)	(91,657)
Provision for general loan impairment	(48,091)	(32,645)
	7,102,060	4,997,566
Long-term consumer financing loans	2,560,239	2,946,720
Provision for general loan impairment	(17,773)	(21,037)
	2,542,466	2,925,683

As of 31 December 2023, TL denominated loans originated by the Group, bear interest rates ranging between 0.01% and 6.74% per month (2022: between 0.01% and 4.12% per month).

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NOTE 9 - RECEIVABLES FROM FINANCE SECTOR OPERATIONS (Continued)

The maturities of long-term consumer financing loans are as follows:

Years	2023	2022
1 to 2 years	2,305,200	2,287,360
2 to 3 years	236,912	543,317
3 to 4 years	354	95,006
	2,542,466	2,925,683

Movements in the allowance for loan impairment are as follows:

	2023	2022
1 January	145,339	247,671
Current year provision	48,316	11,582
Collections during the year (-)	(9,121)	(18,013)
Monetary loss (gain)	(65,673)	(95,901)
31 December	118,861	145,339

The Group has obtained pledge rights as a guarantee for its consumer financing loans, up to total amount of receivables, depending on the agreement between the Group and the consumers. As of 31 December 2023, the fair value of guarantees obtained for the consumer loans amount to TL 13,195,171 (31 December 2022: TL 10,189,124). Furthermore, the Group obtains mortgage guarantees where necessary. The Group has mortgage guarantee on vehicles for all consumer financing loans that Group booked special provision amounting to TL 11,006 (31 December 2022: TL 14,573 TL) as of 31 December 2023.

NOTE 10 - INVENTORIES

	2023	2022
Raw materials	1,881,459	2,609,372
Goods in transit	2,811,055	787,888
Work-in-progress	1,246,599	1,022,021
Finished goods	1,171,506	853,952
Spare parts	673,657	472,971
Imported vehicles	2,059,192	93,385
Less: provision for impairment on inventories	(131,428)	(286,020)
Total	9,712,040	5,553,569

Movements in the provision for impairment on inventory are as follows:

	2023	2022
1 January	286,020	206,617
Current year provision	(154,592)	79,403
31 December	131,428	286,020

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NOTE 11 - INVESTMENT PROPERTIES

For the years ended 31 December 2023 and 2022, the movement of investment properties is as follows:

	2023	2022
1 January, net book value	161,634	187,535
Fair value increase ⁽¹⁾	(12,954)	(25,901)
31 December, net fair value	148,680	161,634

⁽¹⁾ As of 31 December 2023, the fair value of the property has been determined as TL 148,680 (31 December 2022: TL 161,634), by using benchmarking method. As a result of the revaluation of the investment property, revaluation loss amounting to TL 12,954 (31 December 2022: TL 25,901) has been accounted under expense from investing activities (Note 23). Relevant valuation report is prepared by an independent firm which has CMB license and necessary professional experience.

As of December 31, 2023 and 2022, the Group's fair value hierarchy of investments property is shown in the table below:

2023	Level 1	Level 2	Level 3
Investment property	-	148,680	-
Total assets	-	148,680	-
2022	Level 1	Level 2	Level 3
Investment property	-	161,634	-
Total assets	-	161,634	-

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NOTE 12 - PROPERTY, PLANT AND EQUIPMENT

The movement of property, plant and equipment and the accumulated depreciation as of 31 December 2023 is as follows:

	Land, land improvements and buildings	Machinery and equipments	Furniture and fixtures	Vehicles	Leasehold improvements	Construction in progress	Total
1 January, net book value							
Cost	6,272,460	56,958,281	6,352,985	701,596	166,505	61,615	70,513,442
Accumulated depreciation	(4,142,862)	(51,149,549)	(5,507,995)	(367,658)	(111,930)	-	(61,279,994)
Net book value	2,129,598	5,808,732	844,990	333,938	54,575	61,615	9,233,448
1 January 2023, net book value							
Additions	-	1,083	2,230	124,497	964	1,449,794	1,578,568
Disposals	(308)	(647,896)	(140,339)	(117,701)	-	-	(906,244)
Disposal - Depreciation	231	639,403	137,160	56,341	-	-	833,135
Transfers	72,913	193,186	274,884	405,320	742	(947,045)	-
Depreciation charge for the year	(117,443)	(1,398,680)	(267,885)	(132,628)	(6,273)	-	(1,922,909)
31 December 2023, net book value	2,084,991	4,595,828	851,040	669,767	50,008	564,364	8,815,998
As of 31 December 2023							
Cost	6,345,065	56,504,654	6,489,760	1,113,712	168,211	564,364	71,185,766
Accumulated depreciation	(4,260,074)	(51,908,826)	(5,638,720)	(443,945)	(118,203)	-	(62,369,768)
31 December 2023, net book value	2,084,991	4,595,828	851,040	669,767	50,008	564,364	8,815,998

As of 31 December 2023, there are no pledges or collaterals on property, plant and equipment.

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NOTE 12 - PROPERTY, PLANT AND EQUIPMENT (Continued)

The movement of property, plant and equipment and the accumulated depreciation as of 31 December 2022 is as follows:

	Land, land improvements and buildings	Machinery and equipments	Furniture and fixtures	Vehicles	Leasehold improvements	Construction in progress	Total
1 January, net book value							
Cost	6,217,925	56,776,264	6,219,436	509,731	147,608	207,611	70,078,575
Accumulated depreciation	(4,025,356)	(48,689,829)	(5,125,795)	(329,196)	(105,891)	-	(58,276,067)
Net book value	2,192,569	8,086,435	1,093,641	180,535	41,717	207,611	11,802,508
1 January 2022, net book value							
Additions	-	4,246	8,931	14,108	18,665	606,413	652,363
Disposals	-	(92,251)	(32,648)	(92,597)	-	-	(217,496)
Disposal - Depreciation	-	91,306	29,531	48,618	-	-	169,455
Transfers	54,535	270,022	157,266	270,354	232	(752,409)	-
Depreciation charge for the year	(117,506)	(2,551,026)	(411,731)	(87,080)	(6,039)	-	(3,173,382)
31 December 2022, net book value	2,129,598	5,808,732	844,990	333,938	54,575	61,615	9,233,448
As of 31 December 2022							
Cost	6,272,460	56,958,281	6,352,985	701,596	166,505	61,615	70,513,442
Accumulated depreciation	(4,142,862)	(51,149,549)	(5,507,995)	(367,658)	(111,930)	-	(61,279,994)
31 December 2022, net book value	2,129,598	5,808,732	844,990	333,938	54,575	61,615	9,233,448

As of 31 December 2022, there are no pledges or collaterals on property, plant and equipment.

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NOTE 13 - INTANGIBLE ASSETS

The movement of intangible assets is as follows:

	Development costs ^(*)	Licenses and Other	Total
1 January 2023			
Cost	36,203,764	3,770,503	39,974,267
Accumulated amortization	(30,818,283)	(3,559,936)	(34,378,219)
Net book value	5,385,481	210,567	5,596,048
1 January 2023, net book value			
Additions	591,178	90,026	681,204
Amortization charge for the year	(1,954,321)	(60,785)	(2,015,106)
31 December 2023, net book value	4,022,338	239,808	4,262,146
As of 31 December 2023			
Cost	36,794,942	3,860,529	40,655,471
Accumulated amortization	(32,772,604)	(3,620,721)	(36,393,325)
31 December 2023, net book value	4,022,338	239,808	4,262,146
	Development costs ^(*)	Licenses and Other	Total
1 January 2022			
Cost	35,248,684	3,697,570	38,946,254
Accumulated amortization	(26,757,056)	(3,500,955)	(30,258,011)
Net book value	8,491,628	196,615	8,688,243
1 January 2022, net book value			
Additions	955,080	72,933	1,028,013
Amortization charge for the year	(4,061,227)	(58,981)	(4,120,208)
31 December 2022, net book value	5,385,481	210,567	5,596,048
As of 31 December 2022			
Cost	36,203,764	3,770,503	39,974,267
Accumulated amortization	(30,818,283)	(3,559,936)	(34,378,219)
31 December 2022, net book value	5,385,481	210,567	5,596,048

^(*) This amount consists of the development costs incurred within the scope of increasing the efficiency of automobile production and increasing the quality of the automobile and reducing the costs. This amount has been activated within the scope of TAS 38 and is accounted for intangible assets.

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NOTE 14 - GOVERNMENT INCENTIVES

Investment incentive certificates

The Group has obtained investment encouragement certificates from government authorities in connection with certain major capital expenditures, which entitle the Group to:

- i) 100% exemption from customs duty and 100% VAT exception on machinery and equipment to be imported
- ii) 100% VAT exception on local capital expenditures
- iii) Deducted corporate tax implementation

As a result of the evaluation, the Group has concluded that within the framework of Article 32/A of the Corporate Tax Law No. 5520, temporary differences arising from the reduced corporate tax can be foreseen and that the reduced corporate tax right can be used within the framework of tax laws, it is concluded that TL 4,561,515 (31 December 2022: TL 2,775,714) A deferred tax asset amounting to TL 1,125,964 (31 December 2022: TL 399,236) has been recognized for reduced corporate tax (Note 25).

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, in 2008, income tax-payers can deduct 100% of the expenditures which are related to research and development related to new technology and information developments.

The Group's total R&D expenditure in 2023 is 1,784,808 TL, after deducting 160,326 TL from these expenditures, which cannot be subject to corporate tax R&D deduction, and the total TEYDEB and European project supports collected during the year, amounting to 26,496 TL. The amount subject to R&D deduction is 1,597,986 TL (As of December 31, 2022, the Group's total R&D expenditure amount is 1,519,380 TL, of which 233,563 TL is not subject to corporate tax R&D deduction and 19,835 TL collected during the year. After TEYDEB and European project supports are deducted, the amount subject to corporate tax R&D deduction is 1,265,982 TL).

As of 31 December 2023, government incentives of the Group amounting to TL 13,862 (31 December 2022: 13,862 TL) short-term, amounting to TL 0 (31 December 2022: TL 13,862) long-term and total TL 13,862 (31 December 2022: TL 27,724) long term, have been originated from deferral of research and development incentive premiums provided to support research and development expenditures of Mini Cargo and New Doblo projects by the Scientific & Technological Research Council of Türkiye (Tübitak). The related balance will be offset on amortization expense in cost of goods sold in line with the amortization terms of the research and development investments.

NOTE 15 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

Short-term provisions

	2023	2022
Provision for warranty claims	1,740,828	1,106,518
Provision for legal cases	21,977	32,462
Other	235,921	191,479
	1,998,726	1,330,459

Movement of the provision for warranty is as follows:

	2023	2022
1 January	1,106,518	1,004,658
Paid during the year	(531,553)	(675,628)
Increase in provision during the year	1,817,900	941,348
Monetary gain/(loss)	(652,037)	(163,860)
31 December	1,740,828	1,106,518

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

Movement of the provision for legal cases is as follows:

	2023	2022
1 January	32,462	49,173
Net movement during the year	2,910	2,527
Monetary gain/(loss)	(13,395)	(19,238)
31 December	21,977	32,462

Litigations against the Group

As of 31 December 2023, the total amount of outstanding legal claims brought against the Group is TL 30,026 (31 December 2022: TL 44,467). The Group has reflected a reserve amounting to TL 21,977 (31 December 2022: TL 32,462) in the consolidated financial statements.

Guarantees provided by the Group:

The breakdown of letters of guarantee, guarantee notes given, mortgage and pledges (together referred to as guarantees) by the Group as of 31 December 2023 and 2022 is as follows:

	2023		2022			
	TL equivalent	EUR	TL	TL equivalent	EUR	TL
A. Total amount of guarantees provided by the Company on behalf of itself	965,482	2,000	900,334	1,095,738	2,000	1,030,043
B. Total amount of guarantees provided on behalf of the associates accounted under full consolidation method	-	-	-	-	-	-
C. Provided on behalf of third parties in order to maintain operating activities (to secure third party payables)	-	-	-	-	-	-
D. Other guarantees given						
i) Total amount of guarantees given on behalf of the parent Company	-	-	-	-	-	-
i) Total amount of guarantees provided on behalf of the associates which are not in the scope of B and C	-	-	-	-	-	-
ii) Total amount of guarantees provided on behalf of third parties which are not in the scope of C	-	-	-	-	-	-
Total	965,482	2,000	900,334	1,095,738	2,000	1,030,043

Other

As of 31 December 2023, the Group has realized USD 2,907,361,694 of export commitments with 4 March 2021 and numbered 2021/D1-01051 to be realized until 7 August 2023 in connection with the export incentive certificates amounting to USD 3,288,142,000. The Group has realized USD 1,491,478,057 of export commitments in connection with the export incentive certificates amounting to USD 1,950,181,000.

Furthermore, the Group has realized USD 339,706,587 of export commitments with 21 February 2023 numbered 2023/D1-01035 to be realized until 21 February 2024 in connection with the export incentive certificates amounting to USD 1,662,606,000. The Group has realized USD 86,541,168 of export commitments in connection with the export incentive certificates amounting to USD 953,730,840.

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NOTE 16 - EMPLOYEE BENEFITS

a) Short-term employee benefits:

	2023	2022
Payables to employees	710,641	189,131
Social security premiums	184,588	97,061
Personnel income tax	93,889	114,641
Unused vacation provision	34,044	34,475
Other	36,411	31,365
Total	1,059,573	466,673

b) Long-term employee benefits:

In accordance with existing social legislation, the Group is required to make lump-sum payments to employees whose employment is terminated due to retirement or for reasons other than resignation or misconduct. The amount payable consists of one month's salary limited to a maximum of TL 23,489.83 (exact TL) for each period of service as of 31 December 2023 (31 December 2022: TL 15,371.40). The maximum severance pay is revised semi-annually, and the maximum amount of 35,058.58 full TL (1 January 2022: 19,982.83 full TL, historical balance) effective as of 1 January 2024 has been taken into account in the calculation of the consolidated severance pay provision.

In the consolidated financial statements, the Group reflected a liability calculated using the projected unit credit method and based upon factors derived using their experience of personnel terminating their services and being eligible to receive retirement pay and discounted by using the current market yield at the balance sheet date on government bonds in accordance with TAS 19. Assumptions used in the calculations are as follows:

	2023	2022
Discount rate, net (%)	2.90	0.55
Estimated turnover rate for retirement (%)	97.48	96.83

Movement in reserve for employment termination benefits for the years ended 31 December 2023 and 2022 is as follows:

	2023	2022
1 January	1,816,943	939,518
Service expenses	1,552,863	132,444
Interest expenses	150,985	150,808
Payments during the year	(379,027)	(151,645)
Actuarial loss	(1,024,303)	1,156,321
Monetary gain/(loss)	(988,400)	(410,503)
31 December	1,129,061	1,816,943

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NOTE 16 - EMPLOYEE BENEFITS (Continued)

Long-term employee benefits: (Continued)

The sensitivity analysis of the assumptions which was used for the calculation of provision for employee benefits as of 31 December 2023 is below:

	Net discount rate		Turnover rate related to the probability of retirement	
	0.5% decrease	0.5% increase	0.5% decrease	0.5% increase
Rate (%)	2.40	3.40	96.98	97.88
Change in provision for employee benefits	101,334	(90,983)	(28,382)	29,644

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

a) Other current assets

	2023	2022
Value Added Tax (“VAT”)	164,819	-
Other	43,558	37,112
Total	208,377	37,112

b) Short - term prepaid expenses

	2023	2022
Advances given	37,676	56,431
Prepaid dealer and insurance expenses	158,266	105,674
Total	195,942	162,105

c) Long - term prepaid expenses:

As of 31 December 2023, TL 13,416 (31 December 2022: TL 7,471) of long-term prepaid expenses are composed of advances given for fixed asset purchases amounting to TL 620,231 (31 December 2022: TL 57,143).

d) Contract liabilities

As of 31 December 2023, amounting to TL 163,552 consists of extended warranty under the TFRS 15 (31 December 2022: TL 177,615).

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NOTE 18 - SHAREHOLDER'S EQUITY

a) Share capital/adjustments to share capital and equity investments

Registered capital ceiling of the Company is 1,000,000,000 (exact TL). The Company's historical authorized and issued share capital as of 31 December 2023 and 2022 is KTL 500,000,000 (exact TL) and consists of 50 billion shares with TL 0.01 (exact TL) par value each. As of 31 December 2023 and 2022, the breakdown of issued share capital of the Company is as follows:

	Share group	2023		2022	
		Amount (historical)	Amount %	Amount (historical)	Amount %
Stellantis Europe SPA	D	189,280	37.86	189,280	37.86
Koç Holding A.Ş.	A	187,938	37.59	187,938	37.59
Koç Holding companies and Koç Family	A	1,342	0.27	1,342	0.27
Other, including publicly traded shares	E	121,440	24.28	121,440	24.28
Total paid in share capital		500,000	100	500,000	100

Half of the Board of Directors' ("BoD") members are required to be elected from the nominees of A group shareholders, while the remaining half is to be nominated by D group shareholders. The General Assembly is authorized for determining the number and election of BoD members. At least one nominee from both A and D type of shareholders have to fulfill the requirements of an independent member as prescribed by the CMB legislation.

b) Legal reserves - retained earnings

Retained earnings in statutory records is available for distribution, except the fact mentioned below.

The legal reserves consist of first and second legal reserves, per the Turkish Commercial Code (TCC). The Turkish Commercial Code stipulates that the first legal reserve is appropriated out of net statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the Group's historical paid-in share capital. The second legal reserve is appropriated at the rate of 10% per annum of all cash distributions in excess of 5% of the historical paid-in share capital. Under the Turkish Commercial Code, the legal reserves are not available for distribution unless they exceed 50% of the historical paid-in share capital but may be used to offset losses in the event that historical general reserve is exhausted.

Inflation adjustment to shareholders' equity can only be netted-off against prior years' losses and used as an internal source in capital increase where extraordinary reserves can be netted-off against prior years' loss and used in the distribution of bonus shares and dividends to shareholders. Inflation adjustment to shareholders' equity, in the case of cash used for profit distribution will be subject to corporate income tax.

In accordance with the decision taken at the 7th Executive Meeting held on 17 February 2023, dividend amounting to TL 4,493,680 ((as of historic date of board decision: 3,000,000) (7,437,973 TL from 2021 profit in 2022 (Amount as of the Board of Directors decision date: 3,200,000 TL)) related to the profit of 2021 after deduction of legal liabilities, is distributed from retained earnings to the shareholders. As of 31 December 2023 and 2022, dividend distributed per share is Kurus 8.99 and Kurus 14.88, respectively. (31 December 2022: Earnings per share as of the Board of Directors decision date: 6.00 kuruş and 6.40 kuruş).

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NOTE 19 - REVENUE AND COST OF SALES

a) Revenue	2023	2022
Domestic sales	97,507,870	64,404,976
Export sales	25,124,652	56,580,671
Other	4,968,478	3,033,409
	127,601,000	124,019,056

The amount of sales discounts is TL 3,994,679 (31 December 2022: TL 3,838,751).

The distribution of the Group's sales in 2023 and 2022 based on product type is as follows.

	2023	2022
Passenger cars	75,337,801	58,357,191
Commercial vehicles	39,828,741	57,229,033
Spare parts	7,465,980	5,399,423
Other	4,968,478	3,033,409
	127,601,000	124,019,056

b) Other	2023	2022
Income from second hand sales	2,853,034	1,448,497
Income from research and development	1,127,827	248,483
Income from scrap sales	307,060	852,456
Income from mould sales	354,334	241,042
Package sales income	118,059	119,116
Other	208,164	123,815
	4,968,478	3,033,409

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NOTE 19 - REVENUE AND COST OF SALES (Continued)

As the extended warranty income in the Group's revenue items is a time-consuming performance obligation, they are recognized as revenue in the related period.

c) Cost of sales	2023		2022	
Direct material expense	71,690,792		86,478,416	
Cost of merchandise sold	25,833,307		10,196,371	
Depreciation and amortization expense	3,367,189		6,860,835	
Other production expenses	3,209,332		3,434,149	
Direct labor expense	1,549,355		1,926,164	
Change in work-in-process	(317,554)		1,364	
Change in finished goods	(224,578)		59,050	
Cost of other sales	65		258	
	105,107,908		108,956,607	
	Production		Sales	
d) Production and sales quantities	2023	2022	2023	2022
Manufactured vehicles				
Egea	109,123	76,400	106,092	76,558
MCV	58,471	43,882	58,252	43,935
Egea Hatchback	52,416	47,790	52,212	47,795
Doblo	9,885	85,021	11,416	84,882
Egea Stationwagon	9,533	10,654	9,446	10,645
	239,428	263,747	237,418	263,815
	Import		Sales	
	2023	2022	2023	2022
Imported vehicles				
Ducato	7,758	2,381	7,413	2,383
New Doblo	5,810	-	5,805	-
Jeep	4,029	2,346	3,757	2,346
Alfa Romeo	2,346	892	2,016	880
Scudo	1,927	234	1,865	232
Fiat 500	1,739	131	1,244	166
Ulysse	1,129	2	1,053	2
Maserati	595	314	553	312
Panda Futura	116	84	114	84
Ferrari	37	43	37	44
Transit satış	13	7	13	7
	25,499	6,434	23,870	6,456

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

	2023	2022
Marketing expenses	4,108,103	2,609,028
General and administrative expenses	2,210,740	1,812,268
Research and development expenses	1,111,756	767,100
	7,430,599	5,188,396
a) Marketing expenses	2023	2022
Warranty expenses	1,817,900	941,348
Transportation and insurance expenses	1,154,366	687,665
Personnel expenses	624,931	534,289
Advertisement expenses	160,336	144,343
Travel expenses	27,674	22,299
Depreciation and amortization expenses	29,326	26,017
Other	293,570	253,067
	4,108,103	2,609,028
b) General administrative expenses	2023	2022
Personnel expenses	910,786	792,584
Repair, maintenance and repair expenses	158,552	143,955
Depreciation and amortization expenses	464,853	268,328
Services obtained from third parties	125,999	93,759
Duties, taxes and levies	45,608	34,565
Insurance expenses	74,502	41,483
Travel expenses	25,231	24,133
Other	405,209	413,461
	2,210,740	1,812,268
c) Research and development expenses	2023	2022
Personnel expenses	706,019	487,083
Services obtained from third parties	163,101	53,713
Depreciation and amortization expenses	68,815	87,311
Energy expenses	11,969	19,864
Travel expenses	38,736	21,273
Other	123,116	97,856
	1,111,756	767,100

NOTE 21 - EXPENSES BY NATURE

Between 1 January - 31 December 2023 Group's personnel and depreciation/amortization expenses are TL 5,784,750 and TL 3,930,183 respectively (between 1 January - 31 December 2022: TL 4,666,603 and TL 7,242,491 respectively).

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NOTE 22 - OTHER INCOME AND EXPENSES FROM OPERATING ACTIVITIES

	2023	2022
Foreign exchange gains on operating activities	5,365,265	4,687,927
Interest income on operating activities	4,859,920	5,544,174
Other	323,241	202,994
	10,548,426	10,435,095
	2023	2022
Foreign exchange loss on operating activities	(8,583,222)	(6,116,052)
Interest expense on operating activities	(3,093,767)	(5,307,830)
Other	(592,140)	(582,160)
	(12,269,129)	(12,006,042)

NOTE 23 - INCOME FROM INVESTMENT ACTIVITIES

	2023	2022
Gain on sale of property, plant and equipment	132,008	138,452
	132,008	138,452
	2023	2022
Revaluation expense of investment property (Note 11)	(12,954)	(25,901)
	(12,954)	(25,901)

NOTE 24 - FINANCIAL INCOME AND EXPENSES

	2023	2022
Foreign exchange gain	7,865,963	5,318,514
Interest income	3,799,704	1,492,908
Total financial income	11,665,667	6,811,422
Foreign exchange loss	(5,072,341)	(7,381,732)
Interest expenses	(108,503)	(189,212)
Other	(3,409)	(5,951)
Total financial expenses	(5,184,253)	(7,576,895)
Financial expenses, net	6,481,414	(765,473)

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NOTE 25 - TAX ASSETS AND LIABILITIES

Current tax expense and deferred tax

Tax expense includes current tax expense and deferred tax expense. Tax is recognized in the statement of profit or loss, provided that it is not related to a transaction accounted directly under equity. Otherwise, the tax effect is recognized under equity as well as the related transaction.

In the Turkish taxation system, tax losses can be offset against future taxable income for the next five years and are not deductible (retrospectively) from previous years' earnings.

In addition, temporary taxes are levied at a rate of 25% over the bases declared in interim periods during the year to be deducted from the corporation tax. (December 31, 2022: 23%)

As of December 31, 2023 and 2022, the tax provision has been set aside under the current tax legislation.

Deferred tax liabilities are recognized for all taxable temporary differences, whereas deferred tax assets resulting from deductible temporary differences are calculated to the extent that it is probable that future taxable profit will be available against which the deductible temporary difference can be utilized.

Deferred tax assets and liabilities are offset against each other if the same country is subject to tax legislation and there is a legally enforceable right to offset current tax assets against current tax liabilities.

Tax assets and liabilities

Corporation tax

The Company and its subsidiaries established in Türkiye and other countries in the scope of consolidation, associates and joint ventures are subject to the tax legislation and practices in force in the countries they are operating.

The corporate tax rate in Türkiye is 25% (However, it will be applied as 23% for the corporate earnings of the institutions for the 2022 taxation periods.) The corporate tax rate is the addition of the expenses that are not considered to be deductible in accordance with the tax laws to the commercial income of the corporations. is applied to the net corporate income to be found as a result of deducting the exceptions and deductions in the tax laws. Corporate tax is declared until the evening of the thirtieth day of the fourth month following the end of the year in which it relates, and is paid in one installment until the end of the relevant month.

Companies calculate a provisional tax of 25% on their quarterly financial profits and declare until the 17th day of the second month following that period and pay it until the evening of the seventeenth day. The temporary tax paid during the year belongs to that year and is deducted from the corporate tax to be calculated over the corporate tax return to be submitted in the following year. If the amount of temporary tax paid remains despite the deduction, this amount can be refunded in cash or set off against any other financial debt to the government.

According to the Corporate Tax Law, financial losses shown on the declaration can be deducted from the corporate tax base of the period not exceeding 5 years. Declarations and related accounting records can be examined within five years of tax.

Turkish tax legislation does not permit a parent company with its subsidiaries to file a tax declaration on its consolidated financial statements. Thus, tax liabilities recognized in the Consolidated Financial Statements of the Group are separately calculated for all subsidiaries included in the scope of consolidation. On the statement of financial position as of December 31, 2023 and December 31, 2022 taxes payable is netted off for each subsidiary and are separately classified in the Consolidated.

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NOTE 25 - TAX ASSETS AND LIABILITIES (Continued)

Tax Advantages Obtained Under the Investment Incentive System:

The Group's earnings from investments tied to an incentive certificate are subject to corporate tax at discounted rates, starting from the accounting period in which the investment is partially or fully operational, until the investment contribution amount is reached. In this context, tax advantage amounting to TL 1,125,964 (31 December 2022: TL 399,236) that the Group will benefit from in the foreseeable future as of 31 December 2023 is reflected in the consolidated financial statements as a deferred tax asset. As a result of the recognition of the said tax advantage as of 31 December 2023, deferred tax income amounting to TL 726,728 has been realized in the consolidated profit or loss statement for the period from 1 January to 31 December 2023.

Deferred tax assets are recognized when it is determined that taxable income is likely to occur in the coming years. In cases where taxable income is likely to occur, deferred tax assets are calculated over deductible temporary differences, tax losses and tax advantages vested in indefinite-lived investment incentives that allow reduced corporate tax payments. In this context, the Group bases the reflection of deferred tax assets arising from investment incentives in the consolidated financial statements on long-term plans and evaluates the recoverability of deferred tax assets related to these investment incentives as of each balance sheet date, based on business models that include taxable profit estimations. It is foreseen that the deferred tax assets in question will be recovered within 5 years from the balance sheet date.

In the sensitivity analysis carried out as of 31 December 2023, when the inputs in the basic macroeconomic and sectoral assumptions that make up the business plans are increased/decreased by 10%, the recovery period of deferred tax assets regarding investment incentives, which is foreseen as 5 years, has not changed.

For the years ended 31 December 2023 and 2022, the analysis of the tax expense in the profit or loss is as follows

	2023	2022
Current tax expense	(4,644,502)	(1,219,160)
Deferred tax income/(expense)	1,401,416	(185,152)
Toplam	(3,243,086)	(1,404,312)
	2023	2022
Current corporate tax	4,644,502	1,219,160
Less: prepaid corporate tax	(3,430,097)	(498,003)
Prepaid income tax	1,214,405	721,157

The analysis of tax expense accounted for under the statement of profit or loss for the years ended 31 December 2023 and 2022 is as follows:

	2023	2022
Profit before tax	18,326,525	10,778,351
Income tax charge at effective tax rate (25%) (2022: 23%)	(4,581,631)	(2,479,021)
Disallowable expenses	(345,217)	(77,013)
Deduction of research and development incentive expenditures during the period	413,659	250,475
Effect of investment incentive, net	2,184,227	1,361,795
Revaluation recognized in statutory financial statements tax expense to the revaluation fund		
Used and earned investment incentive	(1,457,499)	(3,307,722)
Other (*)	(504,162)	(87,952)
Monetary gain/(loss)	1,047,537	2,935,126
	(3,243,086)	(1,404,312)

(*) In accordance with the "Law No. 7440 on Restructuring of Certain Receivables and Amending Certain Laws" published in the Official Gazette on March 12, 2023, the exemption and discount amounts deducted from corporate earnings in accordance with the regulations in the law, by being shown in the corporate tax return for 2022. Additional tax must be calculated at the rate of 10% on the bases subject to reduced corporate tax, without associating it with period earnings, and at the rate of 5% on exempt earnings. As of December 31, 2023, the additional tax amounts calculated within the scope of the said regulation have been accrued in Tofaş financial statements; The period tax expense effect is amounting to 644,506 TL. Payments regarding the tax in question were made in two installments in 2023.

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NOTE 25 - TAX ASSETS AND LIABILITIES (Continued)

b) Deferred tax assets and liabilities

The breakdown of temporary differences and the resulting deferred tax assets as of 31 December 2023 and 2022, using the effective tax rates were as follows

	Cumulative temporary differences		Deferred tax assets/(liabilities)	
	2023	2022	2023	2022
Unused investment incentive allowances ^(*)	2,441,254	1,062,469	1,125,964	399,236
Warranty provisions	1,740,810	1,106,488	435,203	221,298
Provision for employment termination benefits and unused vacation	1,187,658	1,869,591	296,915	373,918
Property, plant and equipment and intangibles	(233,314)	(2,858,215)	(58,328)	(571,643)
Inventories	(762,891)	151,681	(190,686)	21,137
Contract liabilities	164,319	180,066	41,081	40,462
Land valuations	(195,955)	(239,530)	(48,989)	(23,953)
Other	461,894	669,601	128,489	125,242
Deferred tax asset, net			1,729,649	585,697

^(*) The Group uses various discounted tax rates in relation to its fixed asset investments.

The movement of the deferred tax asset balance during the year is as follows:

	2023	2022
Deferred tax asset at 1 January	585,697	925,966
Deferred tax income	1,401,416	(185,152)
Other comprehensive income	(146,918)	(76,373)
- Actuarial gain/(loss) on employment termination benefit obligation attributable to equity	(256,076)	231,264
- Net gain on cash flow hedging attributable to equity	109,158	(307,637)
Monetary gain/(loss)	(110,546)	(78,744)
Deferred tax assets at 31 December	1,729,649	585,697

NOTE 26 - EARNINGS PER SHARE

Earnings per share are determined by dividing net income by the weighted average number of shares that have been outstanding during the related period concerned. In 2023 and 2022, the weighted average number of shares outstanding is 50,000,000,000 and as of 31 December 2023 and 2022 earnings per share is Kurus 30.17 and Kurus 18.75 respectively.

NOTE 27 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Related party balances:

Deposit and financial loan balances from related parties	2023	2022
Yapı ve Kredi Bank A.Ş. (deposit) ⁽¹⁾	1,784,970	4,618,219
Yapı ve Kredi Bank A.Ş. (financial loan) ⁽¹⁾	(854,772)	(834,184)
Trade receivables due from related parties	2023	2022
Stellantis Europe SPA ⁽²⁾	5,058,986	12,790,885
Otokoç Otomotiv Tic. ve San. A.Ş. ⁽¹⁾	4,473,418	4,474,905
Other ⁽¹⁾	310,635	190,792
Less: Unearned credit finance expense	(85,473)	(166,169)
	9,757,566	17,290,413

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NOTE 27 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

Trade payables due to related parties	2023	2022
Stellantis Europe SPA ⁽²⁾	10,922,072	16,480,507
Other ⁽¹⁾	1,163,548	929,372
Less: Unearned credit finance expense	(37,989)	(34,339)
	12,047,631	17,375,540

Related party transactions

Sales	2023	2022
Stellantis Europe SPA ⁽²⁾	26,496,277	57,054,466
Otokoç Otomotiv Tic. ve San. A.Ş. ⁽¹⁾	34,913,914	24,516,224
Other ⁽¹⁾	601,535	885,528
	62,011,726	82,456,218

⁽¹⁾ Represents the related parties of joint ventures; comprise of subsidiaries, joint managing company or associates.

⁽²⁾ Represents the joint ventures.

Domestic goods and services purchases	2023	2022
Ram Dış Ticaret A.Ş. ⁽¹⁾	2,070,026	3,749,152
Otokoç Otomotiv Tic. ve San. A.Ş. ⁽¹⁾	2,068,799	1,307,808
Zer Merkezi Hiz. ve Tic. A.Ş. ⁽¹⁾	1,398,262	988,384
Plastiform Plastik San. Tic. A.Ş. ⁽¹⁾	280,644	356,522
Koç Holding A.Ş. ^{(2)(*)}	263,573	222,585
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş. ⁽¹⁾	201,580	155,091
Sistemi Comandi Meccanici Otomotiv San. Tic. A.Ş. ⁽¹⁾	197,693	235,610
Opet Fuchs Madeni Yağ ve San. Tic. A.Ş. ⁽¹⁾	126,618	138,678
Ram Sigorta Aracılık ve İletişim A.Ş. ^{(1)(*)}	128,329	42,839
Opet Petrolculuk A.Ş. ⁽¹⁾	109,748	119,558
Setur Servis Turistik A.Ş. ⁽¹⁾	102,170	16,192
Ingage Dijital Pazarlama Hizmetleri ⁽¹⁾	42,005	55,832
Tanı Pazarlama ve İletişim A.Ş. ⁽¹⁾	19,654	33,363
Akpa Dayanıklı Tüketim Lpg ve Akaryakıt Ürünleri Paz. A.Ş. ⁽¹⁾	17,261	1,391
Ford Otomotiv ⁽¹⁾	876	61,421
Diğer ⁽¹⁾	56,696	22,849
	7,083,934	7,507,275

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NOTE 27 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

Foreign trade good, material and service purchase	2023	2022
Stellantis Europe SPA ⁽²⁾	55,443,091	50,823,118
Other ⁽¹⁾	7,833	8,609
	55,450,924	50,831,727

⁽¹⁾ Represents the related parties of joint ventures; comprise of subsidiaries, joint managing company or associates.

⁽²⁾ Represents the joint ventures.

⁽³⁾ These service expenses are related with the invoices arising from the allocation of finance, law, planning, tax consultancy services provided by our shareholder, Koç Holding A.Ş. to its subsidiaries and associates. Expenses related to these services provided by Koç Holding A.Ş. are allocated in accordance with the General Communiqué on Disguised Profit Distribution by Means of Transfer Pricing - 11 Intra-group Services regulations.

⁽⁴⁾ The amount consist insurance premium and accruals to non-related insurance companies over the contracts signed through insurance agency Ram Sigorta Aracılık ve İletişim A.Ş.

Interest income from related parties, for the year ended 31 December 2023 is TL 589,078 (31 December 2022: TL 938,349).

Top management of Tofaş are chairman and members of the Board of Directors, general manager and directors directly reporting to the general manager. Salaries and similar benefits paid to the top management of the Group for the year ended 31 December 2023 (30 people) (31 December 2022: 30 people) is TL 291,851 (2022: TL 211,273).

Furthermore, as of 31 December 2023, wholly owned subsidiary KFK has sold the exclusive issuance of bonds and treasury bills over subsidiaries. It is accounted under other financial liabilities with a carrying amount of TL 68,100 (31 December 2022: TL 123,744).

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NOTE 28 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

Financial risk management objectives and policies

The Group's principal financial instruments are cash and cash equivalents and bank borrowings. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial instruments such as trade debtors and trade creditors, which arise directly from its operations. The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk, foreign currency risk and credit risk. The Group management reviews and agrees policies for managing each of the risks as summarized below:

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counterparties, and continually assessing the creditworthiness of the counterparties. It is the Group policy that all customers who wish to trade on credit terms are subject to credit screening procedures and the Group also obtains collaterals from customers when appropriate. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. Trade receivables are evaluated by management based on their past experiences and current economic condition and are presented in financial statements net of provision for doubtful receivables (Note 7).

The amounts stated in the balance sheets reflects the maximum risk exposure of the Group.

Types of credit exposure of financial instruments;

2023	Trade receivables					Receivables from finance operations
	Related parties	Other parties	Other receivables	Bank deposits	Derivative instruments	
Maximum credit risk exposure as of reporting date (A+B+C+D+E) ⁽¹⁾	9,757,566	8,660,132	12,477	24,815,473	40,788	9,644,526
- Maximum risk secured by guarantee ⁽²⁾	33,200	7,219,066	-	-	-	9,644,526
A. Net book value of financial assets neither overdue nor impaired	9,487,531	8,465,859	12,477	24,815,473	40,788	9,569,309
- Maximum risk secured by guarantee	33,200	7,145,391	-	-	-	9,569,309
- Provision for general loan impairment	-	-	-	-	-	(53,683)
B. Net book value of financial assets of which conditions are negotiated, otherwise considered as impaired or overdue	-	-	-	-	-	-
C. Net book value of assets overdue but not impaired	270,035	192,563	-	-	-	65,872
- Maximum risk secured by guarantee	-	(248,200)	-	-	-	(65,214)
D. Net book value of impaired assets	-	1,710	-	-	-	9,345
- Overdue (gross book value)	-	14,554	-	-	-	62,342
- Impairment (-)	-	(12,844)	-	-	-	(52,997)
- Net value under guarantee	-	-	-	-	-	-
- Not overdue (gross book value)	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-
- Net value under guarantee	-	-	-	-	-	11,006
E. Off-balance sheet items having credit risk	-	-	-	-	-	-

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NOTE 28 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

2022	Trade receivables					Receivables from finance operations
	Related parties	Other parties	Other receivables	Bank deposits	Derivative instruments	
Maximum credit risk exposure as of reporting date (A+B+C+D+E) ⁽¹⁾	17,290,413	7,352,626	1,229	19,804,355	-	7,923,249
- Maximum risk secured by guarantee ⁽²⁾	54,705	6,951,756	-	-	-	7,923,249
A. Net book value of financial assets neither overdue nor impaired	17,196,890	7,326,406	1,229	19,804,355	-	7,887,920
- Maximum risk secured by guarantee	54,705	6,951,756	-	-	-	7,887,920
- Provision for general loan impairment	-	-	-	-	-	(53,683)
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	93,523	21,941	-	-	-	25,067
- Maximum risk secured by guarantee	-	-	-	-	-	24,816
D. Net book value of impaired assets	-	4,269	-	-	-	10,262
- Overdue (gross book value)	-	25,546	-	-	-	101,919
- Impairment (-)	-	(21,277)	-	-	-	(91,657)
- Net value under guarantee	-	-	-	-	-	-
- Not overdue (gross book value)	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-
- Net value under guarantee	-	-	-	-	-	14,573
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.

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NOTE 28 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Aging analysis of trade receivables and receivables from finance sector operations

Aging of the Group's receivables which are overdue but not impaired is as follows:

2023	
1 - 30 days past due	283,413
1 - 3 months past due	117,471
3 - 12 months past due	100,904
1 - 5 years past due	26,683
	528,471
2022	
1 - 30 days past due	31,195
1 - 3 months past due	23,793
3 - 12 months past due	56,382
1 - 5 years past due	29,162
	140,532

Amount secured with guarantee

As of 31 December 2023, TL 378,817 of total past due receivables of the Group is due from the Group's related party, Stellantis Europe SPA (31 December 2022: TL 13,688). As of 31 December 2023, the Group's payables to Stellantis Europe SPA amounting to TL 10,748,627 (31 December 2022: TL 16,480,507).

Foreign currency risk

The Group is exposed to foreign exchange risk arising from the ownership of foreign currency denominated assets and liabilities with sales or purchase commitments. The policy of the Group is to compare every foreign currency type for the probable sales or purchases in the future.

According to the manufacturing agreements signed by the Group, the repayment obligations related to loans obtained for Egea, Doblo, Mini Cargo are guaranteed by Stellantis Europe SPA through future purchases. As of 31 December 2023, loans obtained related with Doblo vehicle project have entirely been repaid.

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NOTE 28 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

2023	TL equivalent (functional currency)	USD	EUR	Other
1. Trade receivables	5,023,170	89	154,128	-
2a. Monetary financial assets (including cash, bank accounts)	10,543,590	19	323,665	-
2b. Non-monetary financial assets	2,579,544	-	79,191	-
3. Other	7,687	-	236	-
4. Current assets (1+2+3)	18,153,991	108	557,220	-
5. Trade receivables	-	-	-	-
6a. Monetary financial assets	-	-	-	-
6b. Non-monetary financial assets	607,212	-	18,641	-
7. Other	-	-	-	-
8. Non-current assets (5+6+7)	607,212	-	18,641	-
9. Total assets (4+8)	18,761,203	108	575,861	-
10. Trade payables	(11,971,623)	(8,633)	(359,720)	-
11. Financial liabilities	(1,862,034)	-	(57,163)	-
12a. Monetary other liabilities	-	-	-	-
12b. Non-monetary other liabilities	195	-	6	-
13. Current liabilities (10+11+12)	(13,833,462)	(8,633)	(416,877)	-
14. Trade payables	-	-	-	-
15. Financial liabilities	-	-	-	-
16a. Monetary other liabilities	-	-	-	-
16b. Non-monetary other liabilities	-	-	-	-
17. Non-current liabilities (14+15+16)	-	-	-	-
18. Total liabilities (13+17)	(13,833,462)	(8,633)	(416,877)	-
19. Net asset/(liability) position of off-balance sheet derivative instruments (19a-19b)	1,862,034	-	57,163	-
19a. Total hedged asset amount	-	-	-	-
19b. Total hedged liability amount	(1,862,034)	-	(57,163)	-
20. Net foreign currency asset/(liability) position (9+18+19)	6,789,775	(8,525)	216,147	-
21. Net foreign currency asset/(liability) position of monetary items (1+2a+3+5+6a-10-11-12a-14-15-16a)	1,740,790	(8,525)	61,146	-
22. Total fair value of financial instruments used for foreign currency hedging	-	-	-	-
23. Export	21,342,331	-	824,019	89,932
24. Import	46,751,730	16,146	1,778,283	129,942

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NOTE 28 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

2022	TL equivalent (functional currency (restated))	TL equivalent (functional currency (historical))	USD	EUR	Other
1. Trade receivables	12,738,537	7,730,965	7	387,804	-
2a. Monetary financial assets (including cash, bank accounts)	5,686,656	3,451,208	50	173,077	-
2b. Non-monetary financial assets	807,298	489,946	-	24,577	-
3. Other	2,786	1,691	c	85	-
4. Current assets (1+2+3)	19,235,277	11,673,810	57	585,543	-
5. Trade receivables	-	-	-	-	-
6a. Monetary financial assets	-	-	-	-	-
6b. Non-monetary financial assets	48,389	29,367	-	1,473	-
7. Other	-	-	-	-	-
8. Non-current assets (5+6+7)	48,389	29,367	-	1,473	-
9. Total assets (4+8)	19,283,666	11,703,177	57	587,016	-
10. Trade payables	(16,596,396)	(10,072,284)	(1,281)	(504,055)	(2)
11. Financial liabilities	(1,918,380)	(1,164,257)	-	(58.403)	-
12a. Monetary other liabilities	-	-	-	-	-
12b. Non-monetary other liabilities	-	-	-	-	-
13. Current liabilities (10+11+12)	(18,514,777)	(11,236,541)	(1,281)	(562,458)	(2)
14. Trade payables	-	-	-	-	-
5. Financial liabilities	(1,836,945)	(1,114,834)	-	(55,924)	-
16a. Monetary other liabilities	-	-	-	-	-
16b. Non-monetary other liabilities	-	-	-	-	-
17. Non-current liabilities (14+15+16)	(1,836,945)	(1,114,834)	-	(55,924)	-
18. Total liabilities (13+17)	(20,351,721)	(12,351,375)	(1,281)	(618,382)	(2)
19. Net asset/(liability) position of off-balance sheet derivative instruments (19a-19b)	3,755,325	2,279,097	-	114,327	-
19a. Total hedged asset amount	-	-	-	-	-
19b. Total hedged asset amount	(3,755,325)	(2,279,097)	-	(114,327)	-
20. Net foreign currency asset/(liability) position (9+18+19)	2,687,270	1,630,899	(1,224)	82,961	(2)
21. Net foreign currency asset/(liability) position of monetary items (=1+2a+3+5+6a-10-11-12a-14-15-16a)	(1,923,742)	(1,167,511)	(1,224)	(57,416)	(2)
22. Total fair value of financial instruments used for foreign currency hedging	-	-	-	-	-
23. Export	50,232,138	30,485,676	-	1,733,617	8,315
24. Import	48,088,648	29,184,801	20,646	1,641,054	31,016

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NOTE 28 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

The following table demonstrates the sensitivity to a possible change of 10% in the USD, EUR and other exchange rates in the Group's foreign currency denominated liabilities (excluding foreign currency denominated inventory and fixed asset purchase advances), with all other variables held constant, on the Group's income before tax as of 31 December 2023 and 2022:

Exchange rate sensitivity analysis table

	2023			
	Profit/loss		Equity	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
<i>In case 10% appreciation of USD against TL:</i>				
1- USD net asset/liability	(25,096)	25,096	-	-
2- Amount hedged for USD risk (-)	-	-	-	-
3- USD net effect (1+2)	(25,096)	25,096	-	-
<i>In case 10% appreciation of EUR against TL:</i>				
4- EUR net asset/liability	199,176	(199,176)	186,202	(186,202)
5- Amount hedged for EUR risk (-)	(186,202)	186,202	-	-
6- EUR net effect (4+5)	12,974	(12,974)	186,202	(186,202)
<i>In case 10% appreciation of other exchange rates against TL</i>				
7- Other exchange rates net asset/liability	-	-	-	-
8- Amount hedged for other exchange rates risk (-)	-	-	-	-
9 Other exchange rates net effect (7+8)	-	-	-	-
Total (3+6+9)	(12,122)	12,122	186,202	(186,202)

TOFAŞ TÜRK OTOMOBİL FABRİKASI ANONİM ŞİRKETİ
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NOTE 28 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

	2022			
	Profit/loss		Equity	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
<i>In case 10% appreciation of USD against TL:</i>				
1- USD net asset/liability	(3,771)	3,771	-	-
2- Amount hedged for USD risk (-)	-	-	-	-
3- USD net effect (1+2)	(3,771)	3,771	-	-
<i>In case 10% appreciation of EUR against TL:</i>				
4- EUR net asset/liability	(188,596)	188,596	(375,534)	375,534
5- Amount hedged for EUR risk (-)	375,534	(375,534)	-	-
6- EUR net effect (4+5)	186,938	(186,938)	-	-
<i>In case 10% appreciation of other exchange rates against TL</i>				
7- Other exchange rates net asset/liability	(7)	7	-	-
8- Amount hedged for other exchange rates risk (-)	-	-	-	-
9 Other exchange rates net effect (7+8)	(7)	7	-	-
Total (3+6+9)	183,160	(183,160)	(375,534)	375,534

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NOTE 28 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Interest rate risk

Interest rate risk stems from the probability of an impact of rate changes on financial accounts, The Group is exposed to interest rate risk due to maturity mismatch or differences of the assets and liabilities that are re-priced or matured in a specific period, these exposures are managed by using natural hedges that arise from offsetting interest rate sensitive assets and liabilities,

As of 31 December 2023, there exist no interest sensitive financial instruments on the balance sheet. (As of 31 December 2022, an interest rate increase of 0.50% effects the earnings before tax TL negative 299).

Liquidity risk

Liquidity risk is the risk that an entity will be unable to meet its net funding requirements. The risk is mitigated by matching the cash in and out flow volume supported by committed lending limits from qualified credit institutions.

The breakdown of financial assets and liabilities according to their maturities is disclosed considering from balance sheet date to due date period. Financial assets and liabilities that have no certain due dates are classified in over one year column.

2023

Expected maturities	Book value	Total cash outflow per agreement (=I+II+III+IV)	Less than 3 months (I)	Between 3-12 months (II)	Between 1-5 years (III)	Over 5 years (IV)
Non-derivative financial liabilities						
Bank loans	9,706,256	13,503,209	2,553,640	6,032,809	4,916,760	-
Lease liabilities	31,330	72,106	20,107	33,931	18,068	-
Trade payables	23,387,434	23,574,610	23,572,593	2,017	-	-
Bonds	2,093,203	3,265,125	-	1,061,167	2,203,958	-
Employee benefit liabilities	1,059,573	1,059,573	1,059,573	-	-	-
Other payables	57,589	57,589	57,589	-	-	-
	36,335,385	41,532,212	27,263,502	7,129,924	7,138,786	-

2022

Expected maturities	Book value	Total cash outflow per agreement (=I+II+III+IV)	Less than 3 months (I)	Between 3-12 months (II)	Between 1-5 years (III)	Over 5 years (IV)
Non-derivative financial liabilities						
Bank loans	10,543,584	11,545,756	1,391,641	6,692,763	3,461,352	-
Lease liabilities	36,713	51,518	4,162	25,021	22,335	-
Trade payables	31,309,709	31,619,210	31,619,203	7	-	-
Bonds	887,495	982,134	427,835	554,299	-	-
Employee benefit liabilities	466,673	466,673	466,673	-	-	-
Other payables	93,972	93,972	93,972	-	-	-
	43,338,146	44,759,263	34,003,486	7,272,090	3,483,687	-

Capital management policy

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. The Group manages its capital structure and makes amendments to it, in light of changes in economic conditions.

The Group has the power to organize the dividend payments in order to regulate and keep the capital structure. There is no change in policy, target or processes of the Group as of 31 December 2023.

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NOTE 28 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Consolidated net financial debt/total equity ratio as of 31 December 2023 and 2022 is as follows;

	31 December 2023	31 December 2022
Total borrowing	11,830,789	11,467,792
Cash and cash equivalent	(24,815,473)	(19,804,382)
Net financial debt	(12,984,684)	(8,336,590)
Equity	36,879,584	25,849,068
Net financial debt/total equity multiplier	(35%)	(32%)

NOTE 29 - FINANCIAL INSTRUMENTS (FAIR VALUE EXPLANATIONS AND DISCLOSURES WITHIN THE FRAMEWORK OF HEDGE ACCOUNTING)

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 following methods and assumptions were used to estimate the fair value of the financial instruments for which it is practicable to estimate fair value:

Financial assets monetary assets for which the fair value approximates carrying value, balances denominated in foreign currencies are translated at year-end exchange rates. The fair values of financial assets (except short-term consumer financing loans) carried at cost are considered to approximate their respective carrying values due to their short-term nature and negligible credit losses. The fair values are calculated by discounting the future cash flows of consumer financing loans with the current interest rate which is yearly 53.51% (31 December 2022: 30.11%).

	31 December 2023		31 December 2022	
	Carrying value	Fair value	Carrying value	Fair value
Consumer financing loans	9,644,526	7,295,850	7,923,247	6,272,752

Financial liabilities are monetary liabilities for which fair value approximates carrying value; balances denominated in foreign currencies are translated at the year-end exchange rates. Trade payables and other monetary liabilities are considered to approximate their respective carrying values due to their short-term nature.

Management considers an effective cash flow hedge relationship between foreign currency originated long term loans and the realized and forecasted sales (items subject to be hedged) of vehicles (Egea, Doblo, New Doblo and Mini Cargo (MCV)).

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NOTE 29 - FINANCIAL INSTRUMENTS (FAIR VALUE EXPLANATIONS AND DISCLOSURES WITHIN THE FRAMEWORK OF HEDGE ACCOUNTING) (Continued)

Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- 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).

31 December 2023

	Level 1	Level 2	Level 3
Derivatives held for trading	-	40,788	-
Total Liabilities	-	40,788	-

As of 31 December 2023, the Group has not made any transfers between second level and first level, and also between third level and other levels.

NOTE 30 - FEES FOR SERVICES RECEIVED FROM INDEPENDENT AUDITOR/INDEPENDENT AUDIT FIRMS

The Group's explanation regarding the fees for the services received from the independent audit firms, which is based on the letter of POA 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:

Independent audit fee for the reporting period	1 January- 31 December 2023	1 January- 31 December 2022
Audit and assurance fee	2,487	2,072
Fee for other assurance services	128	59
Total	2,615	2,130

NOTE 31 - SUBSEQUENT EVENTS

None.

NOTE 32 - OTHER

On March 1, 2023, the Framework Agreement was signed for the main principles regarding to the commercial activities between the Stellantis Group and the Company, the acquisition of the shares of Stellantis Otomotiv Pazarlama A.Ş., and the cooperation and partnership relations between the Company, the Stellantis Group and the Koç Group.

The transfer fee has been determined as 400 million Euros, excluding the contingent payment and varying according to the closing adjustment; Completion of the share transfer transaction is subject to certain closing conditions, including obtaining the necessary permissions from the competition authorities and other regulatory bodies.

The Competition Board decided on December 4, 2023 to take the transaction into final review in accordance with the first paragraph of Article 10 of the Law on the Protection of Competition No. 4054.

Identity

Trade Name	Tofaş Türk Otomobil Fabrikası A.Ş.
Address	Büyükdere Cad. No: 145 Tofaş Han, 34394 Zincirlikuyu, İstanbul
Trade Registry and Number	İstanbul Trade Registry/100324
Central Registration System Number	0846000042200017
Registered Capital Ceiling	TL 1,000,000,000
Paid-in Capital	TL 500,000,000

Communication

Head Office

Büyükdere Cad. No: 145 Tofaş Han,
34394 Zincirlikuyu, İstanbul
T:+90 (212) 275 33 90
F:+90 (212) 275 39 88

Factory

İstanbul Cad. No: 574 16110, Bursa
T:+90 (224) 261 03 50
F:+90 (224) 255 09 47

Disclaimer

The Board of Directors' Report, Auditors' Report, Consolidated Financial Statements and Independent Audit Report regarding the operations and financials of the year 2023, included in this Annual Report ("Report"), are prepared in accordance with the legal requirements for the Ordinary General Assembly, which will be held on 28 March 2024 at Tofaş Headquarters, Büyükdere Cad. No: 145 Tofaş Han, 34394 Zincirlikuyu, İstanbul.

This Report is prepared only to provide information to the shareholders, and it is not intended to form the basis of any investment decision. The opinions and statements regarding estimated figures contained within this Report solely reflect the Company management's

views with respect to certain future events; thus, the actual results and developments may differ from these estimates depending on the variables and assumptions. Accordingly, neither the Koç Group nor its respective advisors, directors or employees shall be liable for any direct, indirect or consequential loss or damage suffered by any person as a result of relying on any statement in, or omission from, this Report, or on any other information or communications in connection with the Report.

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