TOFAŞ

TÜRK OTOMOBİL FABRİKASI A.Ş.

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STRONG CONTRIBUTOR TO THE NATIONAL ECONOMY

TURKEY'S LEADING AUTOMOTIVES COMPANY, TOFAŞ CREATES STRONG ADDED VALUE FOR TURKEY'S ECONOMY, INDUSTRY, AND R&D KNOW-HOW.

MARKET LEADER THREE YEARS IN A ROW

FOR THE THIRD YEAR IN A ROW IN 2021, TOFAŞ ONCE AGAIN WAS THE TURKISH AUTOMOTIVES INDUSTRY MARKET LEADER WITH FIAT BRAND.

ABOUT TOFAŞ

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

Turkey's trailblazing automotives manufacturer, Tofaş was founded in 1968. 24.3% of Tofaş's shares are traded on the İstanbul stock exchange and are included in both the BIST 30 and the BIST 100 indexes; control of the remaining shares is divided equally between Koç Holding and FCA Italy SPA. Tofaş's publicly-traded shares are also included in the İstanbul stock exchange's Corporate Governance and Sustainability indexes.

Tofaş's production capacity, export performance, R&D competencies, and workforce of nearly seven thousand people make it one of Turkey's leading industrial concerns. Headquartered in İstanbul, Tofaş's production operations are carried out in Bursa at a plant with 350 thousand m^2 of enclosed space situated on nearly 1 million m^2 of grounds.

As one of Stellantis's foremost manufacturing and R&D centers, Tofaş creates added value for Turkey's economy, industry, and R&D know-how by undertaking important roles in its parent's global product-development projects.

Tofaş's plant produces Fiat Doblòs and Fiorinos as well as the Fiat Egea family's sedan, hatchback, station wagon and cross models. Egea is marketed in different regions of the world with the Fiat Tipo brand. Developed and manufactured at Tofaş, the Doblò is also exported to the United States where it is sold under the ProMaster City name. 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 six brands (Fiat, Fiat Professional, Alfa Romeo, Jeep®, Maserati, Ferrari) for which it is the Turkish representative.

OUR VISION

Towards one million vehicles per annum...
To be a leading automotive company that creates the best value and mobility solutions for customers.

OUR 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

THE KOÇ GROUP

Founded in 1926, Koç Holding is Turkey's biggest corporate group from the standpoints not only of its turnover and exports but also of its share of Borsa İstanbul capitalization, the taxes that it pays, and the employment that it creates. With an aggregate turnover corresponding to 6% of national income and a 7% share of the country's export trade by value, the Koç Group is one of the main engines of the Turkish economy. Having increased its consolidated operating profit by 21% on a TL-basis over the last five years, the group's flagship Koç Holding is the only Turkish company to be included in the Fortune Global 500 ranking. With its strong competitive advantages, Koç Holding commands leading positions in sectors with long-term growth potential such as energy, automotive, durable consumer goods, and financial services.

STELLANTIS

Born of a merger of Fiat Chrysler Automobiles and Groupe PSA in January 2021, Stellantis is a leading global mobility provider that employs 300 thousand people worldwide in the design, development, production, and sale of vehicles and mobility solutions. Stellantis's brand portfolio is positioned so as to offer a variety of sustainable solutions to meet the evolving needs of customers while also exploring such avenues as electrification, connectivity, autonomous driving, and car-sharing. With industrial operations taking place in about 30 countries, Stellantis-made products are supplied to more than 130 markets around the world.

KEY FINANCIAL AND OPERATIONAL HIGHLIGHTS

In 2021 Tofaş bolstered its strong position in the Turkish automotive industry with TL 29.7 billion in sales and a home market share of 16.9%.

OPERATIONAL HIGHLIGHTS	**2020**	**2021**
Export Sales (TL thousand)	10,821,043	14,643,275
Domestic Sales (TL thousand)	12,441,509	14,264,210
Other Income from Operational Activities (TL thousand)	294,195	776,820
Cumulative Production Volume (units)	250,630	228,544
Sales (units)	259,479	234,786

FINANCIAL HIGHLIGHTS (TL THOUSAND)	**2020**	**2021**
Total Assets	19,475,621	23,473,341
Shareholders' Equity	4,468,611	5,743,391
Sales Revenues	23,556,747	29,684,305
EBITDA	3,025,512	5,794,126
Profit Before Tax	1,830,776	3,512,216
Net Profit	1,784,170	3,281,316

228,544

Tofaş produced 228,544 vehicles in 2021.

234,786

Tofaş sold 234,786 vehicles in 2021.

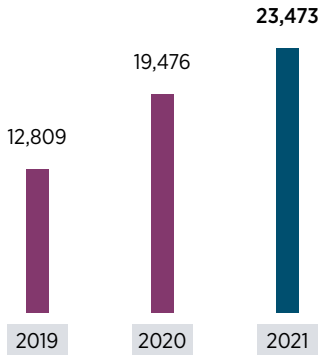
TL 29.7 billion

In 2021 Tofaş recorded TL 29.7 billion in sales revenues and a net profit of TL 3.3 billion.

49.3%

International sales accounted for a 49.3% share of total sales in 2021.

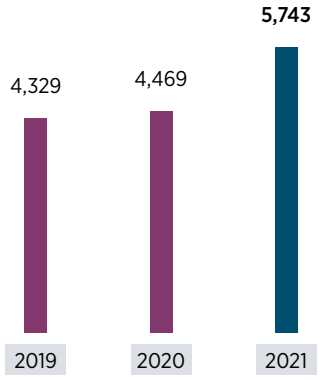
TOTAL ASSETS (TL MILLION)



TL 23.5 billion

In 2021 total assets amounted TL 23,473 million.

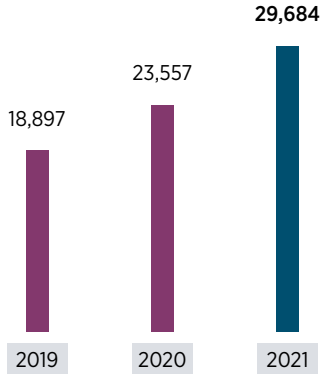
SHAREHOLDERS' EQUITY (TL MILLION)



+28.5%

In 2021 shareholders' equity reached TL 5,743 million with an increase of 28.5%.

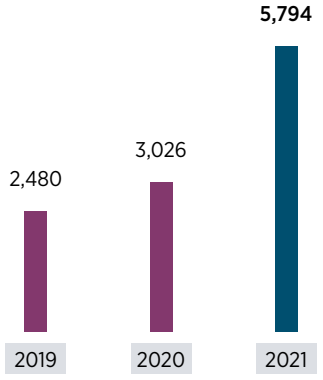
SALES REVENUES (TL MILLION)



TL 29.7 billion

In 2021 sales revenues rose by 26% and reached TL 29,684 million.

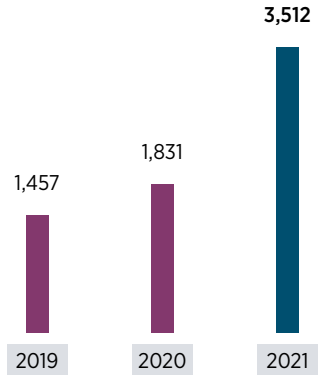
EBITDA (TL MILLION)



+91.5%

At year-end 2021 Tofaş's EBITDA was TL 5,794 million with an increase of 91.5%.

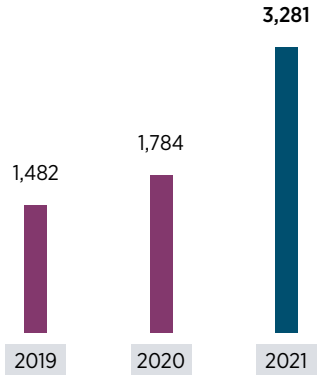
PROFIT BEFORE TAX (TL MILLION)



+91.8%

In 2021 profit before tax increased by 91.8% to TL 3,512 million in value.

NET PROFIT (TL MILLION)



+83.9%

Net profit increased by 83.9% reaching TL 3,281 million in 2021.

CONSUMER-CHOICE LEADER SIX YEARS IN A ROW

FIAT EGEA WAS THE MOST POPULAR CAR IN TURKEY FOR THE SIXTH YEAR IN A ROW IN 2021.

AGENDA OF THE ORDINARY GENERAL ASSEMBLY MEETING

AGENDA OF 54th ORDINARY GENERAL ASSEMBLY MEETING OF TOFAŞ TÜRK OTOMOBİL FABRİKASI ANONİM ŞİRKETİ TO BE HELD ON 15 MARCH 2022

1. Opening and election of Meeting Chairman,
2. Reading, discussion and approval of 2021 Activity Report prepared by the Company's Board of Directors,
3. Reading of Independent Audit Report Summary related to 2021 accounting period,
4. Reading, discussion and approval of Financial Statements related to 2021 accounting period,
5. Approval of replacements of the members 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 2021 activities of the Company,
7. Approval, approval with amendment or rejection of the Board of Directors' proposal on distribution of 2021 profits and the date of profit distribution prepared as per the Company's Profit Distribution Policy,
8. 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 2021 and setting an upper limit for donations to be made in 2022,
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 benefits gained in 2021 as per the Capital Market Board regulations,
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 2021 as per the Capital Market Board Corporate Governance Communiqué,
15. 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

EY
Building a better working world

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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 – December 31, 2021.

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

2) Basis for Opinion

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

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

We have expressed an unqualified opinion in our auditor's report dated February 3, 2022 on the full set consolidated financial statements of the Group for the period of January 1 – December 31, 2021.

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:

a) 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.

b) 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.

(Convenience translation of a report originally issued in Turkish)

c) The annual report also includes the matters below:

- Subsequent events occurred after the end of the fiscal year which have significance,
- The research and development activities of the Group,
- Financial benefits such as salaries and bonuses paid to the board members and to those charged governance, allowances, travel, accommodation and representation expenses, financial aids and aids in kind, insurances and similar deposits.

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

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

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

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

The name of the engagement partner who supervised and concluded this audit is Ethem Kutucular

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

Ethem Kutucular, SMMM
Partner

February 18, 2022
İstanbul, Türkiye

CHAIRMAN'S ASSESSMENT

Constantly developing its competitive production and advanced R&D competencies, our company will continue to further strengthen its strong position as a member of the Stellantis Group, whose 2021 formation has made it the world's third biggest automotive manufacturer.

Ömer M. Koç
Chairman of the Board of Directors

Esteemed shareholders:

In the second year of our experience of living with a global pandemic, some of our new habits have become elements of our everyday lives while the world as a whole has had to contend with numerous health-related and economic hardships. Distressingly, according to official figures more than five million people have perished already even as this process continues to unfold. Although vaccines have been able to prevent even greater loss of life, overcoming the pandemic unquestionably depends on global solidarity and on increasing vaccination rates, especially in the world's less affluent countries, as a way of controlling new viral mutations.

THE IMPACT OF THE PANDEMIC ON THE GLOBAL ECONOMY HAS BEEN FAR-REACHING

As the process of renormalization proceeded in 2021, demand that had been suppressed by lockdowns in most national economies quickly recovered. The result was record-breaking rises in global raw material and commodity prices as supply was unable to keep pace with demand and energy prices soared as well. Problems in the supply of microchips caused particularly serious disruptions in the production of high-tech electronic goods. Although in the early stages of the pandemic there were serious concerns that a second Great Depression might be in the offing, high inflation has now moved to the top of the global economic agenda. While many countries' monetary authorities–the US Federal Reserve Bank in particular–initially regarded the rise in inflation as "temporary", by the end of 2021 that view was abandoned and plans to revert to tight-money policies were put into effect.

According to the IMF, the world economy shrank by 3.1% in 2020 and is projected to have grown by 5.9% in 2021. While such a performance would be indicative of a rapid recovery, it would also be the result of low-base effects. Going beyond the numbers however, the observation that the pandemic has deepened existing social and economic inequalities should be a matter of concern to us all. For the first time in some two decades, overall global poverty is on the rise again while the widening income gap among countries is triggering social and political tensions. These inequalities–and the problems they lead to–are the most important risk factors with which we will have to contend in the period ahead.

Once the initial shock of the pandemic had passed, the Turkish economy recovered rapidly and managed to register an overall 1.8% rate of growth in 2020. It sustained this performance into 2021 and achieved a 7.4% growth rate in the third quarter. Exports and–in the first half-year–strong domestic demand contributed much to this positive result and it appears that year-on-year growth overall was on the order of 9%. However a rapidly depreciating Turkish lira and high inflation were the chief issues whose effects we felt deeply during the second half-year.

Although increases in both export and international services earnings had a favorable impact on the country's balance of payments, surging global commodity and energy prices are at risk of widening the current account deficit.

2021 WAS A CHALLENGING YEAR FOR THE AUTOMOTIVES INDUSTRY

In 2021 the world's automotives industry suffered seriously from supply-side bottlenecks. Problems with raw materials and logistics, which became even more evident in the second half of the year, were added to in our own country by exchange rate pressures.

The Turkish automotives industry's total output was down by 2% year-on in 2021 and amounted to around 1,276 thousand units.

The industry's exports in 2021 were worth around USD 25 billion in value and corresponded to 11% of Turkey's total export trade. This performance means that the sector once again held onto the leading position in exports that it has commanded for 16 years in a row.

At 737,350 units, total sales of automobile and light commercial vehicles were down by 4.6% year-on in Turkey but this is mainly attributable to problems with product availability. In fact, a closer look reveals that while automobile sales (561,853 units) were down by 7.9%, light commercial vehicle sales (175,497 units) were actually up by 7.9%.

TOFAŞ MAINTAINS ITS STRONG MARKET POSITION

Despite all of these and other problems, Tofaş produced 228,544 vehicles in 2021 while the 112,477 that it shipped abroad accounted for a 12% share of the Turkish automotives industry's total exports last year.

Tofaş's 16.9% share of the Turkish market for passenger and light commercial vehicles sustained the market leadership of the Fiat brand for the third year in a row.

The Fiat Egea, whose renewed family and body option offerings went on sale at the beginning of the year, achieved a major success as "Turkey's most popular automobile" for the sixth year in a row while the Fiat Doblò became "Turkey's most popular light commercial vehicle".

Tofaş has been managing the risks arising from pandemic-exacerbated global uncertainties (along with the business opportunities they give rise to) with great success. Our favorable financial results are such as to confirm this as well. Constantly developing its competitive production and advanced R&D competencies, our company will continue to further strengthen its strong position as a member of the Stellantis Group, whose 2021 formation has made it the world's third biggest automotive manufacturer.

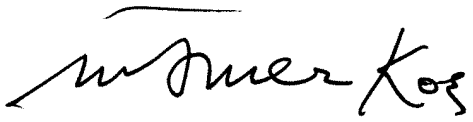
IT IS WITHIN OUR POWER TO BUILD A BETTER FUTURE...

We are advancing confidently into a future whose dynamic processes of digitalization and green transformation will be shaping the course of our business activities. Digitalization has already become the most important factor driving global economic growth and it is now expanding the playing field of competition well beyond the national borders. What's more, the green transformation process itself, which is becoming increasingly more grounded in specific international commitments, is unfolding along with digitalization.
To a significant degree, the innovations that make the green transformation possible are dependent on digital technologies. We need to see these processes as two main streams whose interactions will trigger and accelerate one another. Indeed the EU is erecting its new growth strategy on these dynamics, which it calls the "twin transformation".

The Koç Group is keeping a close watch on these developments as they continue to play out on international platforms and it acts in recognition of its responsibility to shape the course of change. Having distinguished itself by virtue of its own trailblazing activities and continuing to focus on creating added value as new areas of opportunity open up, Tofaş will continue its efforts to meet the needs of the future through Koç Group's complementary programs on digital transformation, innovation, agile management, and carbon transformation.

At the same time, we will also remain committed to the conduct of the social responsibility projects that we are undertaking both in light of the needs, expectations, and priorities of our own country and in keeping with UN Sustainable Development Goals. Our century-old values inform our determination to continue working with an awareness that it is always possible to do something better for our country no matter what the circumstances may be.

I extend my sincerest appreciation to all of our stakeholders for the good results our company has achieved thanks to the great dedication of its employees and to the support of its business partners.



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

LEVENT ÇAKIROĞLU
Board Member

CHRISTIAN ANDRÉ CHAPELLE
Board Member

MELİH POYRAZ
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 pages 92-93.

BOARD OF DIRECTORS MEMBERS WHO HELD OFFICE DURING THE REPORTING PERIOD

BOARD OF DIRECTORS		TERM OF OFFICE	
Name	**Position**	**From**	**Until**
Mehmet Ömer KOÇ	Chairman	18.03.2020	16.03.2022
Pietro GORLIER	Vice Chairman	18.03.2020	09.11.2021
Samir CHERFAN	Member & CEO	09.11.2021	16.03.2022
Cengiz EROLDU	Member	18.03.2020	16.03.2022
Temel Kamil ATAY	Member	18.03.2020	16.03.2022
Levent ÇAKIROĞLU	Member	18.03.2020	16.03.2022
Davide MELE	Member	18.03.2020	09.11.2021
Christian André CHAPELLE	Member	09.11.2021	16.03.2022
İsmail Cenk ÇİMEN	Member	18.03.2020	21.01.2021
Kenan YILMAZ	Member	21.01.2021	16.03.2021
Melih POYRAZ	Member	16.03.2021	16.03.2022
Giorgio FOSSATI	Member	18.03.2020	16.03.2022
Sergio DUCA	Independent Member	18.03.2020	16.03.2022
Neslihan TONBUL	Independent Member	18.03.2020	16.03.2022

(*) Following the election date of the Board of Directors, terms of office have been taken into consideration.
(18 March 2020 – 18 March 2021 and 16 March 2021 – 16 March 2022)

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

- Both the Chairman 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.

2021 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 3,281,316,000 in 2021. The donations and charitable grants made to foundations and associations during the reporting period amounted to TL 11,475,837

- It is hereby proposed that; Cash dividends in the total amount of TL 3,200,000,000 corresponding to a rate of 640.00% (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 Turkey be paid out a cash dividend at a rate of 640.00% (gross) and in the amount of Kr 6.40 Gross=Net for each share with a nominal value of Kr 1,
- Our other shareholders be paid out a cash dividend at the rate of 640.00% and in the amount of Kr 6.40 gross and Kr 5.76 net per share with a nominal value of Kr.1., and; The beginning date of dividend distribution be set as 22 March 2022.

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

2021 DIVIDEND DISTRIBUTION TABLE

TOFAŞ TÜRK OTOMOBİL FABRİKASI A.Ş.
2021 Dividend Distribution Proposal Table (TL)

1.	Paid-in/Issued Capital		500,000,000
2.	Total Legal Reserves (According to Tax Book)		398,079,925
If there is dividend privilege in the Articles of Association,information regarding this privilege			None
		According to CMB	**According to Tax Book**
3.	Current Period Profit	3,512,216,000	3,632,918,825
4.	Taxes Payable (-)	230,900,000	47,808,880
5.	Net Current Period Profit (=)	**3,281,316,000**	**3,585,109,945**
6.	Losses in Previous Years (-)		
7.	Primary Legal Reserves (-)		
8.	**NET DISTRIBUTABLE CURRENT PERIOD (=)**	**3,281,316,000**	**3,585,109,945**
9.	Donations Made during the Year (+)	11,475,837	
10.	Donation-Added Net Distributable Current Period Profit on which First Dividend is Calculated	3,292,791,837	
11.	First Dividend for Shareholders		
	- Cash	2,985,287,273	25,000,000
	- Stock		
	- Total	2,985,287,273	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		3,175,000,000
16.	Secondary Legal Reserves	296,028,727	317,500,000
17.	Statutory Reserves		0
18.	Special Reserves		0
19.	**EXTRAORDINARY RESERVES**	**0**	**67,609,945**
20.	Other Distributable Resources	**214,712,727**	**0**
	- Retained Earnings	214,712,727	0
	- Extraordinary Reserves	0	0
	- Other distributable reserves in accordance with the Law and the Articles of Association	0	0
21.	Legal Reserves from Other Distributable Resources	**21,471,273**	**0**
	- Retained Earnings	21,471,273	0
	- Extraordinary Reserves	0	0
	- Other distributable reserves in accordance with the Law and the Articles of Association	0	0

TOFAŞ TÜRK OTOMOBİL FABRİKASI A.Ş.
2021 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)	6,716,403		0.20	5.7600	576.00
	A (legal entity)	1,203,928,414		36.69	6.4000	640.00
	D	1,090,251,976		33.23	5.7600	576.00
	E	699,496,049		21.32	5.7600	576.00
	TOTAL	**3,000,392,841**	**0**	**91.44**	**0**	**0**

(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.

CAR OF THE YEAR IN TURKEY: EGEA CROSS

EGEA CROSS WAS DESIGNATED “CAR OF THE YEAR IN TURKEY” BY THE AUTOMOTIVE JOURNALISTS ASSOCIATION IN 2021.

CEO'S MESSAGE

Under tough conditions of uncertainty, we succeeded in ensuring the continuity of our operations while prioritizing the health of our employees and all our other stakeholders thanks to our experience of managing rapid changes in the best way possible.

Cengiz Eroldu
Board Member & CEO

As was true the year before, 2021 was overshadowed by circumstances that posed numerous challenges for both our own country and for the world. The coronavirus epidemic, volatile markets, geopolitical developments, and resurgent inflation brought on by a global recovery as well as the impact of all of this on our country affected us both economically and operationally. Although the resilience of companies in every sector was put to the test by supply-chain difficulties, problems related to procuring microchips posed particular hardships for automotives manufacturers and occasionally led to production stoppages in the course of the year.

Under such tough conditions of overarching uncertainty and in view of the need to deal with a pandemic, we nonetheless succeeded in ensuring the continuity of our business operations while prioritizing the health of our employees and all our other stakeholders thanks to our experience of managing rapid changes in the best way possible.

FIAT IS THE ENDURING LEADER OF THE DOMESTIC AUTOMOTIVES MARKET

Our company's production in 2021 represented 17% of its sector's output and 12% of its exports while 97% of the company's sales to its home market consisted of domestically-manufactured goods.

With our strong mix of automobile and light commercial vehicle brands and models, we achieved market shares of 13.1% and 27.4% in automobile and LCV sales respectively. By commanding a 16.9% share of all automobile and LCV sales in Turkey 2021, our Fiat brand handily defended its leading market position for the third year in a row.

The Fiat Egea remained Turkey's most popular automobile in 2021, a distinction that it has enjoyed ever since we began producing it in 2015. The Egea family's newest member–the Egea Cross–has become the second most popular automobile in the family and was also designated "Automobile of the year in Turkey" by the Automotive Journalists Association.

Our efforts to expand the Egea family continued in 2021 and an Egea Cross Station Wagon model was launched at the beginning of 2022. We are very near the completion of preparations to begin selling versions of the automobiles in this family equipped with automatic transmissions.

Turning now to light commercial vehicles: our Fiat Professional models have all maintained their market positions while the Fiat Doblò became the country's most popular LCV in 2021.

Last year our company also further strengthened its competitive market position with the introduction and sale of hybrid Fiat 500, Fiat Panda, Jeep® Renegade, and Maserati Levante models in 2021.

Looking now at our 2021 financial performance: Tofaş's 2021 revenues were up by 26% year-on and weighed in at TL 29,684 million while its net profit shot up by 83.9% to TL 3.3 billion during the same twelve-month period.

WE CREATE ADDED VALUE THROUGH R&D

Playing an important role in the conduct of product-development projects on a global scale, the Tofaş R&D Center also creates added value for Turkey's economy, industry, and R&D know-how. Our center 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.

During 2021 the Tofaş R&D Center worked intensively on projects related to the development of the Egea Cross Station Wagon and to the improvement of our Fiorino series. It also supported R&D projects undertaken by other Stellantis Group companies. The number of EU research projects in which the

center has taken or is taking part reached 29 as of end-2021. Our R&D operations generated 39 new patent applications last year.

Tofaş placed second in the "R&D: Big R&D Centers" category in the 2020 round of the R&D and Design Centers Performance Index Awards handed out every year by the Turkish Ministry of Industry and Technology. Tofaş remains the only automotives company to make it into this ranking. In Turkishtimes' "R&D 250" survey of companies in Turkey ranked according to their R&D expenditures, Tofaş placed among the top three firms as measured by their R&D outlays.

Under the Tofaş Digital Transformation Program, smart-factory projects to improve productivity through digital optimization are being accelerated, investments in the development of remote-working, 5G, cloud, cybersecurity, and similar IT projects as well as in data-driven analytics are continuing, and additional impetus is being given to the roboticization of basic infrastructural and core operational processes.

In our efforts to incorporate digital competencies into our sales and after-sales processes so as to improve the customer experience, all Fiat-badged automobiles are now being offered for sale through our Fiat Online channel. Through My Fiat Companion Connect, the most all-embracing vehicle connectivity technology available in our country today, we provide our customers with value-adding services such as vehicle security and smart comprehensive coverage.

HUMAN RESOURCES ARE OUR MOST IMPORTANT ASSET

Regarding its employees as its most important asset, Tofaş determines all of its HR processes and policies in line with the principles of inclusiveness, equality, and diversity while also providing its personnel with a safe and healthy workplace environment.

Tofaş-developed innovative learning and technology-deployment solutions have earned the company a total of four awards: three gold in the Stevie Awards for Great Employers series and one bronze in recognition of its Covid-19 practices.

WE ARE FOCUSED ON CREATING VALUE FOR A SUSTAINABLE FUTURE

Tofaş shares continue to be included in the BIST Sustainability Index in acknowledgement of the company's sustainable value-production model and practices. The company also strives constantly to improve its environmental, social, and governance performance.

The company is engaging in accelerated efforts to support circular-economy practices and the transition to a low-carbon economy. In the end-to-end conduct of all procurement and production processes, it seeks not only to reduce their environmental impact, to responsibly use and conserve energy and other resources, to increase productivity, and to reduce process waste to zero but also to make such performance-enhancing improvements as may be required. In the conduct of its R&D operations, Tofaş supports product-electrification projects in line with Stellantis's strategies and new-product development efforts.

Demonstrating its contributions to society in a variety of ways, Tofaş focuses on social-responsibility projects capable of generating added value for the country's economy and society. To this end, it undertakes long-term projects in the areas of investing in future generations, promoting inclusiveness and diversity, and protecting the cultural heritage.

TOGETHER WE CAN ACHIEVE MANY MORE SUCCESSES...

Despite all of the challenges with which it had to contend in 2021, the Tofaş family completed the year and sustained its performance by dint of its determination, exertion, and outstanding effort.

In the period immediately ahead our main goals as Tofaş will be to further advance the customer experience through the deployment of our experience, employees, and production and R&D competencies; to invest both in employees' acquisition of essential next-generation competencies and in issues pertaining to our environmental impact; to reinforce our leading position in Turkey; and to enhance our presence and effectiveness in the Stellantis landscape.

Besides continuing to maintain our commanding presence in all market segments through a wide range of brands and products that satisfy customer expectations, we will also bolster our competitiveness by working together even more actively with dealers and suppliers, by strengthening our approach to superior-quality, fast, and flexible service delivery through the use of digital technologies, by developing new mobility solutions, and by undertaking new investments in connectivity.

Tofaş holds that production sustainability nourished by its corporate values is compatible with a sustainable future. I believe that this attitude is capable of carrying us forward towards many more successes. In closing I would like to thank our shareholders, employees, customers, dealers, suppliers, and all other stakeholders for their support and contributions towards those successes.

Cengiz Eroldu
Board Member& CEO

SENIOR MANAGEMENT

CENGİZ EROLDU
Board Member & CEO

FABRIZIO RENZI
Financial Director (CFO)

ZEKİ ERDAL ŞİMŞEK
Factory Director

GIUSEPPE MASCIOCCO
R&D Director

ALTAN AYTAÇ
Fiat Business Unit Director

ÖMER ÖZGÜR ÇETİNOĞLU
Information and Communication Technologies Director

MAHMUT KARACAN
Sales Director

DOĞU ÖZDEN
Financial Planning and Control Director

YÜKSEL ÖZTÜRK
Purchasing Director

For the cv's of the senior management, please see pages 94-97.

SABRİ ERKAN POLAT
Vehicle Engineering Director

ORÇUN SARICA
Human Resources Director

ÖZGÜR SÜSLÜ
Alfa Romeo and Jeep® Brand Director

Fiat Marketing Directorz

HÜSEYİN ŞAHİN
After Sales and Spare Parts Director

RECEP TEMİZESEN
Production Director

ONUR YALÇIN
Supply Chain Director

ARZU YAZGAN
Corporate Communications Director

İSMET KAĞAN YILDIRIM
External Relations Director

SİNAN YILDIRIM
Quality Director

2021 TOFAŞ HIGHLIGHTS

JANUARY

STELLANTIS FORMED FROM THE MERGER OF FCA AND PSA

A new company, Stellantis, is formed from the merger of the FCA and PSA groups.

RENEWED FIAT EGEA FAMILY AND EGEA CROSS GO ON SALE

Completely renewed and equipped with the best technologies available in its class as well as with a Firefly engine, the Egea model family goes on sale in Turkey.

MAY

ALL FIAT PASSENGER VEHICLES AVAILABLE AT FIAT ONLINE

Every passenger vehicle available in the Fiat product catalogue is made available for sale through Fiat Online. Launched in 2020, Fiat Online continued to provide 24/7 service even during pandemic-mandated complete lockdowns.

JUNE

RENEWED JEEP® COMPASS IN TURKEY

Given an extensive makeover with new design, onboard technology, and safety features and intended to mark the 80th anniversary of the Jeep® brand, a new Jeep® Compass goes on sale in Turkey.

JULY

FYA CONNECT ADDS ACCIDENT BLACK SPOT NOTIFICATIONS

Fiat Yol Arkadaşım Connect, an app developed by Tofaş and made available to users in Turkey, is enhanced with the addition of "Accident Black Spot" warnings indicating the locations of 250 sites with higher-than-normal accident risks.

SPECIAL 80TH-ANNIVERSARY VERSION OF JEEP® RENEGADE GOES ON SALE

Created to mark the 80th anniversary of the Jeep® brand, a special edition of the Jeep® Renegade goes on sale in Turkey.

AUGUST

FERRARI 296 GTB IN TURKEY

As part of the brand's global launch program, Ferrari introduces its 296 GTB as well as its SF90 and Portofino M models, at Fer Mas's showroom in İstanbul's Kuruçeşme district.

SEPTEMBER

FIAT AND JEEP® AT AUTOSHOW 2021 MOBILITY FAIR

Tofaş makes an appearance with its Fiat and Jeep® brand stands at Turkey's Autoshow Mobility Fair, which can be visited online for the first time in 2021.

SPECIAL 80TH-ANNIVERSARY VERSION OF JEEP® WRANGLER IN TURKEY

A special 80th-anniversary edition of the Jeep® Wrangler, a vehicle that blends the brands 4X4 performance inherited from Willys with state-of-the-art technology, goes on sale in Turkey.

JEEP® ONLINE SALES PLATFORM GOES LIVE

"Jeep® Online" an online sales platform that simplifies vehicle purchase and delivery processes, is launched and begins offering customers convenient, trustworthy, and practical solutions according to their needs.

EMPLOYEE SERVICE AWARDS HANDED OUT

421 Tofaş employees receive awards marking their 10th, 20th, 25th, and 30th years of service at Tofaş and in Koç Group companies.

RENEGADE PLUG-IN HYBRID SUV ON SALE IN TURKEY

A plug-in hybrid (PHEV) version of the Jeep® Renegade goes on sale in Turkey.

OCTOBER

FIAT ONLINE MARKS ITS 500TH SALE

Launched in 2020 in order both to take new consumer preferences into account and to provide customers with hygienic, convenient, trustworthy, quick, and practical solutions to their needs, the Fiat Online website sells its 500th vehicle.

MASERATI LEVANTE HYBRID IN TURKEY

The Maserati Levante Hybrid, the second step in the brand's electrification strategy, goes on sale in Turkey.

DECEMBER

RENEWED FIAT GOES ON SALE

A renewed version of the Fiat Ducato goes on sale in Turkey

AWARDS & RECOGNITIONS

BEST AUTOMOTIVES INDUSTRY R&D CENTER IN TURKEY

The Tofaş R&D Center places second in the "R&D: Big R&D Centers" category in the 2020 round of the R&D and Design Centers Performance Index Awards handed out every year by the Ministry of Industry and Technology. Tofaş is the only automotives company to make it into the ranking.

ONE OF TURKEY'S TOP 3 IN R&D EXPENDITURES

In Turkishtimes' "R&D 250" survey of companies in Turkey ranked according to their R&D expenditures, Tofaş placed among the top three firms as measured by their R&D outlays.

OİB EXPORT PERFORMANCE AWARD

Tofaş received a platinum award in recognition of its 4th-place position in the Automotive Industry Exporters' Association's (OİB) ranking of its members based on their 2020 export performance.

FIAT EGEA CROSS: TURKISH CAR OF THE YEAR

The Fiat Egea Cross was designated "Car Of The Year" in Turkey for having received 3,290 points in a poll of 76 automotives-industry journalists conducted by the Automotives Journalists' Association.

TOP AWARD GOES TO INTELLIGENT ENERGY-MANAGEMENT SYSTEM PROJECT

Tofaş's "Paint Shop Intelligent Energy-Management System" project placed first in the Ministry of Energy and Natural Resources' "Energy-Efficiency In Industry" competition.

TOFAŞ HR PRACTICES EARN FOUR STEVIE AWARDS

In recognition of the innovative employee learning/development solutions which it develops as well as of human resources practices that have an impact on the employee experience, Tofaş received a total of four awards in different categories of the 2021 round of Stevie Awards. Tofaş's "Employee Orientation & Adaptation", "Digital Transformation School: Get Ready", and "Fiat Egea New Product Launch Development" programs each received gold Stevies while the company was awarded a bronze Stevie for its "Covid-19 Measures" program.

TURKEY'S MOST REPUTABLE AUTOMOTIVES BRAND

Based on its continued performance in burnishing its superior brand, Fiat was selected "Year's Most Reputable Brand" in the "Passenger Vehicle" category of Marketing Türkiye's "The One Awards" series for the second year in a row in 2021.

TURKEY'S MOST REPUTABLE BUSINESS PARTNER

In the second round of its B2B Excellence Awards series, Marketing Türkiye gave Fiat top marks in the "Business-Owned Vehicle" category and cited the company as "Reputable Business Partner Of The Year".

FYA CONNECT: MOST EFFECTIVE INSTITUTION-ENTERPRISE COLLABORATION

Fiat Yol Arkadaşım Connect, an app developed jointly by Tofaş and Comodif, was awarded third place in the "Effective Institution-Enterprise Collaboration" category of the series of Corporate Entrepreneurship Awards handed out by Özyeğin University, Girişimci Kurumlar Platformu, and Fast Company Türkiye.

AUTOMOTIVE DISTRIBUTORS' ASSOCIATION JURY AWARD

In the 2020 round of the Gladiator Awards handed out by the Automotive Distributors Association, Tofaş received a special jury award for "Hayat Durur Fiat Durmaz", a video that it published explaining how the company was coming to the aid of its customers and the community during the Covid-19 pandemic.

3 EFFIES FOR FIAT AND JEEP®

The Fiat and Jeep® brands were the recipients of three awards in the Effie Turkey Advertising Effectiveness Awards. Doblò's 20th anniversary campaign earned Tofaş a silver Effie in the "Automotives" category, while its "Connected Fiat" campaign and its "Jeep® Compass launch" ad picked up bronze awards in the "Automotive products and services" and the "Automotives" categories respectively.

FIAT BRINGS HOME 3 FELİS AWARDS

Tofaş won three MediaCat Felis awards: one for its "Connect comprehensive" and another for its "Gear Up Analytic Project", both in the "Data-driven product/service/experience" category, as well as a third Felis for its "Fiat Egea Cross Prelaunch" communication campaign in the "Automotives & automotive products" category.

A FELİS AWARD FOR JEEP®

A "4x4 Day" project undertaken by Jeep® jointly with the HepsiBurada online shopping website to celebrate 4x4 Day won a "Success" award in the Felis series' "Automotives" category.

JEEP® WINS A CRYSTAL APPLE

Jeep® won a bronze award for its "Keyless Enter 'N Go" ad in the "Press/Automotives" category of the Advertisers' Association Crystal Apple awards for advertising excellence.

SAFE WORKPLACE AWARD

In a "Strong Communication / Safe Workplace / Good Practices" competition organized by the Ministry of Labor and Social Security on the occasion of OHS Week Tofaş received a "Setting An Example Award" for its "Work Safety In Logistics" project.

TİSK AWARD FOR OHS TRAINING PROJECT

Tofaş received an award in the "Occupational health & safety" category in the "Shared Tomorrows" competition organized by the Turkish Confederation of Employer Associations for its "Ensuring A Safe Future With OHS Training" project.

BURSA'S BIGGEST EMPLOYER OF PERSONS WITH DISABILITIES

Repeating its 2020 performance, Tofaş is once again cited as Bursa's biggest employer of persons with disabilities as well as the company with more projects supporting the employment of such people than any other in the province.

INSTITUTIONAL INVESTOR RELATIONS

As of end-2021, 60.4% of Tofaş's shares were held by foreign shareholders while the average foreign-investor share of BIST-traded companies was 40.6% as of the same date.

MEETINGS WITH INSTITUTIONAL INVESTORS

The Tofaş Corporate Investor Relations Department conducted a total of four analyst meetings. These 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, 194 other meetings consisting of company visits, teleconferences, and investor conferences held in Turkey and abroad were attended, with the participation of 74 institutional investors and 120 financial analysts last year.

Tofaş took part in eleven investor video-conferences during the year. Meetings were held with 64 mutual funds during these conferences.

SHARE PERFORMANCE

The average value of Tofaş's publicly-traded shares was 99% higher in 2021 than it was in 2020. The company's stock also outperformed the BIST 100 index during a year in which the index rose by 33%.

Taking year-end prices into account however, the value of Tofaş's stock increased by 145% in 2021, thus outperforming the BIST 100 index, which was up by 26%.

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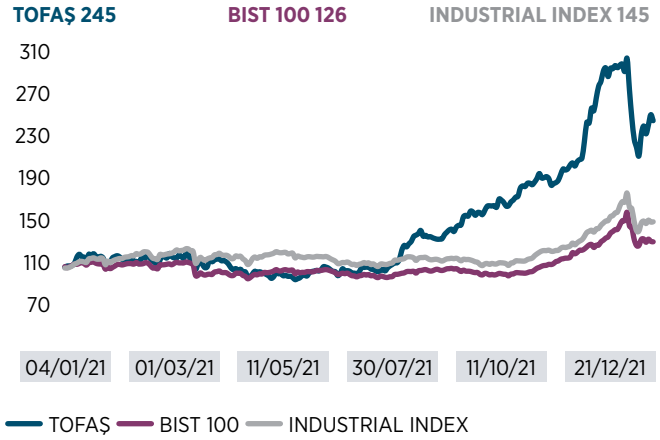
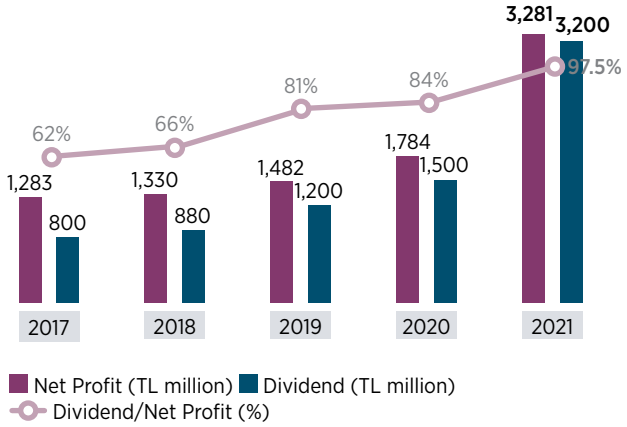
TOFAŞ, BIST 100 AND INDUSTRIAL INDEX DAILY MOVEMENT ACCORDING TO CLOSING VALUES, 31.12.2020=100



DIVIDEND PAYMENT PERFORMANCE

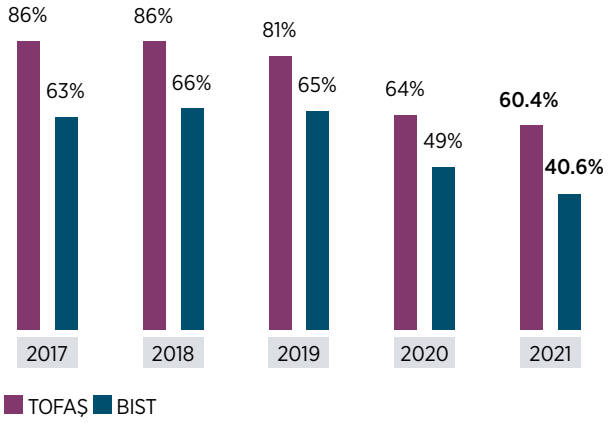


Tofaş's prior dividend payments are shown below.

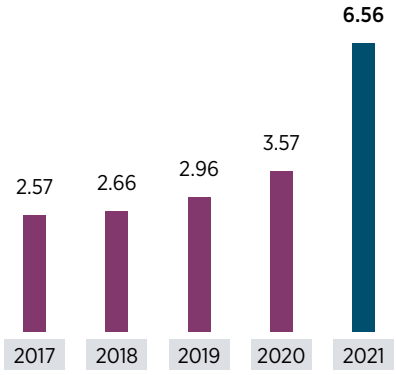
(TL MILLION)	2016	2017	2018	2019	2020	2021
Net profit	970	1,283	1,330	1,482	1,784	3,281
Dividend	350	800	880	1,200	1,500	3,200
Dividend / Net profit (%)	36	62	66	81	84	97.5

Tofaş's management proposes to pay out a 2021 dividend totaling TL 3,200 million in value. This figure corresponds to a 97.5% dividend based on its 2021 profit.

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



EARNINGS PER SHARE (TL)



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

As of end-2021, 60.4% of Tofaş's shares were held by foreign shareholders while the average foreign-investor share of BIST-traded companies was 40.6% as of the same date.

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".

Audited by SAHA, a corporate governance and credit rating services firm, Tofaş's corporate governance rating was reviewed as scheduled and revised once last year. Based on the results of a review of its 2021 operations, the company's corporate governance rating was announced as 9.26 in a report issued as of 26 October 2021. The complete text of this report as well as of previous ones in both Turkish and English is available at tofas.com.tr/en/InvestorRelations/CorporateGovernance/Pages/default.aspx

TOFAŞ'S CORPORATE GOVERNANCE RATING (%)

Shareholders	86.70
Public disclosures & transparency	94.53
Stakeholders	99.51
Board of Directors	92.46
Average	92.59

CONTACT INFORMATION

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.

Tofaş Investor Relations webpage (Turkish):
https://www.tofas.com.tr/Yatirimcilliskileri/GenelBakis/Pages

Tofaş Investor Relations webpage (English):
https://www.tofas.com.tr/en/InvestorRelations/GeneralOverview/Pages

Institutional Investor Relations Department:

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Mehmet A. Ağyüz, CFA
Investor Relations Manager
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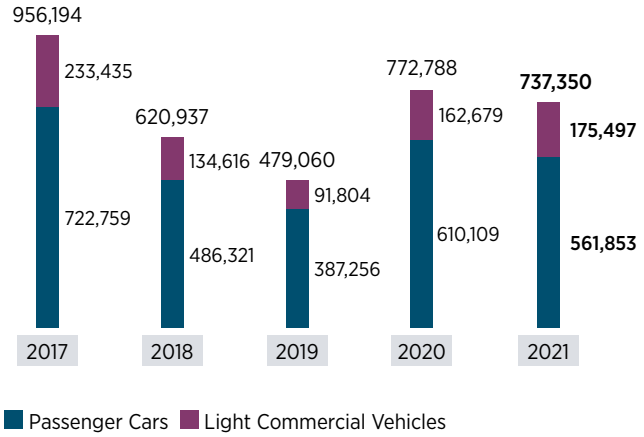
THE TURKISH AUTOMOTIVE INDUSTRY IN 2021 AND TOFAŞ'S POSITION

Although the Turkish automotives market continued to grow strongly in the first half of 2021, in the second half it experienced a contraction that was partly attributable to production slowdowns resulting from global supply chain microchip shortages.

TOTAL DOMESTIC MARKET (UNITS)



Retail sales of cars and light commercial vehicles in Turkey were down by 4.6% in 2021 as compared with 2020 and numbered 737,350 units sold. Looking at the market's 2021 performance in more detail however we see that while total car sales (561,853 units) were down by 7.9% year-on, light commercial vehicle sales (175,497 units) were up at exactly the same rate of 7.9%.

The principal factors supporting demand for vehicles in 2020-2021 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) in the case of LCVs in particular, continued growth in online shopping volumes. The two most noteworthy factors depressing demand on the other hand were (1) higher Q4 2021 interest rates and (2) higher prices, both attributable to a weak Turkish lira.

In 2021 the Fiat Egea was once again the best-selling car in Turkey–this time for the sixth year in a row–and it remains the most popular car in every one of its body-type segments. Yet another increase in market share has cemented the Fiat badge's leadership of the LCV market.

In the minivan segment, which makes up a substantial portion of the market, the Fiat Doblò was applauded as "Most popular LCV of the year" while the Fiorino also maintained its successful performance.

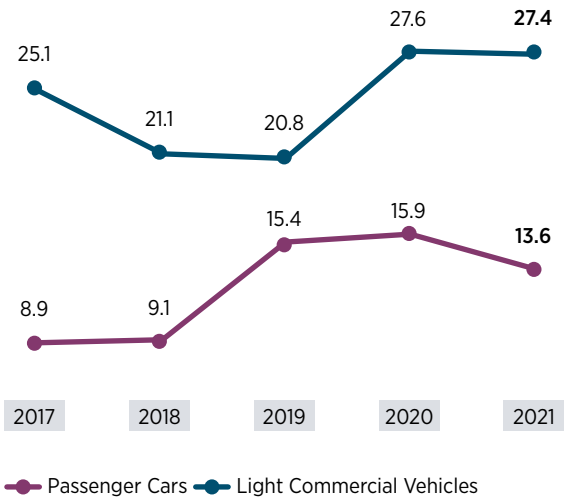
-4.6%

With 737,350 units sold, retail car and light commercial vehicle sales in Turkey were down by 4.6% year-on in 2021.

TOTAL DOMESTIC MARKET (UNITS)	**2020**	**2021**	**CHANGE %**
Automobiles	610,109	561,853	-7.9%
Light Commercial Vehicles	162,679	175,497	+7.9%
Total	**772,788**	**737,350**	**-4.6%**

With its 16.4% market share, Fiat was the most preferred brand in the domestic automobile market in 2021.

TOFAŞ'S DOMESTIC MARKET SHARES (%)



16.9%

Combined sales of 124,738 units gave Tofaş's Fiat, Fiat Professional, Jeep®, Alfa Romeo, Maserati, and Ferrari brands a 16.9% share of the overall market.

DOMESTIC RETAIL SALES

Turkish retail sales (737,350) of automobiles and LCVs were down by 4.6% year-on in 2021. With combined sales of 124,738 units, Tofaş's Fiat, Fiat Professional, Jeep®, Alfa Romeo, Maserati, and Ferrari brands together accounted for a 16.9% share of the overall market last year.

With a total of 121,254 units sold giving it a 16.4% share of the 2021 market, the Fiat brand handily defended its leadership of the car & LCV market. The continued successful performance of the Fiat Egea family was a factor contributing to Fiat's 13.1% share of the domestic automobile market. Sales of 49,183 units made the Fiat Egea Sedan Turkey's best-selling car for the sixth year in a row. Successful performance by the Fiat Egea Cross, a crossover that went on sale early in the year, contributed to the Fiat brand's overall market share as likewise did sales of Fiat Egea hatchbacks and station wagons.

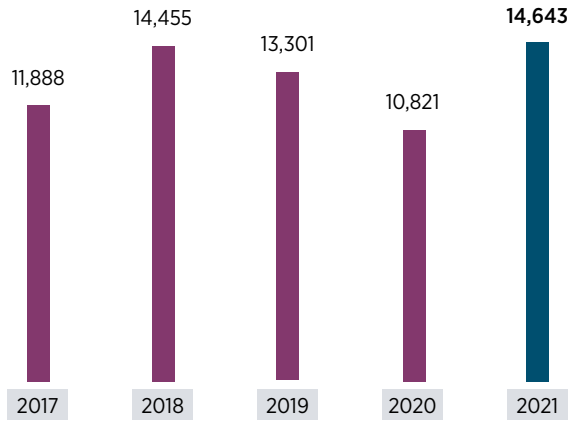
Sales in the overall LCV market increased by 7.9% in 2021 and amounted to 175,497 units sold. Tofaş's own sales in this market were up by 7.1% year-on, a performance which parallels that of the market as a whole. Tofaş's robust growth in LCV sales (up 6.8% in 2020) was sustained last year. Its Fiat and Fiat Professional models commanded a 27.4% market share and put the brand in second place once again. Fiat's Doblò and Fiorino sales also upheld the company's leadership of the car-derived van segment.

TOFAŞ'S DOMESTIC MARKET RETAIL SALES (UNITS)	**2020**	**2021**	**CHANGE %**
Automobiles	97,015	76,565	-21.1%
Light Commercial Vehicles	44,961	48,173	+7.1%
Total	**141,976**	**124,738**	**-12.1%**

THE TURKISH AUTOMOTIVE INDUSTRY IN 2021 AND TOFAŞ'S POSITION

The 112,477 vehicles that Tofaş shipped abroad in 2021 corresponded to a 12% share of Turkey's total automotives exports in 2021.

TOFAŞ'S ANNUAL EXPORT REVENUES (TL MILLION)



35.3%

In 2021, Tofaş's export earnings increased by 35.3% year-on.

EXPORTS

The European automobile market (consisting of the EU, UK, and EFTA markets) shrank by 5% year-on in 2021. Two factors contributed to this contraction: production slowdowns caused by disruptions in semiconductor supply and the lingering (albeit lessened) effects of the Covid-19 pandemic. At the national-market level, sales in Germany were down by 10.1% while they were up in France (0.5%), Spain (1%), and Italy (5.0%). Still 10% below its 2019 (pre-covid) level as of end-2021, the European automobile market has not yet fully recovered from the contraction it experienced in 2020.

In 2021 Tofaş exported a total of 112,477 vehicles, down by 4.6% as compared with 2020. With this performance, Tofaş contributed a 12% share of Turkey's exports by volume last year.

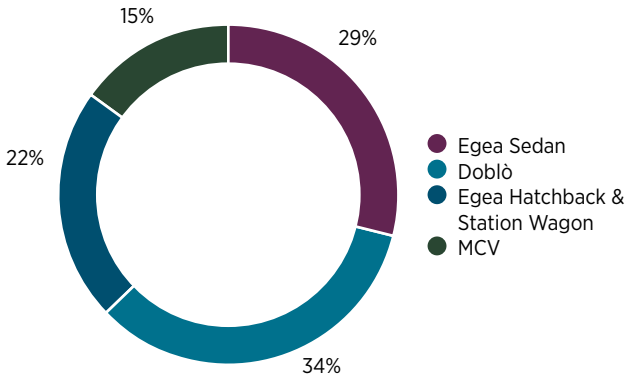
Although automobile exports were down by 25% year-on in 2021, LCV exports were up by around 17.7%. The decline in automobile exports is attributable mainly to supply-chain disruptions and to a rapid shift in market preference in favor of electric and hybrid vehicles. The increase in commercial-vehicle exports continue to be supported by near-universal growth in the overall volume of online shopping.

Taking all of these results into account, Tofaş's export earnings were up by 35.3% year-on in 2021 and weighed in at TL 14,643 million.

EXPORT SALES (UNITS)	**2020**	**2021**	**CHANGE %**
Passenger Cars	61,502	46,116	-25%
Light Commercial Vehicles	56,401	66,361	+17.7%
Total	**117,903**	**112,477**	**-4.6%**

PRODUCTION
The 228,544 thousand vehicles which the company produced in 2021 made up 17.9% of the country's total automotive industry output.

BREAKDOWN OF PRODUCTION (ON UNIT BASIS, %)



PRODUCTION (UNITS)	**2020**	**2021**
Egea Sedan	98,614	65,641
Egea Hatchback & Station Wagon	53,122	51,038
Doblò	68,798	77,520
MCV	30,096	34,345
Total	**250,630**	**228,544**

AUTOMOTIVE INDUSTRY 2022 OUTLOOK

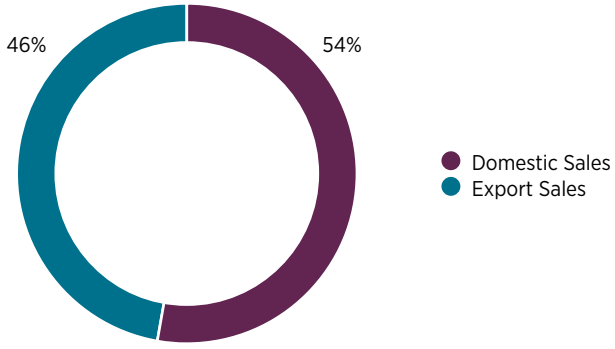
	2021 Realization	**2022**
Total automotive market (units)	737,350	700,000-750,000
Retail sales (units)	124,738	125,000-140,000
Export sales (units)	112,477	125,000-140,000
Production (units)	228,544	240,000-270,000
Investment outlays (fixed asset) (EUR million)	100	100

FINANCIAL RESULTS

SALES AND TURNOVER

As a result of the successful performance of its Egea-family and commercial-vehicle portfolios, Tofaş registered strong growth in its home-market sales in 2021.

BREAKDOWN OF SALES (ON UNIT BASIS, %)



SALES (TL THOUSAND)	**2020**	**2021**	**CHANGE %**
Export Sales	10,821,043	14,643,275	35.3
Domestic Sales	12,441,509	14,264,210	14.7
Other Income from Operational Activities	294,195	776,820	164.0
Total	**23,556,747**	**29,684,305**	**26.0**

SALES (UNITS)	**DOMESTIC SALES**		**CHANGE**	**EXPORT SALES**		**CHANGE**	**TOTAL**		**CHANGE**
	2020	**2021**	**%**	**2020**	**2021**	**%**	**2020**	**2021**	**%**
Passenger Cars	101,220	74,944	-26.0	61,502	45,536	-26.0	162,722	120,480	-26.0
Light Commercial Vehicles	40,356	47,365	+17.4	56,401	66,941	+18.7	96,757	114,306	+18.1
Total	**141,576**	**122,309**	**-13.6**	**117,903**	**112,477**	**-4.6**	**259,479**	**234,786**	**-9.5**

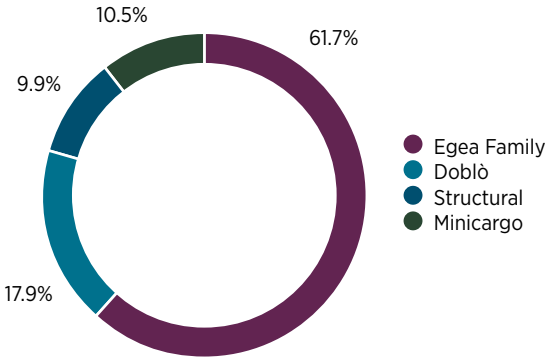
SALES (UNITS)	**2020**	**2021**	**CHANGE** (UNITS)
Domestic Sales	**141,576**	**122,309**	**-19,267**
Manufactured	**131,313**	**115,982**	**-15,331**
Egea Sedan	79,371	49,183	-30,188
Egea HB	11,124	21,677	-10,553
Doblò	23,952	28,865	4,913
Fiorino	16,867	16,257	-610
Imported	**10,263**	**6,327**	**-3,936**
Ducato	3,841	2,243	-1,598
Fiat 500	1,300	635	-665
Jeep®	4,587	2,906	-1,681
Fullback	1	0	-1
Alfa Romeo	241	172	-69
Panda	219	235	16
Maserati	51	101	50
Ferrari	22	35	13
Export Sales	**117,903**	**112,477**	**-5,426**
Tipo	19,153	16,278	-2,875
Tipo HB and SW	41,687	29,246	-12,441
Doblò	33,090	37,697	4,607
Ram	10,621	11,064	443
Minicargo	13,335	18,180	4,845
Others	17	12	5
Total	**259,479**	**234,786**	**-24,693**

INVESTMENTS AND R&D EXPENDITURES

Tofaş's investments in 2021 amounted to EUR 100 million in value. The biggest share of Tofaş's total investments in 2021 went to the company's Egea Project.

2021 INVESTMENTS	**EUR (MILLION)**
Egea Family	61.9
Doblò	18
Structural	9.9
Minicargo	10.5
Total	**100.3**

BREAKDOWN OF INVESTMENTS (%)



FINANCIAL RESULTS

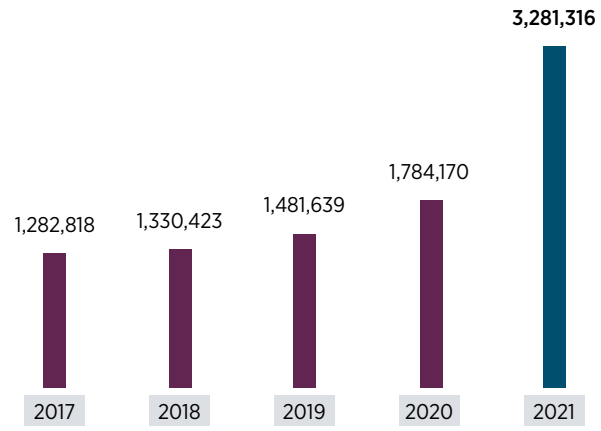
PROFITABILITY

Tofaş registered historically high levels in net profit in 2021. The company's net profit increased by 83.9% year-on and amounted to TL 3,281 million while its consolidated pre-tax profit was up by 91.8% and weighed in at TL 3,512 million. Tofaş's EBITDA increased by 91.5% year-on and was recorded as TL 5,794 million.

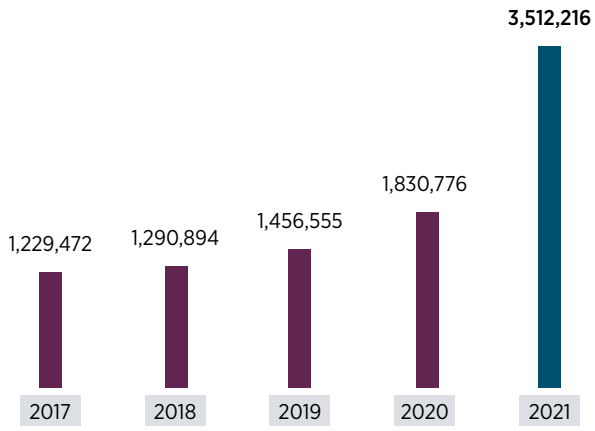
Tofaş registered historically high levels in net profit in 2021.

YEARS	EBITDA		PROFIT BEFORE TAX		NET PROFIT	
	TL thousand	Change %	TL thousand	Change %	TL thousand	Change %
2017	2,001,455	46.5%	1,229,472	54.1%	1,282,818	32.2%
2018	2,532,578	24.4%	1,290,894	5.0%	1,330,423	3.7%
2019	2,479,757	-2.1%	1,456,555	12.8%	1,481,639	11.4%
2020	3,025,512	22.0%	1,830,776	25.7%	1,784,170	20.4%
2021	5,794,126	91.5%	3,512,216	91.8%	3,281,316	83.9%

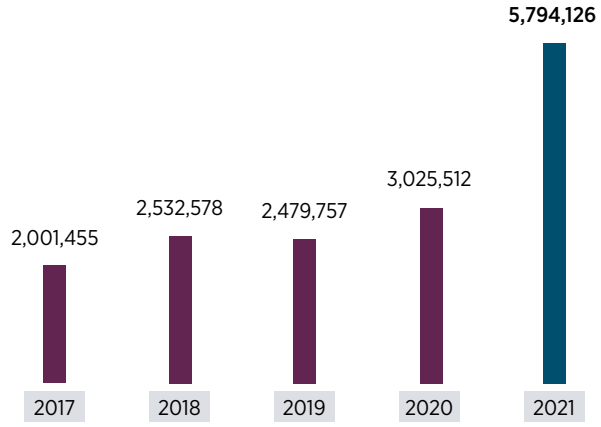
NET PROFIT (TL THOUSAND)



PROFIT BEFORE TAX (TL THOUSAND)



EBITDA (TL THOUSAND)



Net profit was up by 83.9% in 2021 and amounted to TL 3,281 million.

Pre-tax profit increased by 91.8% and reached TL 3,512 million in 2021.

Up by 91.5% in 2020, EBITDA weighed in at TL 5,794 million.

BRANDS & PRODUCTS

FIAT

Egea

The Fiat Egea Sedan first appeared on roads in Turkey in 2015. The automobile's engineering works were carried out mainly by the Tofaş R&D Center in collaboration with FCA. Fiat Egea has a special place in the history of the Turkish automotive industry as 70% of its development was made in Turkey.

Offered in a wide range of sedan, hatchback, and station wagon body types and equipped with the most advanced driving technology available in its class, the Fiat Egea successfully fulfills its "A good automobile should also be affordable" mission.

Manufactured in Bursa and exported all over the world under Fiat Tipo brand, Fiat Egea was voted "Best-Buy Car Of The Year in Europe" at AutoBest 2016. Fiat Egea succeeded in becoming Turkey's most popular automobile for six years in a row between 2016-2020. The Egea's three facelifted body types and a newcomer to the product line, the Egea Cross, went on sale in January 2021.

The Egea Cross was chosen "Car of the year in Turkey" by the Automotive Journalists Association.

500

Deftly combining its sixty years of inherited DNA with new trends in design and offering many opportunities to personalize design details and features, Fiat 500 appeals to a broad audience. Fiat 500 was given a makeover in 2015 in a process that was careful to preserve the car's unique character and stylishness while adding technology and comfort features. Fiat 500's timeless look and feel ensures its distinctive place in the automotive industry. The 500C version of the Fiat 500 is the only convertible in its class on sale in Turkey today.

Continuing to sacrifice nothing in the way of stylishness or driving pleasure in its new versions, the Fiat 500 was put on sale with a more economic and eco-friendly new hybrid engine in 2021. This 1.0 liter Hybrid 70 Hp MT is offered as an option Fiat's Cult, Dolcevita, and Sport models.

500L

Going on sale in 2013, the 500L quickly succeeded in becoming the leader of its own segment. A second-generation version of the Fiat 500L made its appearance in 2017 after undergoing a makeover. With its roominess, functionality, attractive design, and drive features the 500L combines "multipurpose family car" and "crossover" characteristics in a single model.

The 500L model, the ninth series of which appeared on the market in 2021, was offered in two Cross body versions–the Cross and Cross Plus–both equipped with a 1.4-liter petrol manual-gearbox engine.

500X

Put on sale in 2015, the Fiat 500X is the 500 family's crossover member. Fiat 500X's standard-transcending quality, technology, active and passive safety features, and comfort options position it as one of the boldest offerings in the crossover segment.

Economical in its fuel consumption and ideal for city driving, the 1.0-liter 120 Hp Firefly turbo petrol engine is being offered in the Urban body in 2021. Performance-seekers will likely prefer the 1.3 liter 150 Hp 270 Nm torque Firefly Turbo petrol engine mated with an automatic transmission in a model whose Cross Plus features make it appealing especially to SUV users.

Panda

On sale in Turkey ever since its introduction in 2004, Panda's convenience of use on city streets, relatively larger dimensions for its class and superior functionality make it a preferred choice. Reflecting the badge's "crossover" spirit, the Panda Cross was put on sale with 4x4 traction as an option in 2019.

4x2 versions equipped with a 1.0-liter hybrid engine were put on sale in 2021.

FIAT PROFESSIONAL

Doblò

In continuous production since 2000, Doblò offers constantly improving durability, performance, and convenience features as well as different body options providing up to a one-ton carrying capacity and a high loading volume. A redesigned and reequipped next-generation Doblò with a roomy interior and economic engine options that continue to make it the preferred choice of big families as well as of tradesmen and artisans appeared on the Turkish market in 2015.

A steadfast companion of those doing business in the Turkish and European markets, RAM-badged Doblòs went on sale in the North American market as the ProMaster City in 2015. In 2016 and 2017 the ProMaster City was chosen by Green Car Journal as "Commercial Green Car of the Year". My Fiat Companion Connect technology was introduced as an option for Doblò owners in 2018. Brought into compliance with Euro 6d emission standards in 2019, a new Trekking version of the Fiat Doblò was unveiled in Turkey in 2021 and very soon became the best-selling light commercial vehicle in the country.

Fiorino

A product of Tofaş's Minicargo project, the Fiorino set a new milestone in Tofaş's history when the one-millionth vehicle rolled off the assembly line in 2016. Both a pioneer and a leader as the hallmark of a class of its own, the Fiat Fiorino is one of the most preferred light commercial vehicles in the Turkish market.

Continuing to address the changing needs of consumers with its diesel, petrol, and factory-fitted LPG alternatives in 2021, the Fiorino's compact design suitable for city life, onboard technology, and economy make it the preferred choice for both business and everyday users.

BRANDS & PRODUCTS

Pratico

As the "compact pickup" model of the Fiat commercial vehicle family, the smart design and maneuverability of Pratico make it easy to drive in city traffic. Sharing the same platform as the Fiat Doblò, the Pratico stands apart from other models in its class by virtue of its sheet-metal aluminum body and its 16-liter 105/120 Hp engine options all conforming to the Euro 6d emissions standard. A loading capacity of up to a ton and 4.2 m^2 of cargo space that is fully accessible from every door also make the van highly adaptable to city life.

Ducato

Bringing fresh inspiration to the commercial vehicle market with the introduction of its first model in 1981, the Ducato has been distinguishing itself in the spacious-interior van segment for four decades with its front-wheel drive, high load capacity, and versatility.

Continuous development of the Ducato by Fiat has made it a trendsetting vehicle of which more than 10 thousand variants have been sold in more than 80 countries over the years.

As of 2021 Ducato had become the leader of every commercial vehicle market in Europe. A new Ducato distinguished in its class by virtue of its high performance, its onboard technology, and its safety features and offered with engine options conforming to the Euro 6d Final standard went on sale in Turkey in 2021.

The new Ducato also brings Level 2 autonomous driving to the commercial vehicle segment for the first time. The van's co-driver system handles the vehicle's braking, accelerating, automatic stopping and starting, and steering features without the need for manual intervention by the driver.

ALFA ROMEO

Giulietta

The legendary Giuletta was reintroduced in 2010. As Alfa Romeo's representative in the compact hatchback class, the car is outstanding by virtue of its attractive design, powerful engines, and superior drive quality. All production of the Giulietta ceased in 2021.

Stelvio

Alfa Romeo set a new milestone in its 107-year history with the 2017 introduction of Stelvio, its first offering in the SUV market. Offering the best acceleration performance in its class, Stelvio distinguishes itself from its rivals by virtue of its Q4 AWD traction system and its perfect weight balance. What's more thanks to its first-class technology and innovative platform, Stelvio achieved a 5-star Euro NCAP rating by racking up 97 out of 100 safety points for adult occupants.

Giulia

Outstanding in its class by virtue of its unrivaled Italian stylishness and superior reliability while also achieving a perfect balance between form and function for an excellent driving experience, Alfa Romeo Giulia made its first appearance on the Turkish market in 2017. Giulia brought a new point of view in the sports sedan segment with its interior and exterior design features, state-of-the-art technology, high-quality materials, and superior performance.

JEEP®

First introduced to the Turkish market in 2017, the Jeep® Compass was given a comprehensive makeover in 2021 with the addition of new design, technology, and safety features. The new 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.

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. The Wrangler's water-fording depth of up to 76 cm makes it the most reliable deep-water-capable vehicle in its class as well.

Grand Cherokee

The flagship of the Jeep® brand, the Grand Cherokee is made legendary by its four-wheel drive. A new model incorporating an even more powerful look, renewed interior design, and a 4xe plug-in-hybrid engine will go on sale in Europe in 2022.

Renegade

Designed in the USA and built in Italy, Renegade is the smallest, most talented, and most energetic member of the Jeep® family's offerings in the SUV class. Having first entered the Turkish market in 2014, an enhanced, more dynamically-designed version of the Jeep® Renegade equipped with innovative tech, new engine options, and advanced safety features went on sale in Turkey in 2019.

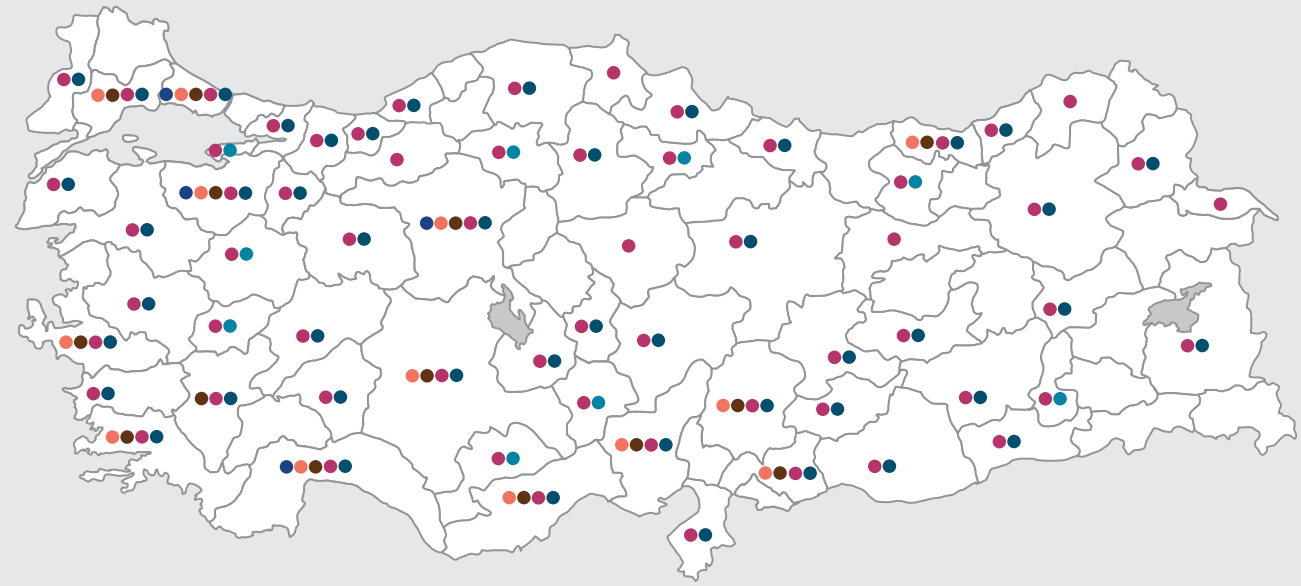
Offering an extensive range of engine and feature options chosen to meet the needs of its segment ever since its introduction to the market, a Jeep® Renegade optionally equipped with a 4xe PHEV engine also made an appearance in 2021. As the only rechargeable hybrid in its segment, the Renegade 4xe can provide all-electric driving thanks to its hybrid powertrain and 11.4 kWh battery.

LANCIA

In line with strategic decisions, all models in Lancia series have been dropped except for Ypsilon, which continues to be sold in Italy. Sales of Lancia vehicles were therefore suspended in Turkey in 2015, though after-sales services will of course continue to be provided.

DEALERS NETWORK

Tofaş has 74 dealerships located all over Turkey.



● Fiat main sales dealer ● Fiat satellite sales dealer ● Fiat service point
● Alfa Romeo-Jeep® main sales dealer ● Alfa Romeo-Jeep® service point ● Maserati main sales dealer

Tofaş constantly enhances customer satisfaction through the long-term, trust-based business relations which it enters into with its dealers, its advanced logistical and distribution competencies, and its advanced after-sales services capabilities.

Tofaş has 74 dealerships located all over Turkey. 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.

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.

All 71 of the Fiat main dealers in the network also service the company’s Alfa Romeo and Jeep® brands. With the inclusion of those not associated with the premises of the network’s main dealerships, there are 100 Fiat sales points and 128 Fiat service points located all over Turkey. There are also 22 Alfa Romeo-Jeep® main dealerships, together with another five locations that only service the vehicles. In 2021 Tofaş’s Efsane (Gebze), İnciroğlu (Kayseri), and Erkay (Bağcılar/İstanbul) dealerships began selling and servicing the company’s Alfa Romeos and Jeeps.

REMOTE SHOWROOM & DEALERSHIP ACCESS

Taking changing customer needs into account, Fiat Online was made accessible through dealerships in order to give customers the opportunity to purchase vehicles in a hygienic, comfortable, reliable, fast, and practical way. As one of the digital solutions developed to address Covid-19 issues, video-call capability was extended to all Jeep® and Alfa Romeo showrooms and put into use in all dealerships in 2020. Potential customers visiting the www.jeep.com.tr and www.alfaromeo.com.tr websites can meet online in real time with a consultant and have a virtual-showroom experience of examining different models.

SUBSIDIARIES & AFFILIATES

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 whether privately or publicly by Koç Fiat Kredi through related parties. As of 31 December 2021 this amounted to TL 490.9 million. (31 December 2020: TL 286.2 million.)

KOÇ FIAT KREDİ FİNANSMAN A.Ş.

Koç Fiat Kredi provides financial-solution services for all of the automotives 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 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 2021 approximately TL 4.8 billion worth of credit was disbursed by the company in order to finance purchases of 49,536 vehicles. Koç Fiat Kredi finances 55% of Tofaş's retail sales and its loan portfolio as of 31 December 2021 was worth TL 4.37 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 3.2 billion. The securities issued had a nominal value of TL 490.9 million. Koç Fiat Kredi's A1+ Short-term national (TR) and AA Long-term national (TR) credit ratings were once again confirmed in 2021 with stable outlooks in both cases.

In 2021, modernization project of the operational ICT In 2021 work began on a project to allow the management of the operational infrastructure used at company headquarters and in dealerships to be managed in micro-segmented. This will shorten additional development and maintenance processes and improve their productivity while also saving on license fee costs. The after-sales phase of this project is slated for completion in 2022.

As a company whose culture is focused on creating value and digital transformation, Koç Fiat Kredi is also seeking to extend an agile working model throughout the entire company in order to maintain its competitive edge and to attract value-creating employees.

HIGHLIGHTS	2021
Outstanding Portfolio (TL million)	4,373.2
Outstanding Financed (units)	68,872
Penetration (excluding big fleet sales)	54.9%
Penetration (total Tofaş sales)	38.0%
Loan applications (units)	126,483
Financed units (total)	49,536
Financed units (Tofaş)	47,361
Financed units (2nd-hand + Iveco)	2,175
Financed amount (total) (TL million)	4,809.6
Profit before tax (TL million)	175.4

FER MAS OTO TİCARET A.Ş.

Fer Mas was set up in 2005 as a subsidiary in which Tofaş controls a 99.4% stake. The company represents the Ferrari and Maserati badges in Turkey and provides both with after-sales services.

Ferrari

In 2021 Ferrari sold a total of 35 vehicles in Turkey. Ferrari introduced a special series of the 812 Competizione and an open-top version of the 812 Competizione A in 2021.

In 2021 Ferrari also introduced the 296 GTB, its first plug-in-hybrid model with a V6 engine. The car's Turkish debut took place at Ferrari's Kuruçeşme İstanbul showroom in August. Ferrari has sparked a singular revolution with the introduction of the 296 GTB, "the first real Ferrari with six cylinders". This new engine type mounted in a Ferrari road-legal sports car generates a combined power output of 830 PS.

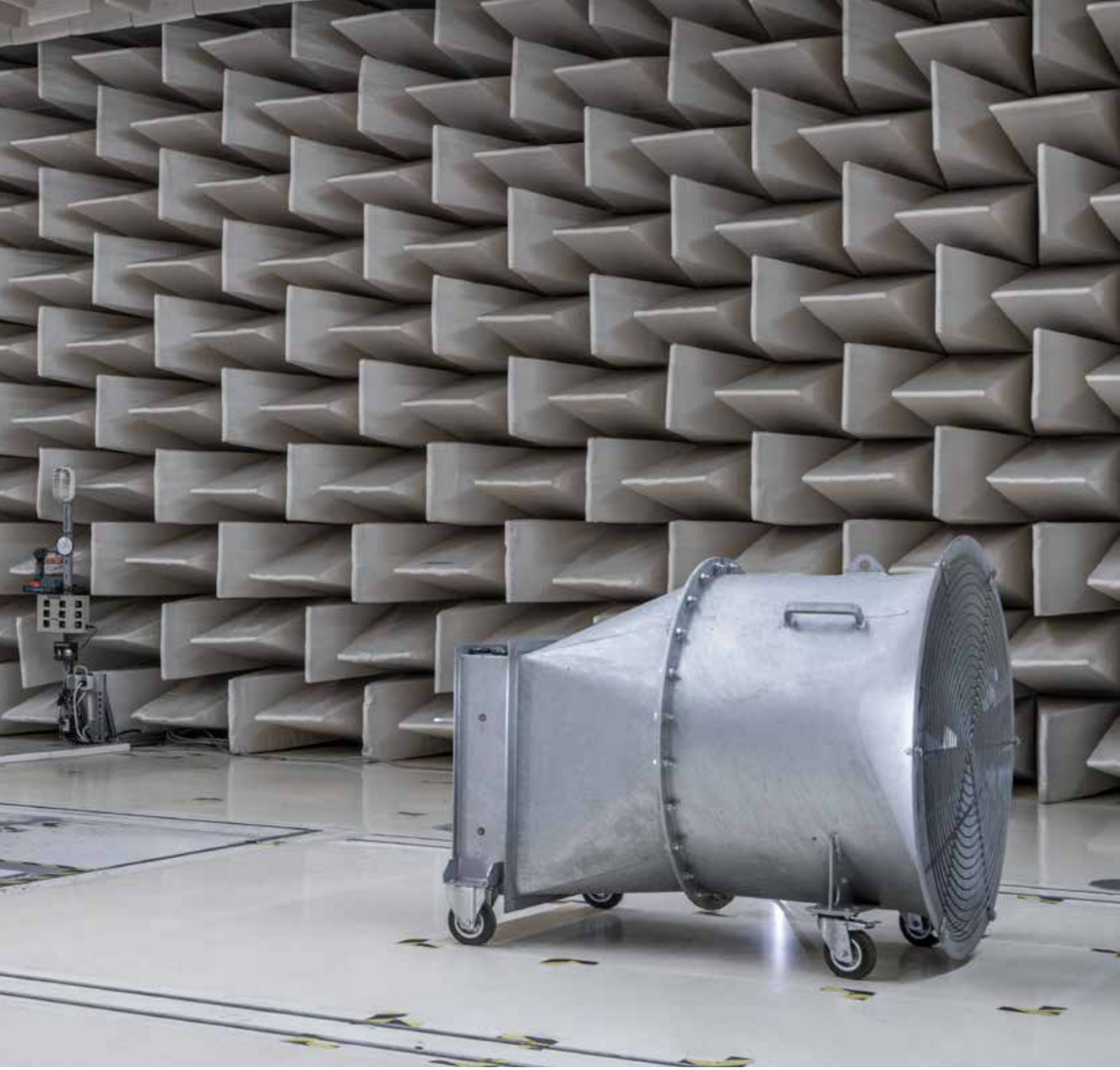
In November 2021 Ferrari launched the Daytona SP3, its third model in the Icona series that it introduced in 2018. This model, of which Ferrari says it is going to produce only 599 units, is equipped with a 4-liter V12 engine.

Maserati

The company's Ankara Birmot, Bursa Mengerler, and Antalya Maserati showrooms and dealerships provide Maserati sales and services support in Turkey. In 2021 they sold a total of 101 automobiles.

In 2021 Maserati began production of the Levante Hybrid, a model that combines the technology of a hybrid electric vehicle with the exclusive features of a luxury SUV and it put the car on sale for the first time in Turkey in September. The Maserati Levante Hybrid combines a 4-cylinder, 2 liter engine with a 48V motor delivering a total of 330 Hp.

TURKEY'S BEST AUTOMOTIVES-INDUSTRY R&D CENTER



TOFAŞ PLACED SECOND IN THE “R&D: BIG R&D CENTERS” CATEGORY IN THE R&D AND DESIGN CENTERS PERFORMANCE INDEX AWARDS HANDED OUT EVERY YEAR BY THE TURKISH MINISTRY OF INDUSTRY & TECHNOLOGY AND IS THE ONLY AUTOMOTIVES COMPANY INCLUDED IN THIS RANKING.

R&D OPERATIONS

CONTINUOUSLY INVESTING IN INFORMATION AND TECHNOLOGY

The Tofaş R&D Center's target is to be a globally competitive product and technology development center. The center seeks to realize this target by successfully formulating projects for new products that address market needs and then supplying such products to market and by improving existing products in line with expectations. In order to achieve these objectives, the Tofaş R&D Center gives importance to working within an expanded R&D network and value-creation chain that encompasses both universities and co-designing suppliers and engineering firms. The center also plans and undertakes innovative-technology research projects so as to support its priorities.

In addition to developing entirely original products of its own, the Tofaş R&D Center also contributes to Turkey's economy, industry, and R&D know-how by exporting engineering services.

The center has become a world-class motor vehicle research and development facility with a total of 20,110 m^2 of laboratory and office space. It 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.

Playing an important role in the conduct of product-development projects on a global scale, the Tofaş R&D Center also creates added value for Turkey's economy, industry, and R&D know-how. In the 2020 round of the R&D and Design Centers Performance Index Awards, the Tofaş R&D Center placed second in the top "251 or more R&D personnel employed" category. Tofaş remains the only automotives company whose R&D facilities have made it into this ranking.

As of end-2021, the Tofaş R&D Center employed more than 600 people, 134 of whom held at least a master's degree.

As of end-2021, the total value of the Tofaş R&D Center's investments in design and testing equipment for use in the areas of vehicle concept, styling, bodywork, interiors, suspension systems, engines, emissions, vibration, and acoustics amounted to more than EUR 58 million. EUR 10 million worth of investments undertaken between 2019 and 2021 increased the center's physical testing capabilities and capacity.

In the Turkishtime "R&D 250" survey of companies in Turkey ranked according to their R&D expenditures, Tofaş placed among the top three firms as measured by their R&D outlays.

EUR 10 million worth of investments undertaken between 2019 and 2021 enhanced the Tofaş R&D Center's ability to develop more competitive products.

GREATER COMPETENCIES IN PRODUCT DESIGN AND MANUFACTURING TECHNOLOGIES

The Tofaş R&D Center possesses all of the product engineering design and analysis competencies that may be needed to completely design a vehicle from start to finish. In line with the Tofaş R&D Center's strategic objectives, the company likewise supports research projects that will lead to gains in product development and manufacturing technology knowhow.

The research studies of the Tofaş R&D Center are addressed towards Tofaş's strategic priorities, focusing on three cross-cutting grounds:

- meeting social mobility needs
- environmental sustainability,
- increased productivity.

Studies on productivity give priority to digital optimization of processes and low-cost automation in all areas. The Tofaş R&D center's focus on environmental sustainability addresses such issues as vehicle electrification and reducing vehicles' weights and energy consumption.

JOINT PRODUCT DEVELOPMENT COLLABORATIONS

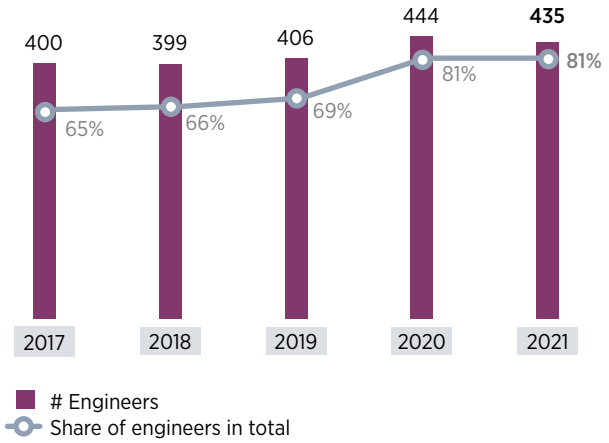
A prerequisite for Turkey's increasing its international visibility and viability as a product development center is an ability to simultaneously address all of the elements of the R&D value-creation chain. This is why Tofaş gives special importance to joint design and development projects, to marshaling 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 sixteen different universities on about 130 projects in the last fifteen years.

In the many projects that are undertaken with the support of the Scientific and Technological Research Council of Turkey and of the European Union, the Tofaş R&D Center also works together with university faculty members as well as with the Stellantis Research Center and various international design centers. With the addition of eight EU research projects that were approved in 2020 and 2021, the number of such projects in which the Tofaş R&D Center has taken or is taking part reached 29 as of end-2021. The number of international project partners with which the center has worked in the conduct of these projects is now more than 230.

The Tofaş R&D Center's goal is to increase the number of patents that it applies for every year by coming up with new projects and innovative ideas that create added value. As a result of the innovative work carried out by the Tofaş R&D Center, new applications for 39 patents were submitted in 2021.

In the conduct of its 2020 operations, the Tofaş R&D Center was intensively engaged in model-improvement projects for the Fiorino, Doblò, and Egea lines. 350 of the Tofaş R&D Center's engineers are currently involved in the product-development processes for a variety of vehicles for other members of the Stellantis group.

OF ENGINEERS IN TOFAŞ R&D CENTER



DIGITALIZATION

Tofaş is accelerating its "smart-factory" project efforts with a focus on productivity-boosting digital optimization.

Advances in technology profoundly affect strategy prioritization and implementation. Tofaş strives to balance people-based and machine-based approaches to management as a way of ensuring its success as a company. It takes pains to ensure that its policies and practices are informed by new requirements arising from changing market conditions and customer demands.

Tofaş also gives consideration to digital-transformation practices which have the potential to create changes in its revenue model and which are consistent with its strategic priorities.

Tofaş has given additional impetus to smart-factory projects involving productivity-oriented digital optimization. Tofaş first embraced the World Class Manufacturing model in 2006 as a way of constantly improving its competitive strength and it has adhered to that model ever since. One of Tofaş's strategic priorities is to build upon the successes it has achieved in continual-improvement processes through the use of digital technologies.

As of end-2021, about 900 WCM projects involving more than 200 project leaders have been completed throughout the Tofaş plant's shops. The more important of such projects that had been commissioned as of end-2021 are highlighted below.

- Much of the equipment used in production has been connected to an IoT (Internet of Things) platform, thereby making it possible to monitor critical performance parameters in real time and to intervene before serious line stoppages, product losses, or quality issues become a problem. A total of 344 connectivity projects of this sort have been carried out so far.

- A total of 173 work-process digitalization projects have been completed. Such projects cut operational costs by streamlining workflows.

- 66 projects incorporating robotic process automation technology have been undertaken to provide solutions for repetitive but attention-demanding tasks that must be performed by employees.

- 51 projects making use of new-generation image-processing and machine vision technologies have enhanced the effectiveness of critical quality-control processes.

- Some operations that require an industrial robot and employees to work in close proximity have been automated through the use of cobots (collaborative robots).
- 11 projects involving wearable technologies have resulted in lower labor costs and improved ergonomics.
- 12 projects have increased efficiency by optimizing processes that are especially difficult to perform manually by making use of data-science, AI, and machine-learning technologies instead. Such projects also give rise to significant OHS opportunities and improvements.

STRUCTURAL READINESS AND TALENT DEVELOPMENT

A company's competency in new technologies has become the most important enabler of its strategic and business priorities. For this reason Tofaş manages the development of its IT infrastructure and competencies as well as changes in their structure and control by striking a balance between "the traditional" and "the new".

In the period ahead, Tofaş will continue to take a benefit-driven approach when dealing with digitalization projects and will be focusing on carrying out more projects with higher added value, collaborating more effectively with external resources, investing in the digital competencies of its employees, and developing new services and partnerships through an integrated connectivity infrastructure.

While improving the quality of existing databases that are the essential elements of its digital-transformation program, Tofaş will also continue to invest in the development of information technologies such as remote working, 5G, cloud, and cybersecurity.

In order to develop the company's data competencies and to support the deployment of its data-driven analytics projects, a big-data backbone which combines data from both internal and external resources and on which employees can develop their own analytical scenarios has been commissioned.

During 2021, additional impetus was given to investments that will continue the ongoing roboticization of basic infrastructure and office processes. These projects have now reached the point of supporting organizational agility.

A participatory management structure has been set up so as to ensure broad-based guidance and familiarity with application roll-outs. Making use of the infrastructure outlined above, commercial, industrial, product, and human-resource management applications continue to be developed and commissioned in line with business priorities. A participatory management structure has been set up in order so as to ensure broad-based guidance and familiarity with application roll-outs.

TALENT AND ECOSYSTEM DEVELOPMENT

Ensuring that Tofaş's entire value-creation derives the full benefit of the capabilities afforded by new technologies and developing a technology-focused solution ecosystem also fall within the scope of the company's digital transformation program.

Two important considerations in the implementation of Tofaş's digitalization program will be the business-oriented fostering of technology culture and competency throughout the company on the one hand and expansion of the ecosystem so as to include appropriate technology solution partners on the other.

For this purpose, the data-scientist capacity of the Tofaş Data Science Program that was initiated in 2019 was expanded in 2021 as planned and the number of people with competencies in the areas of online training, full-time consulting, and AI reached 124. Tofaş personnel created value for 30 data-science projects. In addition, 35 people are taking part in Tofaş Academy's IoT program and another 158 who are taking part in its RPA program are receiving training in process-analysis and support. Areas of specialization have been defined so as to guide the acquisition and implementation of such essential technologies as data science, machine learning, IoT, and RPA. Work has begun on developing the elements of a platform-management system with a view towards expanding the ecosystem.

Another pillar of these programs is concerned with fostering technology literacy and digital transformation culture both within Tofaş and throughout its value-creation chain. For this purpose, Tofaş Academy, working together with our technology partners, has developed a program that turns digital transformation into a cultural journey whose aim is to support the spread and adoption of technology literacy and digital culture. Individualized, classroom, and video training resources are made available under this program.

Under the Optimus initiative, which was started to support the production of digitalization projects by the company's personnel, 217 Tofaş employees served as a leader of at least one of a total of 759 projects during 2021.

Digital optimization, roadmapping, and vision projects aimed at increasing digital-transformation awareness have been carried out in cooperation with the company's external ecosystem. The output of these projects contributes to the overall outline of Tofaş's digital transformation journey.

DIGITALIZATION

As part of its corporate enterprise approach and in order both to improve the customer/employee experience and to achieve improvements in productivity, Tofaş regularly works together with other Koç Holding organizations, NGOs, universities, incubation centers, and angel-investment platforms in the conduct of programs.

In order to provide an environment suitable for developing fast and lean solutions for addressing the needs of Tofaş's supply chain, a special program has been launched that brings the chain into contact with the lean-enterprise world.

FIAT YOL ARKADAŞIM

Developed in-house by Tofaş and bringing connected-vehicle technology to its class for the first time, Fiat Yol Arkadaşım Connect employs remote-access technology that transforms users' habits and their interactions with their vehicles.

Originally introduced in 2018 as both a web and a mobile-based support service, FYA Connect involves an installation of a component that is attached to a vehicle's electronic control unit. Once activated, FYA Connect makes it easy for users 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 periodic maintenance.

It has become possible to issue customized comprehensive automobile insurance policies based on FYA Connect data received through the "Connect Kasko" app that was introduced in 2020. In this way, drivers can get a better deal on the coverage they by because their policies are priced according to the number of days their vehicle is actually used.

During 2021 new features were added to FYA Connect: "Accident Black Spot", "Child Alarm", "Gamified Fuel Economy", "Android Auto Integration", and "In-Vehicle Fuel Payments".

- "Accident Black Spot" is a visual reminder resembling a beating heart that is activated when a driver is approaching one of 250 locations where accidents have frequently occurred. This feature is intended to warn drivers of such high-risk places in advance so that they drive more carefully and safely.
- "Child Alarm" is a feature installed on Ducato models used to transport schoolchildren. If there are any children or forgotten articles still on seats after the engine is turned off, FYA Connect warns the driver and, if the situation persists, it notifies the Tofaş Customer Contact Center.
- "Gamified Fuel Economy" is a feature that turns conserving fuel into a game. Participants are awarded weekly prizes according to how much less fuel they have used as compared with their average fuel consumption.
- "Android Auto Integration" is a feature available in Egea and Fiorino models equipped with 7-inch or bigger displays. FYA Connect shows drivers how many kilometers remain until the next scheduled maintenance, accumulated driving points, fuel consumption, average speed, nearby fuel stations, and similar information, all without distracting their attention as they drive.
- "In-Vehicle Fuel Payments" is a feature that allows drivers to pay for fuel purchases at Opet stations using the app and without having to get out of their vehicle.

Committed to the development of smart vehicles that provide drivers with service and support in the areas of safety, comfort, and environmental-awareness, Tofaş intends to continue adding more safe-driving habits categories to its FYA Connect app and to increase the number of the app's users for the foreseeable future.

FYA Connect is the first app using remote-access technology to provide such vehicle-driver connectivity in its vehicle class.

HUMAN RESOURCES

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.

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-2021, Tofaş had a total of 4,946 people on its payroll, of whom 1,462 were those paid monthly salaries, and 6,408 were those paid hourly wages

NUMBER OF PERSONNEL

Monthly salaries	1,462
Hourly wages	4,946
Total	**6,408**

BREAKDOWN OF EMPLOYEES BY GENDER

Male (monthly salaries)	1,128
Female (monthly salaries)	334
Male (hourly wages)	4,635
Female (hourly wages)	311

AVERAGE AGE OF EMPLOYEES

Monthly salaries	37
Hourly wages	35
Total	**35**

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.

HUMAN RESOURCES

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. As part of its efforts to spot and manage talent at an earlier stage, the company keeps its employee-candidate pool replenished by means of a variety of short- and long-term traineeship programs. 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.

Click4Career virtual career fairs

The career fairs that Tofaş organizes in order to attract university students and young professionals to the automotives industry were conducted online in 2021 as "Click4Career". Senior-year undergraduate and graduate students taking part in the events were also given a chance to be assessed for the Prova+ traineeship program,

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. In 2021, Direct Your Own Career processes for field operations personnel were revised to make them faster, simpler, more transparent, and more opportunity-equitable while also transforming them into a process which triggers more dynamic and continuous development through alternative exam methods and instant feedback mechanisms.

INCLUSIVENESS AND DIVERSITY

In its dealings with its employees, Tofaş behaves honestly and fairly, avoids discrimination, and provides a workplace environment that is respectful of people's dignity as well as being safe and healthy. 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.

Tofaş's Diversity & Inclusiveness Policy as published in 2021 is accessible online in English at https://tofas.com.tr/en/Sustainability/Policies/

- 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. The company also seeks to improve the working conditions of the women already in its employ.

- 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.

Repeating its 2020 performance, in 2021 Tofaş was once again cited by the Ministry of Labor and Social Security as Bursa's biggest employer of persons with disabilities as well as the company with more projects supporting the employment of such people than any other in the province. In 2021 Tofaş had 209 people with disabilities on its payroll.

Tofaş has set itself the goal of increasing the numbers of women and persons with disabilities in its employ by 2026 by introducing new and strengthening existing HR practices.

	2021	2026
% female applicants	28%	40%
% female employees	25%	35%
% disabled employees	3.3%	5%
# physically disabled employees	-	15

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

In 2021 Tofaş's performance management approaches were revised not only to support newly-emerged and emerging worklife attitudes and ways of doing business but also to accelerate the company's own digital transformation and approaches to worklife flexibility. Strictly mathematical & mechanical Employee Goals & Objectives cards (which frequently ended up being forgotten as the year progressed) were replaced with structured goals which employees can actively update in the course of the year. Instead of measuring past performance, this new system concentrates on the future and incorporates a progression-focused mechanism that encourages the exchange of ideas between employees and their managers as well as among all stakeholders.

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-2021, 5,554 Tofaş employees along with 7,852 of their family members were benefiting from this coverage.

In 2021 another 285 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 2,728.

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. 283 Tofaş employees have benefited from this program in 2021.

As an employer, Tofaş is a member of the Turkish Employers' Association of Metal Industries (MESS). The collective bargaining agreement that MESS entered into with the Turkish Metalworkers' Union on 12 January 2022 will expire on 31 August 2023.

As of 31 December 2021, Tofaş had a total severance pay liability of TL 299,693,145.26, 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 2021 are explained in the note 27 of the financial report.

HUMAN RESOURCES

E-Tofaş platform

In 2021 the E-Tofaş platform was launched as a way of giving the company's employees more convenient access to whatever formal documentation they may require. E-Tofaş is a company portal from which users may obtain official copies of statements of their average monthly salary, payroll slips, proof of employment, and spouse designation form. All such documents contain electronic signatures that preclude the need for wet ones and are sent directly to requested corporate email addresses.

TOFAŞ ACADEMY

Tofaş Academy provides training & development services for about 15,000 people annually 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 249 instructors and 150 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.

Three hundred employees have received certificates attesting to their completion of data-science, IoT, and RPA programs conducted by the Tofaş Digital Transformation School that was set up to promote digital competencies within the company.

Eighty Scrum Masters who graduated in 2021 from agile transformation development programs for employees designed to support Tofaş's adaptation to change contributed to the company's transformation processes by taking part in more than 130 projects.

"Pusula" operational competency system

In 2021 an operational competency system called "Pusula" [Compass] was launched at Tofaş. Seamlessly integrating both team-based and organization-level information, this system makes it possible for field operations personnel to keep track not only of their competencies but also of areas in which they are in need of development.

Developa supplier development platform

Commissioned in 2021, Developa is a supplier development platform that is accessible to every Tofaş supplier. Incorporating current learning technologies, Developa has been designed to address the competency requirements of the company's supply chain. Bringing together a variety of learning methods such as on-demand training, video, and wikis, Developa is the first platform of its kind in the Turkish automotives industry.

PARTICIPANT	REPORT HEADING	VALUE
Monthly salaries	Total number of participants (virtual face-to-face training)	4,479 people
	Ratio of digital training	90.4%
	Average training time/person	64.3 hours
Hourly wages	Total number of participants (virtual face-to-face training)	39,575 people
	Ratio of digital training	60.7%
	Average training time/person	17.9 hours
Business partners	Number of supplier firms	50 firms
	Number of supplier personnel taking part in training	838 people
	Total training time	6,776 hours
Dealership personnel	Total number of participants (virtual face-to-face training)	4,014 people
	Ratio of digital training	70.21%
	Average training time/person	12.1 hours

Stakeholder development

"Fiat Egea New Product Launch", a program in the run-up to Tofaş's first online launch of a new model in 2021, was the recipient of a Gold Stevie Award for Great Employers. Employing a mix of digital training design and implementation methods chosen to best address the particular needs of different stakeholders during each session, the program was attended by all of Tofaş's sales and after-sales services teams in Turkey.

Inspiring Academy

In 2021, the innovative learning & technology solutions which Tofaş Academy has developed earned the academy a total of four (3 gold and 1 bronze) awards in the Stevie Awards for Great Employers Awards.

SOCIAL ACTIVITIES

The 22 clubs and 16 teams that have been voluntarily formed by Tofaş employees organized 33 events in 2021. More than 5,000 employees and their family members and guests attended these events last year. Owing to the pandemic, there was a decrease in the number of employee social activities while most of the activities were moved online.

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. Outdoor sports facilities consisting of a synthetic pitch, tennis courts, and a basketball court that were opened last year also give all employees the opportunity to take part in sports. Tofaş's headquarters in İstanbul houses a fitness center that may be used by all employees.

#HaydiTofaşAşıya

In addition to all the other measures which Tofaş has been taking to deal with the pandemic, in 2021 the company launched #HaydiTofaşAşıya, a campaign to encourage all Tofaş employees and the members of their families to get their Covid-19 shots. A total of 8,114 people have taken part in the program, in which participants received their shots quickly and in full compliance with medical requirements at vaccination units set up at the Tofaş plant.

VALUE-CREATING MANAGEMENT MODEL

Tofaş Museum of Cars and Anatolian Carriages

WHEN ADDRESSING SUSTAINABILITY ISSUES, TOFAŞ'S FIRST PRIORITY IS TO FORMULATE A MANAGEMENT MODEL THAT CREATES VALUE AND IS CAPABLE OF CONSTANT IMPROVEMENT.

CORPORATE SUSTAINABILITY POLICY

The Sustainability Policy of Tofaş is a coherent document that deals with social, economic, ethical and environmental governance, is rooted in stakeholder engagement, and takes into account stakeholder satisfaction and expectations.

The main pillars of Tofaş's sustainability policy consist of the tenets of the United Nations Global Compact, to which one of its principal shareholders Koç Holding is a signatory as well as Koç Holding's own corporate social responsibility approaches on the one hand and of Stellantis's sustainability and corporate social responsibility perspective on the other.

A SUSTAINABLE AND VALUE-CREATING MANAGEMENT MODEL

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. Tofaş addresses sustainability and social responsibility issues in the context of their social, environmental, and economic dimensions. The company's fundamental priority is to create a management model which can constantly be improved and create value.

The Tofaş Corporate Sustainability Policy is informed by the need to elucidate the company's responsibilities towards all Tofaş stakeholders everywhere and not just those living in the vicinity of the Tofaş plant. Thus is the company equally mindful of both sustainability and corporate social responsibility issues when dealing with its 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.

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;
- Abiding by "Zero-Accident" principles in matters pertaining to occupational health and safety;
- Improving the company's performance and production efficiency;
- Encouraging active employee participation and fostering open communication;
- Making efficient use of energy while protecting environmental balances and natural resources;
- 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;
- Ensuring information security and business continuity in the conduct of all operations;
- Complying with the requirements of national and international laws and regulations;
- Managing stakeholder relations transparently and with common sense;
- Ensuring continuity in customer satisfaction;
- Increasing stakeholder knowledge and community awareness of climate change issues;
- Improving suppliers' own sustainability practices,
- 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;
- Making adherence to ethical values, combating corruption, and all other corporate governance principles part of the company's corporate culture.

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.

Besides efforts aimed at the deployment and ongoing conduct of corporate governance activities within the company, all due attention is also given to ensuring that the company's external stakeholders are likewise involved in achieving the same aims.

In keeping with this, ensuring the sustainability of all of the company's corporate activities when treating all stakeholders equally, disclosing information responsibly, and abiding by corporate governance practices is one of the company's fundamental objectives.

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.

CORPORATE SUSTAINABILITY POLICY

Stakeholder Communication

STAKEHOLDER GROUP	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, Sustainability reports, Environment Day, Worklife Survey (once a year)
Principal Shareholders	General assembly meetings, Annual reports, Sustainability reports (once a year); Board of Directors meetings (as required / at least four times a year); 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, Sustainability reports (once a year); Board of Directors meetings (as required / at least four times 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, 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, Sustainability reports (once a year); Tofaş Suppliers' Code of Ethics (continuous); Dealer Portal (continuous); Training & development programs (continuous), Tofaş Suppliers' Summit (once a year)
Product End-Users	Product labels & user manuals, Marketing & communication activities (continuous); Automotives fairs & shows (periodic); Annual reports, Sustainability reports (once a year)
Local Communities	Communications System, Community projects, Charitable donations & sponsorships (as requested); Information meetings (as required); Annual reports, Sustainability reports (once a year)
Sectoral Actors	Meetings & discussions, Projects and initiatives (as requested); Automotives fairs & shows (periodic); Annual reports, Sustainability reports (once a year)
Local Governments	Meetings & discussions (as requested); Annual reports 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, 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, 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, Sustainability reports (once a year)
Employees' Families	Information programs (continuous); Tofaş in-house publications (three times a year), Social activities (at least twice a year), Environment Day (once a year)
Opinion Leaders	Opinion leader meetings & discussions (as requested), Annual reports, 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, 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 Turkey)	Membership
İstanbul Chamber of Industry (İSO)	36th 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 Turkey (TOBB) Automotive Industry Assembly	Chairman of Board of Directors and Membership
Turkish Industry and Business Association (TÜSİAD)	Membership and Working Group Memberships
Foreign Trade Association of Turkey (TURKTRADE)	Membership
Turkey Quality Association (KalDer)	Membership
Turkish Metal Industrialists' Association (MESS)	Membership
Turkey Personnel Management Association Bursa Branch (PERYÖN)	Membership
TÜYİD Turkish Investor Relations Society	Membership
Uludağ Exporters' Associations Automotive Exporters' Association (OIB)	Vice Chairman of Board of Directors
Foreign Capital Association (YASED)	Vice Chairman of Board of Directors, Board of Directors and Committee Memberships; Automotive and Sub-Industry Working Group Chairmanship

CORPORATE SUSTAINABILITY POLICY

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.

DONATIONS & SPONSORSHIPS

Believing fundamentally that contributing to society is one of the duties of a responsible corporate citizen, Tofaş regards charitable donations and sponsorships as an important means of supporting social wellbeing in localities where it carries out its operations. A Donations & Sponsorships Policy setting out standards, principles, and rules governing Tofaş's charitable donations and sponsorships that went into effect as of 5 March 2021 may be viewed at https://tofas.com.tr/en/Sustainability/Policies/.

CORPORATE SOCIAL RESPONSIBILITY

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 regards employee voluntarism as an essential element of its CSR attitudes and approaches. The company communicates with its employees in order to increase their digital-transformation, innovation, agility, environmental-sustainability, and social-utility awareness with a particular emphasis on improving their skills and competencies in such matters. It encourages employees to club together as volunteers not only to play an active role in a variety of social-responsibility undertakings but also to develop socially-beneficial projects through in-house intrapreneurship programs. Tofaş will be further detailing its employee-volunteerism strategy in 2022. It has also committed itself to having at least 20% of its employees voluntarily taking part in socially-beneficial activities by 2030.

CORPORATE SOCIAL RESPONSIBILITY PROJECTS

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.

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. As of 2021, 27,000 people had benefitted from Tofaş Sports Club social responsibility projects. The club intends to increase that number to 45,000 by 2030.

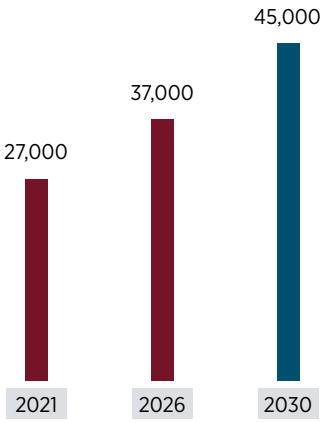
INVESTING IN FUTURE GENERATIONS

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.

NUMBER OF PEOPLE TO BE REACHED THROUGH TOFAŞ SPORTS CLUB SOCIAL RESPONSIBILITY PROJECTS



45,000

The Tofaş Sports Club's goal is to increase the number of people benefitting from Tofaş social responsibility projects to 45,000 by 2030.

CORPORATE SOCIAL RESPONSIBILITY PROJECTS

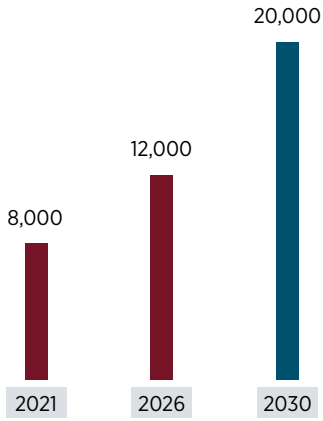
Infrastructure
As of end-2021, more than 5,000 athletes have benefitted from Tofaş Sports Club's infrastructure and more than 400 coaches have been employed in it since the club was formed.

The Tofaş Sports Club is also continuing to develop infrastructure for use in the conduct of other sports, principally volleyball, swimming, and water polo.

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 2021, about 700 athletes have played on the Tofaş Men's Basketball A Team. During the 2021-2022 season, the team is competing in Basketball Super League and Basketball Champions League games. Every one of the Turkish national players on the Tofaş Men's Basketball A Team in the current season was reared by the club itself.

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.

NUMBER OF CHILDREN AND PARENTS TO BE REACHED THROUGH THE TOFAŞ NEXT GENERATION PROJECT



20,000

The Tofaş Sports Club's goal is to increase the number of children and parents benefitting from the Tofaş Next Generation project to 20,000 by 2030.

Thirty-one Tofaş Basketball Schools that have been set up in seven cities contribute to their local communities. As of 2021, a total of 3,655 children have received basketball training in these schools.

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 2021, e-learning system training videos had been viewed a total of 220 thousand times and 5 thousand children and 3 thousand parents had been reached through 15 basketball schools located in Bursa province townships. The Tofaş Sports Club's goal is to increase these numbers fourfold by 2030.

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 2021, 38 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 m^2 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.

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.

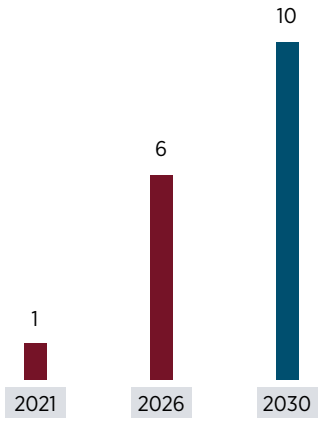
Initiated with Tofaş support at Tofaş Science High School, the "Innovation Workshop" aims to support the instruction of well-educated young people who will shape the future of automotive and engineering field in Turkey and serve as its leaders. Having identified it as a "Project That Inspires", the Ministry 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 encourages female students to go into engineering as a way of increasing the breadth and depth of its recruitment pool.

Tofaş encourages company employees and Tofaş Science High School students to develop joint projects related to Tofaş's business activities and operations. Tofaş's goal is to increase, by 2026, the number of such projects to six, with the output of at least two of them being patentable.

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.

NUMBER OF JOINT TOFAŞ EMPLOYEE/SCIENCE HIGH SCHOOL STUDENT PROJECTS TO BE CARRIED OUT

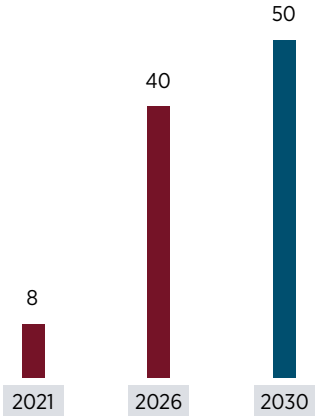


10

The 2030 target for the number of projects carried out jointly by Tofaş employees and Tofaş Science High School students is 10.

CORPORATE SOCIAL RESPONSIBILITY PROJECTS

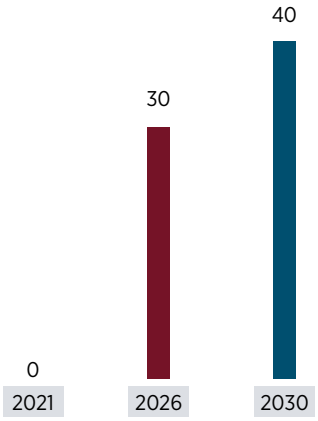
PERCENTAGE OF GRADUATES TO BE EMPLOYED IN TOFAŞ DEALERSHIPS OR SERVICE OUTLETS



50%

Tofaş's goal is to have at least 50% of the job positions in its dealerships and service outlets filled by Fiat Laboratories graduates by 2030.

NUMBER OF INSTRUCTORS TO BENEFIT FROM THE IN-SERVICE TRAINING PROGRAM



40

The 2030 target for the number of instructors who will have benefitted from Tofaş's in-service training program is 40.

FIAT LABORATORIES

Fiat Laboratories started out in 2006 as a key element of Koç Holding's "Vocational Education: A Crucial Matter For The Nation" project. As of 2021, 2,250 students and instructors had undergone training at these laboratories.

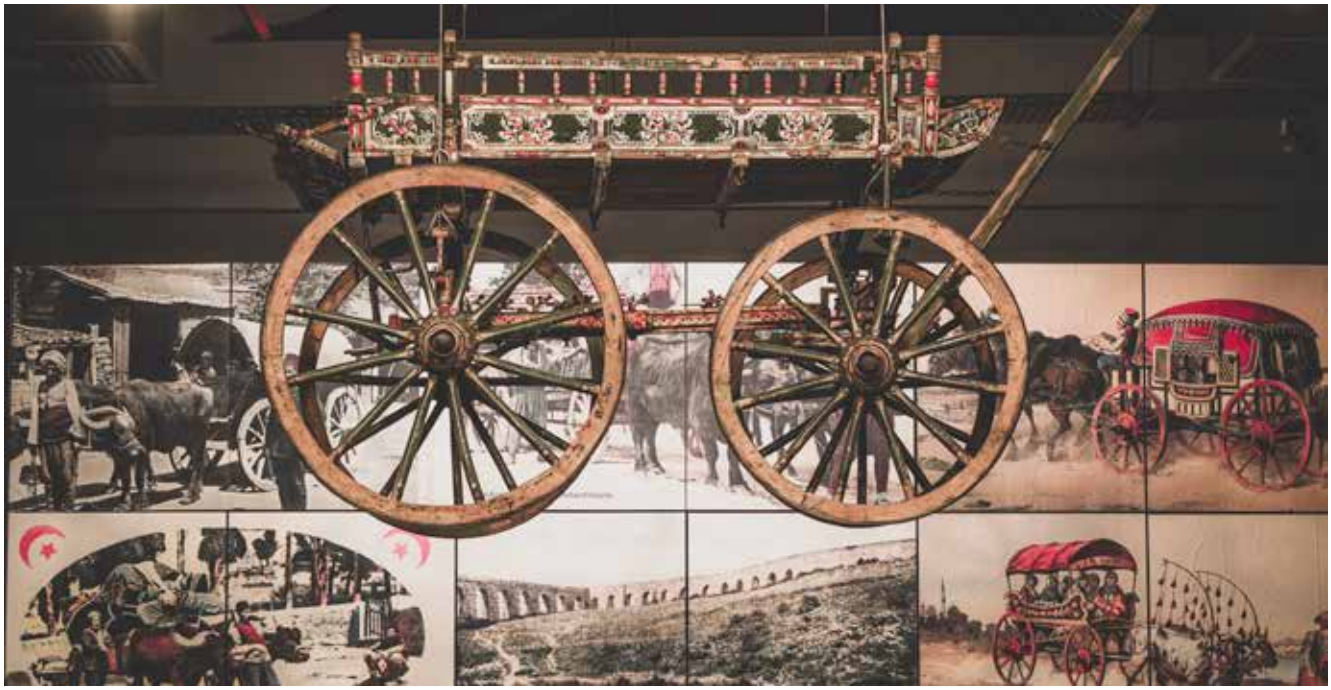
Under the Fiat Laboratories project, schools are provided with support in setting up laboratories that will support motor vehicle technology training and instruction. Courses and seminars are also organized for instructors in various areas of specialization.

The term of a previously-signed collaboration agreement between Tofaş and the General Directorate of Vocational and Technical Education concerning Fiat Laboratories was extended in 2019. Under this agreement, Tofaş will continue supporting projects currently in progress at five schools until 2023.

Under its agreement with the education ministry, all students taking part in Fiat Laboratories programs are entitled to traineeship positions at Fiat dealerships and authorized service outlets. Every year, qualifying Fiat Laboratories program participants may also receive Vehbi Koç Foundation scholarships under Koç Holding's "Vocational Education: A Crucial Matter For The Nation" project.

Tofaş Academy regularly conducts in-service training programs which cover new technologies and which deal with personal-development issues for Fiat Laboratory and motor vehicle shop instructors in schools around the country.

The first and only institution of its kind in Turkey, the Tofaş Bursa Anadolu Museum has so far been visited by about a million people.



About 1 million people have visited Tofaş Museum of Cars and Anatolian Carriages, which is the first and only in its field.

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 2002 and has received about 950 thousand 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 Poise Of The Steelyard: Scales, Weights & Measuring Instruments", a show with past and present-day examples of such equipment, attracted more than 200 thousand visitors as of end-2021.

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.

PAMUKKALE HIERAPOLIS ARCHAEOLOGICAL EXCAVATIONS

Since 2005 Tofaş has been sponsoring archaeological excavations at Hierapolis, the extensive ruins of one of the five biggest ancient cities in Turkey. 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, continued during the 2019 season with Tofaş's support. The excavations are being carried out by an international team of about seventy archaeologists, architects, restorers, conservators, and other experts mainly from Italy and Turkey.

Among the other significant Hierapolitan 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. Although their numbers were reduced as a result of pandemic-related lockdowns and closures, the site of ancient Hierapolis at Pamukkale usually receives an average of 1.8 million visitors a year.

CORPORATE SOCIAL RESPONSIBILITY PROJECTS

INCLUSIVENESS AND DIVERSITY

FIAT BARRIER-FREE MOVEMENT PROGRAM

The Fiat Barrier-Free Movement is a program that was initiated to make it possible for drivers and passengers with reduced mobility to get around without being dependent on others. Rooted in the idea that everyone should have the freedom to travel safely and freely, the program's goal is to support freedom of movement among persons with disabilities and their families through solutions that address their safe-driving and travel-comfort needs.

To this end, Tofaş deploys the Fiat brand in its efforts to come up with solutions to a variety of issues ranging from raising vehicle-purchase awareness among persons with disabilities to making vehicles more suitable for drivers and passengers. In addition to such product-specific awareness, efforts are also made to create and support disability-issue awareness and sensitivity among the public at large. Under the "Speaking The Same Language" project that was started in 2021, sign language is now being used when dealing with hearing-impaired customers in the conduct of vehicle-purchase, vehicle-use, and after-sales services processes, thereby making such processes more sustainable from the standpoints of their accessibility, inclusiveness, and equality. In 2012 the scope of the Fiat Unhindered Movement program will be expanded by making changes in and adding features to the websites of all brands represented by Tofaş that will make it possible for hearing-impaired users to communicate with a dealer without the need for anyone else's support. Tofaş has also set itself the goal of achieving disability-standards compliance among the dealerships and authorized-service areas of all the brands that it represents by 2026.

In 2019 Fiat launched its "İyiye İşaret" digital platform as part of its "Fiat Barrier-Free Movement" program in order to make it easier to communicate with Turkish speakers who have special hearing needs. Located at engelsizhareket.fiat.com.tr and making use of videos that show the meanings of words and their use in context visually as well as through sign language and explanatory narratives.

SOCIAL GENDER EQUALITY

Tofaş seeks to promote social 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 Turkey by creating new projects a 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.

ENVIRONMENT AND CLIMATE CHANGE[1]

Tofaş successfully passed the environmental audits to which it was subjected both by statutory authorities and by independent agencies in 2021 with a "zero non compliance" rating.

Tofaş's environmental management approach is grounded in the values and principles of its principal shareholder Koç Holding and of Stellantis. The company 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.

ENVIRONMENT & ENERGY POLICY

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.

[1] Published as a section of Tofaş's 2020 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 2020 and ending on 31 December 2020. 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, 2021 data had not yet been independently verified at the time this report was still in preparation. All prior-year data has been verified however.

ENVIRONMENT AND CLIMATE CHANGE

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 passed all of its official and stakeholder-conducted environmental audits in 2021 with no instances of non-compliance.

As the first automotive manufacturer in Turkey 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.

SUSTAINABLE MANUFACTURING ATTITUDES

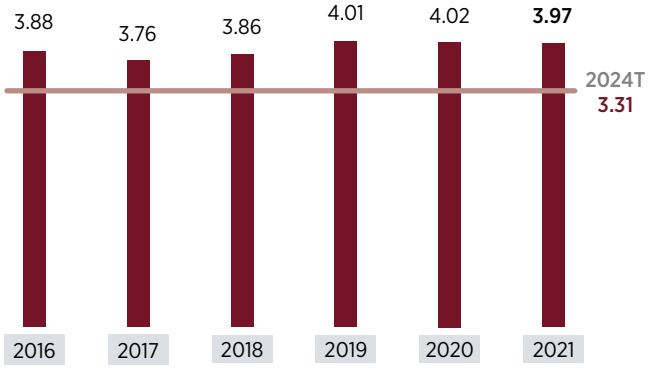
Having adopted sustainable-manufacturing principles in the conduct of its operations, Tofaş achieves natural resource use efficiency by implementing the "5R" (Refuse, Reduce, Reuse, Recycle, Recover) hierarchy in all of its production processes.

As a result of a comprehensive assessment carried out at Borsa İstanbul in 2021 by EIRIS, one of the responsible investment industry's leading research providers, Tofaş remained one of 50 firms in Turkey whose shares qualify for inclusion in the BIST Sustainability Index. In 2021 Tofaş once again submitted its responses concerning climate-change and water-use issues to the Carbon Disclosure Project.

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	2021	2021 (H)	2024 (H)	2020-2024
Energy consumption	GJ/vehicle	3.97	4.28	3.31	-17.4%
Greenhouse gas emissions	tCO_2e/vehicle	0.389	0.390	0.335	-12.50%
VOC emissions	gr/m^2	29.4	32.18	25.9	-16%
Water consumption	m^3/vehicle	2.91	3.07	2.86	-6.50%
Waste water discharged	kg/vehicle	1.88	2.00	0.5	
Treated water quality	COD (% regulatory requirement)	< 40%	< 40%	< 40%	-
Total waste generated	kg/vehicle	37.77	36.21	32.85	
Hazardous waste generated	kg/vehicle	4.99	5.68	4.3	
% waste disposed in landfill	%	0	0	0	-
Ozone-depleting substances	Kg Stock	24	24	0	-100%

ENERGY CONSUMPTION (GJ/VEHICLE)

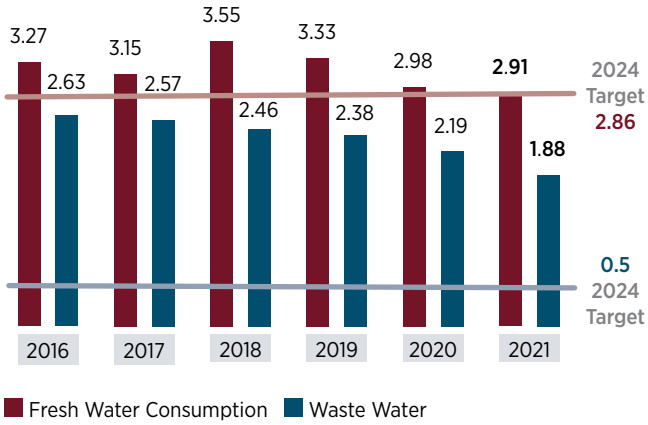


As a result of efforts to decrease fixed-energy consumption in line with its overall goal of reducing carbon emissions, the 3.97 GJ/vehicle energy-consumption performance that Tofaş achieved in 2021 was better than the target that had been set for the year.

	2016	2017	2018	2019	2020	2021
Total energy consumption (GJ)	1,496,302	1,446,336	1,165,961	1,042,245	993,438	906,678
Direct energy consumption - natural gas (GJ)	895,259	862,084	676,304	593,241	578,984	519,016
Indirect energy consumption (GJ)	601,043	584,252	489,657	449,004	414,454	387,662
Energy consumption/ manufactured vehicle (GJ)	3.88	3.76	3.86	4.01	4.02	3.97

ENVIRONMENT AND CLIMATE CHANGE

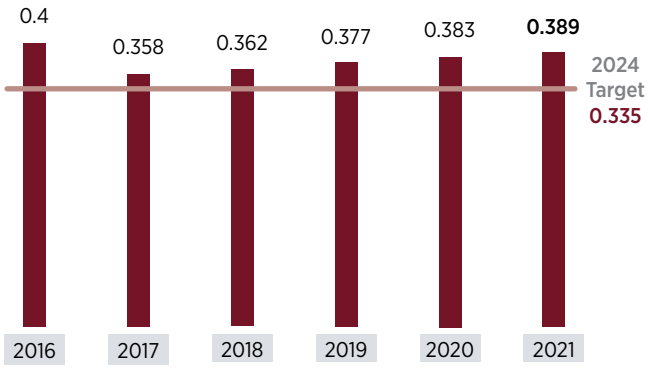
FRESH WATER CONSUMPTION (M^3/VEHICLE)



Tofaş makes use of groundwater at its plant. In 2020, an average of 2.98 m^3 of fresh water was consumed for every vehicle that was made at the plant; in 2021 this figure was 2.91 m^3/vehicle. The company has set itself the goal of further reducing its fresh-water consumption to 2.86 m^3/vehicle by 2024 with the assistance of water-recycling projects.

A recirculation system installed at the Tofaş plant made it possible for 60 million m^3 of water to be reused in 2021.

GHG DENSITY EMISSIONS (TONS CO_2EQ /VEHICLE)



During 2021 Tofaş engaged in efforts to reduce its energy consumption and CO_2 emissions as specified by the World Class Manufacturing methodology to which it adheres. 384 energy-efficiency projects have been initiated as part of these efforts, thanks to which 77,974 GJ of energy have been conserved and, in this way, 5,148 tons of CO_2 emissions have been prevented.* Although the overall 12-monthly reduction in emissions was 72% greater than that of the previous year, the improvement is not reflected in emissions/vehicle performance figures because fewer vehicles were manufactured last year.

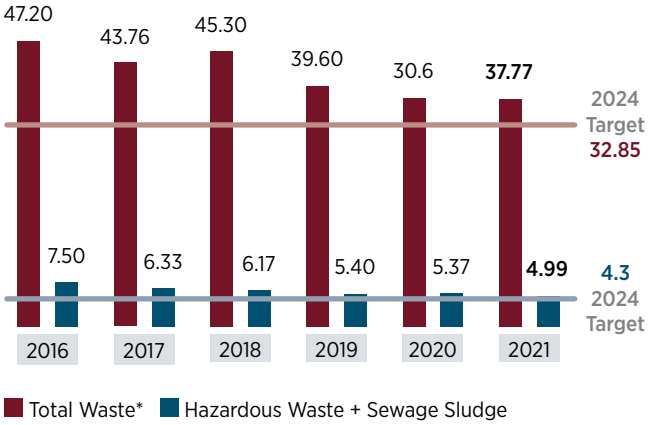
* Emissions are calculated according to the methods set forth in the following guidelines:

Intergovernmental Panel on Climate Change-IPCC National Greenhouse Gas Inventory Guidelines, 2006

Greenhouse Gas Protocol: Corporate Accounting and Reporting Standard (Revised Version)

	2017	2018	2019	2020	2021
Direct greenhouse gas emissions (Scope 1) (tCO_2e)	68,467	50,062	46,266	45,653	42,790
Indirect greenhouse gas emissions (Scope 2) (tCO_2e)	69,136	59,253	53,247	50,303	46,180

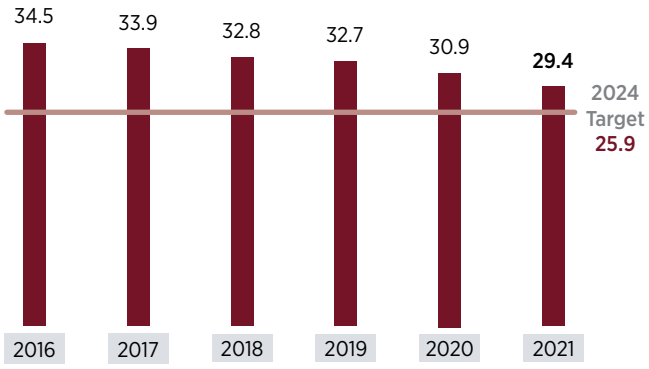
INDUSTRIAL WASTE (KG/VEHICLE)



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.

* Excludes pressed sheet-metal waste and non-production-related waste.

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

21% of Tofaş's R&D operations are related to emissions reduction.

ECO-FRIENDLY MATERIALS

The company 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. Some of the projects developed under the leadership of the Tofaş R&D team to increase recycling and eco-friendly material use percentages in vehicles are as follows:

- OCEAN FABRIC: Production of seat covers made from fabrics produced from PET bottles recovered from the sea;
- Recycling of industrial PET bottles and innovative production of parts from recycled materials;
- MULTICYCLE: Using methods to restore recovered and recycled plastics over and over again indefinitely by restoring them to their original raw-material state;
- Using bio-based polymer in the manufacture of vehicle parts.

ENVIRONMENT-FOCUSED PROJECTS

Environment-focused projects are foremost among the technological research projects that Tofaş undertakes. These projects are concerned with such matters as vehicle electrification, vehicles that generate fewer emissions or use alternative fuels, using more eco-friendly materials, reducing overall vehicle weights, and recycling. It is expected that the output of some of these projects will be used in existing or newly-developed products in the years ahead.

Given the product life-cycle approach that it takes in the conduct of its operations and taking also into account the needs and expectations of its stakeholders, Tofaş anticipates that a substantial part of the contributions it can make in combating climate change will stem from its own production operations and from the use of vehicles. With the aim of helping to make its stakeholders' driving experience and the conduct of their transport and distribution operations more sustainable, Tofaş is currently working on the development of vehicles that have lower emission values and/or make use of 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.

Tofaş undertakes energy-efficiency investments throughout its production operations in order to reduce production-sourced greenhouse gas emissions.

Solarwall Technology & Process Air Heating Project *the Tofaş Paint Shop's Solarwall Technology & Process Air Heating Project is based on the principle of using air directly heated by solar energy in production processes. A trailblazing renewable-energy project in the Turkish automotive industry, the Solarwall system achieves a 35% reduction in process-related energy use. By using solar energy to heat air, Tofaş is avoiding the combustion of 2,181 GJ of natural gas every year while also reducing its GHG emissions by 122 tCO_2e annually.*

Paint Shop Intelligent Energy Management System

An intelligent energy-management system that makes use of internally-sourced algorithms has been installed in Tofaş's paint-production plant. Whenever a planned or unplanned production halt occurs, this system automatically puts energy-consuming equipment into standby mode. Using operational data as its inputs, the system detects when production has ended and it automatically shuts down each production line as its production process finishes and reduces the energy supplied to it to the minimum required. Thanks to this system, Tofaş conserves 1,735,776 kWh of electricity and 147,600 m^3 of natural gas a year thereby also preventing the release of 1,060 tCO_2e into the environment. The Paint Shop Intelligent Energy Management System earned Tofaş the top prize in the Ministry of Energy and Natural Resources' 2021 "Industrial Energy Efficiency Project" competition.

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.

Giving great importance to creating awareness about environmental issues, Tofaş promotes environmental awareness and incentivizes environmentally-conscientious behavior among its own employees and those of its business partners. Environmental management is an issue that is included both in the assignment of annual targets and in Tofaş's 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, 6,128 employees were provided with a total of 74,512 hours of training in the form of Tofaş Academy training modules as well as through digital platforms during 2021.

ENVIRONMENT AND CLIMATE CHANGE

384 energy-efficiency projects have been initiated as part of the World Class Manufacturing methodology.

- Every visitor and contractor employee entering any of Tofaş's premises is required to undergo workplace-safety and environmental-risk and rule training. This training must be repeated at least once a year.
- Energy-conservation and environment-protection projects and competitions are used along with visual and other materials to increase environmental awareness within the factory.
- Although various events marking the observance of World Environment Day every year on 5 June have become a tradition at Tofaş, they had to be suspended in 2021 owing to the pandemic.
- In 2021 Tofaş cooperated with the Turkish Marine Environment Protection Association (TURMEPA) in the conduct of an online "Draw A Sea Creature" workshop that its employees' children took part in.

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 2021 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.

Supporting the transition to a low-carbon economy through its energy-efficiency efforts, Tofaş is currently engaged in efforts to make itself a carbon-neutral company.

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 carbon-neutral 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. 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 Industrialists' and Businessmen's 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.

OCCUPATIONAL HEALTH & SAFETY

Tofaş seeks to foster a sustainable occupational safety culture and to create safe workplaces.

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 WCM-based 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 (kaizen) 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 and performance in order to achieve sustainably zero work-related accident and illness rates.

Tofaş makes use of an OHS Management System in order to achieve zero work-related accident and illness rates. The company's LTA (Lost Time Accident) frequency has fallen by 94% over the last fifteen years.

The biggest contributor to a vigorous OHS culture is employee training and OHS training is always a matter of the highest priority at Tofaş. In 2021 6,128 employees received a total of 74,512 hours of OHS training.

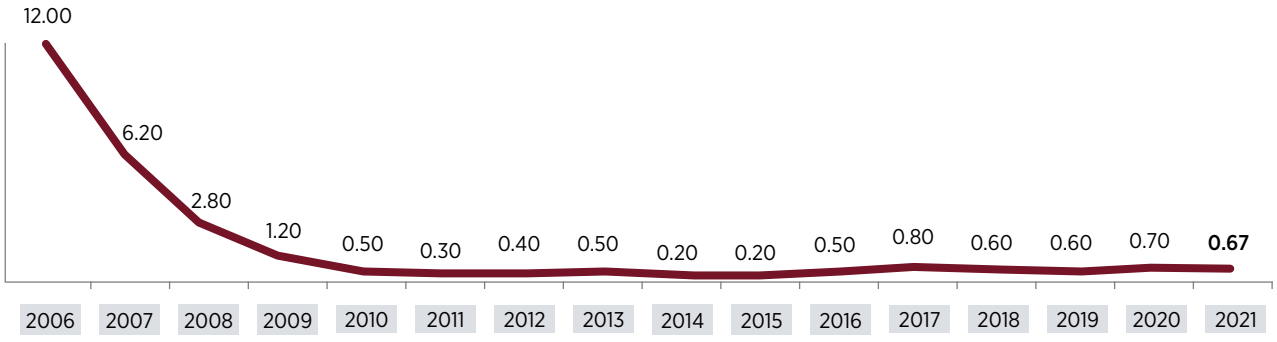
Workplace safety award

In a "Strong Communication = Safe Workplace Best Practices" competition organized by the Ministry of Labor and Social Security on the occasion of OHS Week, Tofaş received a "Setting an Example" award for its "10/10 Work Safety In Logistics" project.

OHS Training Project

Under its "Ensuring A Safe Future With OHS Training" project, Tofaş provides university students with training as a way of inculcating OHS culture among them. In 2021 this project received an award in the "Occupational Health & Safety" category in the "Shared Tomorrows" competition organized by the Turkish Confederation of Employer Associations.

LOST DAY ACCIDENT RATE



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

QUALITY MANAGEMENT

Possessing a quality culture that is centered on customer satisfaction, Tofaş encourages its employees to take part in and to improve quality management as a matter of principle.

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.

Possessing a quality culture that is centered on customer satisfaction, Tofaş encourages its employees to take part in and to improve quality management as a matter of principle. This approach gives the company a significant competitive edge as a world-class manufacturer.

Tofaş successfully passed the interim integrated ISO 9001:2015, ISO 14001:2015, and ISO 45001:2018 standards

certification audits that were carried out in 2021, with no instances of non-compliance being identified.

The audits identified the following as Tofaş's strong points:

- Following up and taking countermeasures to address instances of non-compliance turned up by Quality Management System audits
- Green procurement and logistic practices
- Tofaş Academy programs & practices
- Agile project practices
- Pandemic-related activities and coping strategies
- Efforts to comply with Stellantis merger requirements
- Key performance indicator and performance trend tracking

Tofaş also successfully passed a Conformity of Production audit carried out by the Russian Ministry of Transport in 2021 and was awarded a Declaration of Conformity by that ministry.

LEADING QUALITY INDICATORS

In line with its sustainable-quality approach, Tofaş's quality indicators steadily improve year after year.

Tofaş's 2021 leading quality indicators reveal the following:

- **First-time production approvals:** There has been a 25% improvement over the last three years. This result is the best among all Stellantis plants located in Stellantis's Enlarged Europe and Middle East & Africa region.

- **Defect per vehicle rates:** Tofaş's facilities have outperformed all other Stellantis plants located in the Enlarged Europe and Middle East & Africa region.

- **Process Conformity audits:** A year-on improvement of 9% has maintained Tofaş's first-place position among Stellantis Enlarged Europe plants.

- **Customer product audits:** There has been a 35% improvement over the last three years and an overall 13% improvement since 2020.

- **In-warranty defects:** There has been a 29% improvement since 2020.

- **Supplier ratings:** There has been a 27% improvement since 2020.

- **Quality customer tracking surveys**: There has been a 9% improvement since 2020.

- **New car buyer surveys:** According to the results of a survey conducted by independent researchers, the Qubo, a passenger variant of the Fiat Fiorino, is in the highest quartile of all vehicles ranked according to their quality scores.

SUPPLY CHAIN MANAGEMENT

Having included localization in its short and medium-term strategies, Tofaş works together with suppliers and young innovative firms accordingly.

Having included localization in its short and medium-term strategies, Tofaş works together with suppliers and young innovative firms in the production especially of high added-value electrical, electronic, and mechatronic components. These collaborations not only contribute to Tofaş's own growth and development but also support the company's business-partner suppliers in their efforts to be more competitive and to gain access to global markets.

Connected Supplier

"Connected Supplier" is Tofaş's name for a process in which suppliers are supported by means of digital projects that bring Tofaş, existing suppliers, and young innovative firms together. Improvements made in the Connected Supplier process last year resulted in 250 new ideas being put forth and the commissioning of 70 projects that had been identified as being feasible.

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 the latest 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 Turkey or to enter into joint ventures with local suppliers.

Some international firms are being encouraged to invest in Turkey themselves and/or to enter into joint ventures with local suppliers.

The Procurements Department continues its efforts to increase competitiveness by simplifying business processes using up-to-date methods and through their digital

transformation. In line with this, Robotic Process Automation projects related to Tofaş's operational processes were commissioned in 2020.

Robotic process automation
The Procurements Department continues its efforts to increase competitiveness by simplifying business processes using up-to-date methods and through their digital transformation. In line with this, eight Robotic Process Automation (RPA) projects related to Tofaş's operational processes were commissioned in 2021.

Prospective Supplier Application Portal
A Tofaş Prospective Supplier Application Portal that was opened in 2021 allows firms wishing to become a Tofaş supplier to submit their applications online. By keeping a digital record of such applications, the platform makes it possible for both suppliers and Tofaş to explore and evaluate new business opportunities.

Industrial Cost Effectiveness Project
Tofaş's Industrial Cost Effectiveness (ICE) project was initiated in 2021 with the aims both of developing its submanufacturing suppliers' understanding and appreciation of cost-effectiveness and of incorporating their ideas into cost-optimization processes. Proposal-related ideas submitted through the ICE system by the suppliers who made the proposals are collected and compiled by the system and used as input for cost-optimization.

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 plans to formulate an Environmental & Social Control Mechanisms Policy for its suppliers in 2022 with the aims of creating action plans for the environmental & social auditing of all of its domestic direct-materials suppliers and of completing such audits by 2025. By 2030 Tofaş also aims to have increased the CDP-solicited response rate to climate-change and water-security questionnaires among its domestic direct-materials suppliers to at least 10% and to have reduced the carbon footprint of its supply chain by 55% as per the Paris Agreement.

In pursuit of its Green Procurement objectives, Tofaş has selected seven firms which together account for 40% of all the waste created, 30% of all the water used, and 25% of all the carbon emissions generated by its entire supply chain. As a result of visits made to these suppliers' premises and of the subsequent analyses of current-situation findings, 55 technical projects involving 45 method- and operation-improvement opportunities and a total of 104 actions for improving environmental-impact and energy-efficiency performance were identified. As of 2021, 75% of these actions had been completed and improvements of up to 50%–especially in environmental performance–had been achieved.

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. Tofaş's primary goal is to create a proactive and autonomous procurements process.

Since 2009, Tofaş has been encouraging its suppliers to take part in the World Class Supplier (WCS) program, which involves employing WCM methods in the conduct of their own operations. As of end-2021, Tofaş was working with a total of sixteen suppliers who conducting their operations subject to all WCM rules and procedures and eleven whose operations were compatible with core WCM requirements. In the Stellantis's WCM ranking of the hundreds of suppliers with which it works globally, four of Tofaş's domestic suppliers are in the top eleven and have attained "Bronze" status. The top firm in the same list is also a supplier that Tofaş supports.

GoTECH Technology Summit
In line with the Connect Supplier/Digital Transformation strategy that was formulated in 2019, a GoTECH Technology Summit is held every year. The 2021 summit provided still more opportunities to create synergies among domestic technology providers, young innovative firms, and suppliers.

Predictive Supplier Initiative
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. During 2021, solutions were developed at four suppliers for six different processes while 19 projects were undertaken at eight suppliers and desired levels of defect-prevention were achieved in the components involved.

Digital maturity assessment
To support the digitalization efforts and processes of its suppliers, Tofaş began measuring the value-adding and digital-maturity levels of its suppliers in a project undertaken jointly with the Turkish Metal Industries Employers' Association's MEXT Technology Center.

Ever since the day it was founded, Tofaş has always given great importance to increasing localization and to reducing import-dependency in the Turkish automotives industry. As of 2021, 75% of the company's direct materials were domestically sourced and Tofaş's goal is to increase that percentage to 90% by 2030.

CUSTOMER SATISFACTION POLICY

TRANSPARENCY

Detailed information about Tofaş is available to all stakeholders 24 hours a day seven days a week via its websites and the Tofaş Customer Care Center. Any questions, requests, or complaints that stakeholders may have may be forwarded to the company through the same channels.

ACCESSIBILITY

Please direct all queries as appropriate to:

- Fiat Care Center: 444 22 55
  www.fiat.com.tr
- Alfa Romeo and Lancia Care Center: 444 19 10
  www.alfaromeo.com.tr
  www.lancia.com.tr
- Jeep® Care Center: 444 53 37
  www.jeep.com.tr
- Otoeksper Care Center: +90 850 252 35 77
  www.otoeksper.com.tr
- Opar Care Center: +90 212 275 33 90
  www.opar.com

RESPONSIVENESS

All requests for information submitted via company websites and attention centers are responded to within specified periods of time.

OBJECTIVITY

All questions, requests, and complaints are addressed and responded to fairly and without prejudice.

FEES

No fees are charge of anyone who submits questions, requests, or complaints.

CONFIDENTIALITY

All personal information that is submitted to Tofaş is treated with the strictest confidence and is never revealed to any outside party.

CUSTOMER FOCUS

Tofaş takes pains to resolve customers' problems, to satisfy customers' needs, and to protect customers' rights under all conditions within the framework of company policies and the requirements of law.

ACCOUNTABILITY

All questions, requests, and complaints that are received are recorded upon arrival. When they are responded to, a full account is given of all decisions and actions that were taken along with the justifications for them.

CONTINUOUS IMPROVEMENT

All communications received from Tofaş stakeholders are used proactively as feedback for making improvements in the company's business processes, products, and services.

TOFAŞ CODE OF ETHICS AND ANTI-CORRUPTION POLICY

Ethical behavior of the highest sort is an essential priority and responsibility of every Tofaş employee.

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 Ethıcs, Anti-Corruption Policy is available at: tofas.com.tr/en/Sustainability/Policies/

STRONG CORPORATE GOVERNANCE

TOFAŞ'S CORPORATE GOVERNANCE PRACTICES ARE INFORMED NOT JUST BY THE PRINCIPLES OF TRANSPARENCY, ACCOUNTABILITY, FAIRNESS, AND RESPONSIBILITY BUT ALSO BY ITS ATTITUDES TOWARDS SUSTAINABILITY.

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 2021, 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 (%)
FCA Italy S.p.A.	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**

There was no change in the Company's capital and shareholding structure in the period 1 January 2021 – 31 December 2021. 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 2021, 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 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

During the period 2021, the validity period of the registered capital ceiling in the Article 6 of the Company's Articles of Association, titled "Capital" has been extended until 2025.

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 1,500,000,000 corresponding to 300% (300% gross, 255% net) of the 2020 profit were paid out during 2021 as of 16 March 2021.
- cash dividends in the total amount of TL 1,200,000,000 corresponding to 240% (240% gross, 204% net) of the 2019 profit were paid out during 2020 as of 20 March 2020.
- cash dividends in the total amount of TL 880,000,000 corresponding to 176% (176% gross, 149.60% net) of the 2018 profit were paid out during 2019 as of 19 March 2019.

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 2020, 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).

BOARD OF DIRECTORS

ÖMER M. KOÇ
Chairman

He received his B.A. degree from Columbia University in 1985. He worked at Kofisa Trading for one year. He completed his MBA at Columbia University in 1989. After working at Ramerica International Inc., 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 Chairman in May 2008. In February 2016, he was appointed as the Chairman of Koç Holding. Ömer M. Koç has been serving as the Chairman of Tofaş since April 2016.

SAMIR CHERFAN
Vice Chairman

Samir Cherfan graduated from Polytech Sorbonne Paris with a degree in Engineering. Cherfan started his career with Renault Group in 1992. He was appointed 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 General Manager of the same division in 2013. Mr. Cherfan joined Groupe PSA in 2017 as Sales and Marketing Senior Vice President for Middle East and Africa region (MEA). In 2019, Cherfan was became 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.

CENGİZ EROLDU
Board Member - CEO

Cengiz Eroldu graduated from the Business Administration Faculty of Istanbul University and completed the MBA program at LUISS University (Italy). 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 2015, he has been serving as Member of the Tofaş Board of Directors and CEO.

TEMEL KAMİL ATAY
Board Member

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 between 2000 and 2001. Temel Kamil Atay was a member of Koç Holding Board of Directors between 1996-2019.

LEVENT ÇAKIROĞLU
Board Member

Levent Çakıroğlu graduated from Ankara University, Faculty of Political Sciences, Department of Business Administration. He earned a Master's degree at the University of Illinois. Mr. Çakıroğlu began his professional career as an Auditor at the Ministry of Finance in 1988. From 1997 to 1998, he taught as a part-time instructor at Bilkent University, and served as Vice President of the Financial Crimes Investigation Board at the Ministry of Finance. He joined Koç Holding in 1998 as Financial Coordinator. Subsequently, he served as the General Manager of Koçtaş (2002-2007), General Manager of Migros (2007-2008), General Manager of Arçelik (2008-2015), and President of the Consumer Durables Group at Koç Holding (2010-2015). In February 2015, Mr. Çakıroğlu was appointed Deputy Chief Executive Officer of Koç Holding, and he has been the Chief Executive Officer of Koç Holding since April 2015. He has been a member of Koç Holding Board of Directors since 2016.

CHRISTIAN ANDRÉ CHAPELLE
Board Member

Christian André Chapelle holds a Master's degree in Engine Engineering from French Petroleum Institute, and Master's Degree in Mechanical Engineering from INSA of Lyon. Since 1987, Mr. Chapelle has served in various positions at PSA including Powertrains Program and Planning Director and Peugeot-Motorcycles Engine Plant Director. Between 2009-2018, he worked as Senior Vice President for Powertrains and Chassis Engineering globally for the PSA Group. Mr. Chapelle currently serves as Senior Vice president Upstream Operations Performance at Stellantis Group for Middle East & Africa Region.

MELİH POYRAZ
Board Member

After receiving his Bachelor of Arts degree in Management from Boğaziçi University, Melih Poyraz got his Master of Laws degree in Economics Law from Galatasaray University and his MBA from MIT Sloan School of Management. He earned his Juris Doctor degree in Law from the Northwestern University. After starting his career as a Consultant at Ernst & Young in 2001, he worked as Enterprise Risk Management Director at Arçelik Group in 2014 and 2015, before serving as Chief of Staff to CEO at Koç Holding between 2015 and 2021. Since January 2021, Melih Poyraz has been holding the position of Strategy and Business Development Director at Koç Holding. He is also a member of the Boards of Directors of Tofaş, Yapı Kredi Bank and various other Koç Group companies. Melih Poyraz is a member of DEİK (Foreign Economic Relations Board of Türkiye) Outbound Investments Business Council.

GIORGIO FOSSATI
Board Member

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. In 2022 he became the General Counsel for FCA EMEA Region and as Corporate General Counsel for Fiat Chrysler Automobiles N.V. Mr. Fossati is a member of the Boards of Directors of FCA Partecipazioni S.p.A. and Fiat Chrysler Risk Management S.p.A. In addition, he is the Vice Chairman of the Audit Board of FCA Poland S.A.

SERGIO DUCA
Independent Board Member

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. Mr. Duca has served as Chairman of the Board of Directors of Orizzonte SGR S.p.A., Chairman of the Board of Statutory Auditors of Exor S.p.A., Chairman of the Board of Statutory Auditors of GTech between 2008-2016. He took roles as the Chairman of the Board of Statutory Auditors of Tosetti Value SIM and an Independent Director of Sella Gestione SGR until 2010. Sergio Duca is the Chairman of the Board of Statutory Auditors of Enel S.p.A. since April 2010. He acts as a Member of the Board of Nedcommunity and Independent Board Member of OSAI Automation System S.p.A.

NESLİHAN TONBUL
Independent Board Member

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 Turkey. Serving as board member to the prominent Turkish holdings since 2008, Neslihan Tonbul is a board member of Tofaş, Tat Gıda, Petkim, Alarko Holding and Vakıfbank International. Gaining expertise in the Management of Family Companies by studying at the Harvard Business School with CFEG, Tonbul has been teaching "Management of Family Companies" and "Impact Investment and Sustainability" at the Faculty of Economics and Administrative Sciences of Koç University since 2017.

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.

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
Factory 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 MASCIOCCO
R&D Director
Giuseppe Masciocco graduated from University of Roma La Sapianza, 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 Turkey 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.

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.

SENIOR MANAGEMENT

ORÇUN SARICA
Human Resources 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 Relatıons Dırector
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.

DECLARATION OF CORPORATE GOVERNANCE PRINCIPLES AND COMPLIANCE REPORT

SECTION I: DECLARATION OF COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES

In 2021, 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 2021, 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 Turkey (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 Turkey 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 16 March 2021 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 2021 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 2021 upon review of 2021 operations, our rating score was declared as 9.26 (92.59). 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.

2021 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 113-128) 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, and Mr. Devran Aydın, Accounting Manager, who report to Mr. Fabrizio Renzi, CFO. Mr. Devran Aydın, Accounting Manager, holds the licenses that are required by the related Communiqué.

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Along this line, as of 2021, the duties set forth under Article 11 of the Corporate Governance Communiqué are being fulfilled by Mr. Mehmet Aydın Ağyüz and Devran Aydın 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. Working under the title Accounting Manager and Investor Relations Executive in the Department, Mr. Devran Aydın holds Capital Markets Advanced Level License (Capital Market Activities Level 3 Certificate) and Corporate Governance Rating License.

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 2021, and was presented to the Board of Directors as of 03 February 2021 after it was discussed in the Corporate Governance Committee.

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 194 meetings were held, including 74 corporate investor and 120 financial analyst meetings.

During the year, eleven video conferences were attended. In addition, 64 meetings were held with analysts and investors via teleconference.

As of the end of 2021, 40.6% 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 9.26 (92.59%) upon the annual periodic review performed.

During the reporting period, 26 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 2021, 175 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", "Management", "Activities", "Sustainability", "Capital Structure, Corporate Governance and Other Issues", 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, 2020 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 2021 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

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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, Business Management Policies, 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.

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.

With the objective of becoming WCM (World Class Manufacturing) and WCC (World Class Company), similar implementations are being developed and maintained. For its outstanding manufacturing capacity, our Company has earned gold level status in WCM in 2013, and repeated this achievement also in the following years. Additionally, 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 Sustainability 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 and an internal publication ("Tofaş Gazete") 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 2020 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 Sustainability 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 Sustainability 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, the internal publication (Tofaş Gazete), which is periodically published on the intranet (TofaşGO) and in print, 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.

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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, Master's Program, Tofaş Science High School, Tofaş Sports Club, Tofaş Basketball Schools, Bursa Museum of Cars and Anatolian Carriages, Pamukkale Hierapolis Archaeological Excavations, and New Generation Tofaş Project sponsorships. 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.

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

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 fulfilled all criteria, and qualified for inclusion in the BIST Sustainability Index in 2021 as well.

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 2021, 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 Chairman 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 2021 was two. ID information, statement of candidacy and résumés of these persons were evaluated at the Corporate Governance Committee meeting held on 11 January 2021 and at the Board of Directors meeting no. 2021/01 held on 11 January 2021, 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 Turkey 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 2021) 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 18 March 2021.

As of 2021 operating period, there were no situations that would prejudice independency.

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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 Turkey according to the Income Tax Law (n.193) dated 31/12/1960,

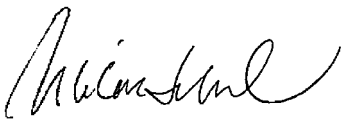
e) I do have the strong ethical standards, professional standing and experience that will help me positively contribute to the activities of Company and remain neutral in conflicts of interests between Company shareholders, and that will help me take decisions freely by taking the rights of the stakeholders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

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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	Chairman	Chairman of the Board of Directors in Koç Holding A.Ş.	Non-independent	None
SAMIR CHERFAN	Vice Chairman	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
LEVENT ÇAKIROĞLU	Member	CEO and Member of the Board of Directors at Koç Holding A.Ş.	Non-independent	None
CHRISTIAN ANDRÉ CHAPELLE	Member	Stellantis Senior Vice president Upstream Operations Performance for Middle East & Africa Region.	Non-independent	Corporate Governance Committee - Member
MELİH POYRAZ	Member	Koç Holding A.Ş. Strategy and Business Development Director	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 - Chairman & Risk Early Detection and Management Committee - Chairman – & Corporate Governance Committee - Member
SERGIO DUCA	Independent Member	Chairman of the Board of Statutory Auditors at Enel S.P.A	Independent	Corporate Governance Committee - Chairman & 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.

The Board of Directors has made 25 decisions in 2020 and the minutes of meetings regarding the decisions are duly registered. Board of Director meetings are called and convened whenever Company business requires it.

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 B.

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.

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

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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. 2021/12 dated 16 March 2021. As at the end of the reporting period, Ms. Neslihan Tonbul (Chairman – independent Board member) and Mr. Sergio Duca (Member - independent 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. 2021/12 dated 09 November 2021. As per the said decision, the Committee was formed of Mr. Sergio Duca (Chairman – independent Board member), Ms. Neslihan Tonbul (Member – independent Board member), Mr. Melih Poyraz (Member – Board member), Mr. Christian André Chapelle (Member – Board member) and Mr. Fabrizio Renzi (CFO).

As per the governing provisions of the new Turkish Commercial Code effective as of 01.07.2012, 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. 2021/16 dated 12 April 2021. As at the end of the reporting period, the Committee was formed of Ms. Neslihan Tonbul (Chairman – 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 8, 7 and 7 meetings respectively in 2021.

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 2021, 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.

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.

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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 2020 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 18 March 2021. Subsequently, the policy was put into practice after the General Assembly. No revisions were made to the said policy during 2021.

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 2021 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 2021, 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.

	Compliance Status					
	Yes	**Partial**	**No**	**Exempted**	**Not Applicable**	**Explanation**
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, 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.

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	Compliance Status					
	Yes	**Partial**	**No**	**Exempted**	**Not Applicable**	**Explanation**
1.3.11 - The General Shareholders' Meeting was held open to the public, including the stakeholders, without having the right to speak.	X					
1.4. VOTING RIGHTS						
1.4.1 - There is no restriction preventing shareholders from exercising their shareholder rights.	X					
1.4.2 - The company does not have shares that carry privileged voting rights.			X			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. (10th 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.

	Compliance Status					
	Yes	Partial	No	Exempted	Not Applicable	Explanation
1.6. DIVIDEND RIGHT						
1.6.1 - The dividend policy approved by the General Shareholders' Meeting is posted on the company website.	X					
1.6.2 - The dividend distribution policy comprises the minimum information to ensure that the shareholders can have an opinion on the procedure and principles of dividend distributions in the future.	X					
1.6.3 - The reasons for retaining earnings, and their allocations, are stated in the relevant agenda item.					X	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					

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	Compliance Status					
	Yes	**Partial**	**No**	**Exempted**	**Not Applicable**	**Explanation**
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 annual 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					
3.1.4 - A whistleblowing program 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 organizes trainings for employees.	X					
3.3.4 - Meetings have been organized 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					

	Compliance Status					
	Yes	**Partial**	**No**	**Exempted**	**Not Applicable**	**Explanation**
3.3.6 - Job descriptions and performance criteria have been prepared for all employees, announced to them and taken into account to determine employee remuneration.	X					
3.3.7 - Measures (procedures, trainings, raising awareness, goals, monitoring, complaint mechanisms) have been taken to prevent discrimination, and to protect employees against any physical, mental, and emotional mistreatment.	X					
3.3.8 - The company ensures freedom of association and supports the right for collective bargaining.	X					
3.3.9 - A safe working environment for employees is maintained.	X					
3.4. RELATIONS WITH CUSTOMERS AND SUPPLIERS						
3.4.1-The company measured its customer satisfaction, and operated to ensure full customer satisfaction.	X					
3.4.2 - Customers are notified of any delays in handling their requests.	X					
3.4.3 - The company complied with the quality standards with respect to its products and services.	X					
3.4.4 - The company has in place adequate controls to protect the confidentiality of sensitive information and business secrets of its customers and suppliers.	X					
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					

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	Compliance Status					
	Yes	**Partial**	**No**	**Exempted**	**Not Applicable**	**Explanation**
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.

	Compliance Status					
	Yes	Partial	No	Exempted	Not Applicable	Explanation
4.3.10 - At least one member of the audit committee has 5 years of experience in audit/accounting and finance.	X					
4.4. BOARD MEETING PROCEDURES						
4.4.1-Each board member attended the majority of the board meetings in person.		X				One physical meeting was held in 2021 due to the Covid-19 pandemic, 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

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	Compliance Status					
	Yes	**Partial**	**No**	**Exempted**	**Not Applicable**	**Explanation**
4.5. BOARD COMMITTEES						
4.5.5 - Board members serve in only one of the Board's committees.			X			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.
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 favor 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.) organized by the company during the year	Above 200
1.2. Right to Obtain and Examine Information	
The number of special audit request(s)	Although the right to request a special auditor as an individual right has not been regulated in our contract, in accordance with Article 438 of the Turkish Commercial Code, each shareholder, if necessary for the exercise of shareholder rights and if the right to obtain information or review has been used before, may ask the general assembly to clarify it even if it is not included in the agenda. There was no such demand in 2021.
The number of special audit requests that were accepted at the General Shareholders' Meeting	The shareholders did not have such a request.
1.3. General Assembly	
Link to the PDP announcement that demonstrates the information requested by Principle 1.3.1. (a-d)	https://www.kap.org.tr/tr/Bildirim/911118
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/tr/Bildirim/911116
The name of the section on the corporate website that demonstrates the donation policy of the company	It is shared in the Investor Relations" - "Corporate Governance" - "Corporate Governance Policies" on the company website https:// www.tofas.com.tr. The upper limit for donations is determined by the general assembly.
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/918517
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 is open to the participation of stake holders and the media without a right of voice.
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 Shareholdersð 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**
16.03.2020	0	89.6%	0%	89.6%	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/tr/Bildirim/918517

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
ç) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on amendments in the legislation which may significantly affect the activities of the corporation	“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 Labor Law number 4857
The number of definitive convictions the company was subject to in relation to breach of employee rights	46
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 program	There isn't an employee stock ownership program.
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/Sustainability/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	9
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	1, 10%

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	06.04.2016	-	Not considered	No	Yes
SAMIR CHERFAN	Non-executive	Not independent director	09.11.2021	-	Not considered	No	Yes
CENGİZ EROLDU	Executive	Not independent director	13.01.2015	-	Not considered	No	Yes
TEMEL KAMİL ATAY	Non-executive	Not independent director	14.04.1994	-	Not considered	No	Yes
LEVENT ÇAKIROĞLU	Non-executive	Not independent director	01.04.2015	-	Not considered	No	Yes
CHRISTIAN ANDRÉ CHAPELLE	Non-executive	Not independent director	09.11.2021	-	Not considered	No	Yes
GIORGIO FOSSATI	Non-executive	Not independent director	18.02.2016	-	Not considered	No	Yes
NESLİHAN TONBUL	Non-executive	Independent director	15.03.2018	https://www.kap.org.tr/Bildirim/911118	Considered	No	Yes
SERGIO DUCA	Non-executive	Independent director	15.03.2018	https://www.kap.org.tr/Bildirim/911118	Considered	No	Yes
MELİH POYRAZ	Non-executive	Independent director	16.03.2018	-	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, one 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	Declaration of Corporate Governance Principles and Compliance Report " section under the title "Section V – Board of Directors
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	-	MELİH POYRAZ	No	Board member
Corporate Governance Committee	-	CHRISTIAN ANDRÉ CHAPELLE	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	-	MELİH POYRAZ	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 AŞ 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 2021 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 2021 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/2020/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. Tofaş's approaches with respect to human resources (page 59), anti-bribery & anti-corruption (page 93), and supply chain (page 90) issues are discussed in the relevant sections of this report. The Board Diversity Policy, Recruitment Policy, and Diversity and Inclusion Policy of Tofaş released in 2021 are posted in an up-to-date manner on the corporate website at the address tofas.com.tr.

SUSTAINABILITY PRINCIPLES COMPLIANCE FRAMEWORK

Description of Principle	Related Section/Page in the Annual Report
A. General Principles	
The Board of Directors (BoD) will determine the ESG priority issues, risks, and opportunities, and establish the relevant ESG policies accordingly. Internal guidelines, work procedures, etc. may also be developed to ensure effective implementation of these policies. The decision regarding these policies are taken and disclosed publicly by the BoD.	Sustainability, page 60-61
The Company will set its strategy aligned with the ESG policies, risks and opportunities. It will set and publicly disclose short- and long-term targets conforming to the Company strategy and ESG policies.	Sustainability, page 60-61
The Company will determine and publicly disclose the committees/units in charge of executing the ESG policies. The responsible committee/unit will report the activities carried out as per the policies annually, and in any case, within the deadline set for the public disclosure of annual reports within the BoD's related guidelines.	Sustainability, page 60-61
The Company will create and publicly disclose implementation and action plans in line with the short-and long-term targets set.	Sustainability, page 60-61
The Company will define and announce ESG Key Performance Indicators (KPIs) comparatively by years. In the presence of verifiable data, KPIs will be presented together with local and international sectoral comparisons.	Sustainability, page 60-87
The Company will disclose the innovation activities for improving the Company's sustainability performance in relation to business processes or products and services.	R&D, page 48-49 and Sustainability page 76-77
The Company will report, and publicly disclose, its sustainability performance, targets and actions at least annually. It will disclose information on its sustainability activities within the annual report.	Sustainability, page 60-61
Essentially, the Company will use a direct and concise language in conveying material information so that stakeholders can easily understand the Company's position, performance and development. Detailed information and data can be disclosed separately on its website, and separate reports directly fulfilling the needs of diverse stakeholders can be drawn up.	page 60-61
The Company will exercise utmost care with respect to transparency and reliability. It will objectively explain all developments related to material issues in disclosures and reportings within the scope of balanced approach.	page 60-61
The Company will specify which United Nations (UN) 2030 Sustainable Development Goals (SDGs) its activities are linked to.	Sustainability, page 73. Links to Sustainable Development Goals are given in the Sustainability Report: http://irsustainability.tofas.com.tr/2020/tr/
The Company will make disclosures regarding the lawsuits filed and/or concluded against the Company for environmental, social and governance matters.	Page 91-175
The Company will make public its sustainability performance measurements, if verified by independent third parties (independent sustainability assurance providers), and will endeavor to increase such verifications.	Sustainability Principles Compliance Statement
B. Environmental Principles	
The Company will disclose its policies, implementations and action plans in relation to environmental management, and environmental management systems (known as ISO 14001 standard) and programs.	Page 71
The Company will achieve compliance with laws and other applicable regulations on the environment, and will disclose the same.	Page 78-79

Description of Principle	Related Section/Page in the Annual Report
The Company will specify the scope of the environmental report, reporting period, date of report, data collection process and restrictions regarding reporting conditions to be covered in the report that will be prepared in accordance with the Sustainability Principles.	Page 71
The Company will disclose the highest-ranked individual in charge of environment and climate change at the Company, along with related committees and their respective roles.	Page 72
The Company will disclose the incentives made available for the management of environmental matters, including achievement of targets.	Page 72-79
The Company will explain integration of environmental matters in business targets and strategies.	Page 71-79
The Company will disclose sustainability performances associated with work processes or products and services, along with improvement steps therefor.	Page 73-75
The Company will explain how environmental issues are managed not just with respect to its direct operations but throughout the Company's value chain, and how it integrates its suppliers and customers in its strategies.	Page 85-85
The Company will disclose whether it is involved in policy-making processes in universal issues (sectoral, regional, national and international), environmental associations that it is a member of, its collaborations with related organizations and NGOs, and the tasks it undertakes, if any, and the activities it supports, if any.	Page 62-63, 71-72
Environmental indicators (GHG emissions (Scope-1 (Direct), Scope-2 (Indirect from purchased energy), Scope-3 (Other indirect)), air quality	Page 71-72
The Company will periodically report its environmental impacts comparatively in the light of energy management, waste and wastewater management, waste management and biodiversity implications.	Page 71-72
The Company will disclose the standards, protocols, methodology employed for collecting and calculating data, along with the details of the base year.	Page 71-72
The Company will disclose the status of environmental indicators for the reporting year in comparison to previous years (increase or decrease).	Page 71-72
The Company will set, and disclose, its short- and long-term targets for mitigating its environmental impacts. These targets are recommended to be Science Based as suggested by the UN Climate Change Conference of the Parties (COP). The Company will also provide information about the progress achieved, if applicable, in the reporting period with respect to the targets it has set previously.	Page 71-72
The Company will disclose its strategy and actions to combat the climate crisis.	Page 72, 77-79
The Company will explain its programs or procedures for preventing or minimizing the potential negative impacts of the products and/or services it offers; it will also explain its actions for driving reduction of GHG emission quantities of third parties.	Page 72, 77-79, 84-85
The Company will disclose the total number of actions taken, projects carried out and initiatives undertaken to mitigate its environmental impacts, along with the benefits/savings and cost savings derived on the same.	Page 71-79
The Company will report its total energy consumption data (excluding raw materials) and discloses its energy consumption in terms of Scope-1 and Scope-2.	Page 71-79
The Company will provide information about the electricity, heat, steam and cooling generated and consumed during the reporting period.	Page 71-79
The Company will work towards increasing the use of renewable energy and transition to zero- or low-carbon electricity, and will explain these efforts.	Page 75-78

SUSTAINABILITY PRINCIPLES COMPLIANCE FRAMEWORK

Description of Principle	Related Section/Page in the Annual Report
The Company will disclose data on its renewable energy generation and consumption.	Page 73
The Company will develop energy-efficiency projects, and disclose the quantity reduced in energy consumption and emissions enabled by these efforts.	Page 77-79
The Company will report on the quantity of underground or overground water withdrawn, consumed, recycled and discharged, the resources, and procedures (total water withdrawal on the basis of resources, water resources affected by water withdrawal, and percentage and total volume of recycled and reused water etc.).	Page 74
The Company will disclose whether its operations or activities are included in any carbon pricing system (Emissions Trading System, Cap & Trade or Carbon Tax).	Page 78-79 and Sustainability Principles Compliance Statement
The Company will disclose the carbon credits saved or purchased during the reporting period.	Page 78-79 and Sustainability Principles Compliance Statement
The Company will disclose the details if carbon pricing is applied at the Company.	Page 78-79 and Sustainability Principles Compliance Statement
The Company will specify all compulsory and voluntary platforms that it reports its environmental information to.	Page 71-79
C. Social Principles	
The Company will develop a Company Human Rights and Employee Rights Policy, which pledges full compliance with the Universal Declaration of Human Rights, ILO Conventions ratified by Turkey, and regulatory framework and legislation governing human rights and work life in Turkey. It will also make public the said policy, and the roles and responsibilities for its implementation.	Page 53-57
The Company will secure equal opportunities in recruitment processes. In its policies, it will incorporate equitable workforce, improving working standards, women employment and inclusion (not discriminating on the basis of women, men, faith, language, ethnicity, age, disabilities, refugees, etc.), while looking out for the implications for the supply and value chain at the same time.	Page 53-57
The Company will explain the measures taken throughout the value chain for protecting the rights of groups susceptible to certain economic, environmental, social factors (e.g. low-income groups, women, etc.) or for securing minority rights/equal opportunities.	Page 53-57
The Company will report on progress in relation to actions for preventing and remedying discrimination, inequalities, human rights violations, and forced labor. It will explain the actions to prevent child labor.	Page 53-57
The Company will disclose investments made in employees (training, development policies), employee compensation, fringe benefits granted, the right to unionize, work-life balance solutions and talent management. It will establish the mechanisms for resolution of employee complaints and labor disputes, and determine conflict resolution processes. The Company will regularly disclose the activities for ensuring employee satisfaction.	Page 53-57
The Company will establish and publicly disclose occupational health and safety policies. It will disclose the measures adopted for protection against workplace accidents and for protecting occupational health, along with statistical data on accidents.	Page 80-81
The Company will establish and publicly disclose personal data protection and data security policies.	https://www.tofas.com.tr/KisiselVerilerinKorunmasi/Documents/Tofas_KVK_Islenmesi_Politikasi_Koc_V3.pdf

Description of Principle	Related Section/Page in the Annual Report
The Company will establish and publicly disclose a code of ethics (including business, work conduct, compliance processes, advertising and marketing ethics, clear disclosure efforts etc.).	Page 87
The Company will disclose its activities and initiatives in relation to social investments, social responsibility, financial inclusion and access to finance.	Page 53-57
The Company will organize information meetings and training programs for employees about ESG policies and implementations.	Page 77
The Company will carry out its activities in relation to sustainability taking into consideration the needs and priorities of all its stakeholders (employees, customers, suppliers and service providers, public institutions, shareholders, society and NGOs, etc.).	Page 60-63
The Company will develop and publicly disclose a customer satisfaction policy regarding customer complaints handling and resolution.	Page 86
The Company will maintain continuous and transparent communication with stakeholders; it will disclose with which stakeholders it communicates for what purpose, about which topic and how often, as well as the progress achieved in sustainability-related activities.	Page 60, 61
The Company will publicly disclose the international reporting standards it has embraced (Carbon Disclosure Project (CDP), Global Reporting Initiative (GRI), International Integrated Reporting Council (IIRC), Sustainability Accounting Standards Board (SASB), Task Force on Climate-related Financial Disclosures (TCFD) etc.).	Page 74-79 and http://irsustainability.tofas.com.tr/2020/tr/
The Company will publicly disclose the institutions or principles that it is a member or signatory of (Equator Principles, UN Environment Programme Finance Initiative (UNEP-FI), UN Global Compact (UNGC), UN Principles for Responsible Investment (UNPRI) etc.), and the international principles it embraces (such as International Capital Markets Association (ICMA) Green/Sustainability Bonds Principles).	Page 62-63
The Company will spend concrete efforts to qualify for inclusion in Borsa İstanbul (BIST) Sustainability Index and international sustainability indices (Dow Jones Sustainability Index, FTSE4Good, MSCI ESG Indices etc.).	Page 4, 72, 78, 79
D. Governance Principles	
The Company will spend maximum efforts to achieve compliance with all Corporate Governance Principles, as well as compulsory ones under the Capital Markets Board of Turkey (CMB) Corporate Governance Communiqué No. II-17.1.	Declaration of Corporate Governance Principles and Compliance Report
The Company will take into consideration the sustainability issue, environmental impacts of its operations and associated principles when setting its corporate governance strategy.	Page 60-64
The Company will take the necessary actions for achieving compliance with the principles related to stakeholders as stipulated in the Corporate Governance Principles and for strengthening communication with stakeholders. It will seek stakeholders' opinions for determining the sustainability-related measures and strategies.	Page 60-64
The Company will work on the sustainability issue through social responsibility projects, awareness activities and training, and on heightening awareness of the importance of this issue.	Page 63-70
The Company will spend efforts to become a member of sustainability-related international standards and initiatives and to contribute to related studies and efforts.	Page 60-64
The Company will disclose its anti-bribery and anti-corruption policy and programs, as well as those on the tax integrity principle.	Page 87

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 FCA 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.

Looking at the domestic side, 2021 has been a successful year with respect to commercial risk management at our Company. Despite the impacts of the pandemic, macroeconomic developments, supply chain issues and challenging market conditions, our Company maintained its leadership in the automotive market.

Domestic retail sales was nearly 124.6 thousand in 2021, down 13.2% year-over-year. Egea Sedan model retained leadership in its own segment with a market share of 30.6%.

The financial debt of the Company is composed of long-term bank loans that do not bear foreign exchange risk, and are related to New Doblò, Egea line and the Florino 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.

Financial Indicators		
(TL million)	**2021**	**2020**
Total Net Sales	29,684	23,557
Net Profit	3,281	1,784
Total Assets	23,473	19,476
Ratios		
Current Ratio	1.2	1.2
Profit After Tax/Net Sales	11%	8%
Profit After Tax/Total Assets	14%	9%
Profit After Tax/Equity	57%	40%
Total Debt/Equity	135%	150%

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 2021, 6 meetings were held under the chairmanship of Ms. Neslihan Tonbul, with the participation of committee members Mr. Sergio Duca, Mr. Melih Poyraz 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 2021, 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.

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 2021, 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.

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.

c. Internal Control System and Internal Audit

An internal control system was built to cover (i) the Company activities and services carried out effectively, reliably and uninterruptedly in conformity with the existing laws and regulations, and (ii) controls made to maintain the integrity, consistency, timeliness and reliability and safety of the accounting and financial reporting system.

Tofaş Türk Otomobil Fabrikası A.Ş. coordinates and carries out an internal audit activity that will provide constant monitoring and assessment of the internal control system.

The Audit Committee has the primary responsibility for monitoring the internal control system and internal audit process. In addition, the Early Detection of Risk and Risk Management Committee takes care to address the related system in conjunction with risk management. The Audit Committee makes assessments to verify that necessary proactive measures are adopted in relation to the Company's internal control system and internal audit activities, enterprise risk management, financial, commercial and operational risks, and foreseeable potential risks, and that the Company fulfills the responsibilities imposed by the legal regulations in relation to internal control, internal audit and risk management.

Committees' statements and reports are directly presented to the Board of Directors. An internal audit activity is carried out that enables continuous monitoring and evaluation of the Company's internal control system.

Accordingly it has been established as per the Turkish Commercial Code, Capital Market Law and Capital Market legislation, that internal audit activities and the internal control system did function solidly as at year-end 2021 and that there were no important problems about the processes so far. Furthermore, records indicating the healthy functioning of the enterprise risk and internal control systems were kept and it was declared that no important issues were found.

The administrative body maintains a positive opinion about the Company's internal control system and internal audit activities. In the report presented to the Board of Directors, the Committee expresses its positive opinion about the efficiency, adequacy and appropriateness of the internal controls carried out to ensure efficient, reliable and uninterrupted performance of Company activities and services, and to guarantee the integrity, consistency, timely availability, reliability and safety of the data derived from the accounting and financial reporting system, as well as for the activities of internal audit and risk management systems in relation to the preparation of consolidated financial statements.

Furthermore; in this context, the Auditor Report about the Early Risk Detection System Committee prepared by the Independent Audit firm Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (A member firm of Ernst& Young Global Limited) states that: "As a result of our activities we have reached the conclusion that; Tofaş Türk Otomobil Fabrikası A.Ş.'s Early Risk Detection Committee is sufficient in all significant aspects within the framework of the Article 378 of the Turkish Code of Commerce."

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 18 February 2022, 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 2021; 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."

(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, 2021, 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

Ethem Kurucular, SMMM
Partner

İstanbul, February 3, 2022

TOFAŞ TÜRK OTOMOBİL FABRİKASI ANONİM ŞİRKETİ
CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2021 TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

(Originally issued in Turkish)

INDEPENDENT AUDITOR'S REPORT

Building a better working world

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To the Shareholders 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, 2021, 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, 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the Turkish Financial Reporting Standards ("TFRS").

2) Basis for Opinion

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

3) Key Audit Matters

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

Key Audit Matters	Auditor's response
Capitalized Development costs	
The Group capitalizes R&D costs for increasing efficiency and capacity of the automobile production or decreasing production costs. Detailed in Note 13 to the accompanying financial statements, capitalized development costs on consolidated financial statements as of December 31, 2021 is significant for our audit due to variety of nature of costs and management judgments involved in the capitalization process.	Our audit procedures include, examination of the Group's policies and processes related to evaluation of expectation on projects and examination of nature of capitalized development costs related to each project. One of the most significant management judgments for the project at development phase is estimation of market performance of products related to the project. Our audit procedures on projects at development phase consist of assessment of reasonability of management judgments, testing the accuracy of the relevant amounts, examination of the result of development works and considering the Group's internal management and authorization processes. Additionally, inquiries have been performed with managers of the Group's R&D and sales departments, sales performance of products which start active sales in the market has been examined and recoverability of capitalized development costs for related projects have been assessed. Furthermore, we assessed the appropriateness of the disclosures in the financial statements in Note 13, intangible assets, in terms of TFRS.
Warranty provision	

INDEPENDENT AUDITOR'S REPORT

As of December 31, 2021, in Note 15, warranty provision on consolidated financial statements is amounting to TL 371,172 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.	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. 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. 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.
Receivable from financial sector operations	
As of December 31, 2021, in Note 9, provisions for the receivables related to the financial sector operations amounting to TL 4,382,529 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. 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.	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. 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. Furthermore, we assessed the appropriateness of the disclosures in the financial statements in Note 9, receivables from financial sector operations, in terms of TFRS.

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 Turkey 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.

As part of an audit in accordance with standards on auditing as issued by the Capital Markets Board of Turkey 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.

INDEPENDENT AUDITOR'S REPORT

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 3 February 2022.
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 2021 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 Ethem Kutucular.

Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi
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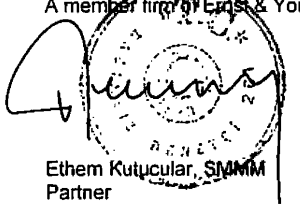

Ethem Kutucular, SMMM
Partner

3 February 2022
Istanbul, Turkey

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TOFAŞ TÜRK OTOMOBİL FABRİKASI ANONİM ŞİRKETİ
CONSOLIDATED BALANCE SHEETS
AT 31 DECEMBER 2021 AND 2020

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)
(Convenience translation of consolidated financial statements originally issued in Turkish)

	Notes	*Audited* 31 December 2021	*Audited* 31 December 2020
ASSETS			
Current assets:			
Cash and cash equivalents	4	4,214,726	4,249,809
Financial assets	5	240	1,002
Trade receivables			
- Related parties	27	*5,660,932*	*4,049,339*
- Third parties	7	*1,481,414*	*1,443,673*
Receivables from finance sector operations	9	*2,146,646*	1,400,368
Other receivables	8	690	101
Inventories	10	2,379,087	1,523,966
Prepaid expenses	17	72,223	42,328
Current tax assets	25	-	3,537
Other current assets	17	213,590	127,243
Total current assets		**16,169,548**	**12,841,366**
Non-current assets:			
Receivables from finance sector operations	9	2,235,883	1,459,500
Other receivables	8	332	234
Investment properties	11	69,285	69,000
Property, plant and equipment	12	1,903,864	2,037,483
Right of use assets		5,088	9,826
Intangible assets	13	1,920,856	1,880,284
Prepaid expenses	17	22,682	78,201
Deferred tax assets	25	1,145,803	1,099,727
Total non-current assets		**7,303,793**	**6,634,255**
Total assets		**23,473,341**	**19,475,621**

These consolidated financial statements as of and for the year ended 31 December 2021 have been approved for issue by the Board of Directors on 3 February 2022. The aforementioned 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 BALANCE SHEETS
AT 31 DECEMBER 2021 AND 2020

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)
(Convenience translation of consolidated financial statements originally issued in Turkish)

	Notes	*Audited* 31 December 2021	*Audited* 31 December 2020
LIABILITIES			
Current liabilities:			
Short-term financial liabilities	6	150,000	50,000
Short-term portion of long-term financial liabilities	6	3,988,262	2,777,079
Trade payables			
- Related parties	*27*	5,083,471	*4,011,979*
- Third parties	*7*	3,684,915	*3,472,116*
Employee benefit liabilities	16	173,105	141,144
Other payables	8	22,921	19,006
Contract liabilities	17	44,205	36,297
Government incentives and grants	14	4,516	4,516
Deferred income	17	94,784	44,789
Profit and tax liability for the period		50.594	
Short-term provisions	15	454,575	318,239
Other current liabilities		6,441	5,569
Total current liabilities		**13,757,789**	**10,880,734**
Non-current liabilities:			
Long-term financial liabilities	6	3,620,796	3,862,706
Derivative instruments	29	2,124	7,276
Government incentives and grants	14	2,135	6,651
Long-term provisions			
- Provisions for employment termination benefits	*16*	347,106	*249,643*
Total non-current liabilities		**3,972,161**	**4,126,276**
Total liabilities		**17,729,950**	**15,007,010**
Equity:			
Paid-in share capital	18	500,000	500,000
Adjustment to share capital		348,382	348,382
Other comprehensive losses not to be reclassified under profit or losses			
- Actuarial loss on employment		*(149,799)*	*(81,944)*
Other comprehensive losses to be reclassified under profit or losses			
- Cumulative losses on hedging		*(1,894,105)*	*(1,455,424)*
Restricted reserves	18	398,178	369,326
Retained earnings		3,259,419	3,004,101
Net profit for the year		3,281,316	1,784,170
Total equity		**5,743,391**	**4,468,611**
Total liabilities and equity		**23,473,341**	**19,475,621**

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 2021 AND 2020

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)
(Convenience translation of consolidated financial statements originally issued in Turkish)

	Notes	*Audited* 1 January - 31 December 2021	*Audited* 1 January - 31 December 2020
Revenue	19	29,684,305	23,556,747
Cost of sales (-)	19	(24,065,233)	(20,439,545)
Gross profit from operations		**5,619,072**	**3,117,202**
Revenue from finance sector operations		828,704	425,585
Expenses from finance sector operations (-)		(619,313)	(329,179)
Gross profit from finance sector operations		**209,391**	**96,406**
Gross profit		**5,828,463**	**3,213,608**
General administrative expenses (-)	20	(510,139)	(390,629)
Marketing, selling and distribution expenses (-)	20	(596,791)	(480,225)
Research and development expenses (-)	20	(126,527)	(75,997)
Other income from main operations	22	2,918,260	1,381,427
Other expense from main operations (-)	22	(3,417,547)	(1,582,021)
Operating profit before financial income		**4,095,719**	**2,066,163**
Income from investing activities	23	38,455	10,558
Operating profit before financial income		**4,134,174**	**2,076,721**
Financial income	24	3,331,176	1,545,965
Financial expenses (-)	24	(3,953,134)	(1,791,910)
Profit before tax from continuing operations		**3,512,216**	**1,830,776**
Tax income/(loss) for the period		**(230,900)**	**(46,606)**
- Taxes on income	*25*	*(113,178)*	*(31,884)*
- Deferred tax income/(expense)	*25*	*(117,722)*	*(14,722)*
Net profit for the year		**3,281,316**	**1,784,170**
Net profit attributable to:			
Non-controlling interests		-	**-**
Equity holders of the parent		3,281,316	1,784,170
Earnings per share (Kr)	26	**6,56**	**3.57**

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 2021 AND 2020

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)
(Convenience translation of consolidated financial statements originally issued in Turkish)

	Notes	*Audited* 1 January - 31 December 2021	*Audited* 1 January - 31 December 2020
Net profit for the year		**3,281,316**	**1,784,170**
Other comprehensive income:			
Other comprehensive income not to be reclassified under profit and loss			
- Actuarial gain/(loss) on employment termination benefit obligation	16	(85,181)	(17,624)
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	17,326	3,525
Other comprehensive income to be reclassified under profit and loss			
- Gaining/(losses) on hedging	2	(585,153)	(552,139)
Taxes relating to other comprehensive income to be reclassified under profit and loss			
- Losses on hedging, tax effect	25	146,472	121,470
Other comprehensive income/(loss)		**(506,536)**	**(444,768)**
Total comprehensive income		**2,774,780**	**1,339,402**
Total comprehensive income attributable to:			
Non-controlling interests		-	-
Parent company interests		2,774,780	1,339,402

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 2021 AND 2020

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)
(Convenience translation of consolidated financial statements originally issued in Turkish)

			Other comprehensive income not to be reclassified under profit and loss
	Paid in share capital	Adjustments to share capital	Actuarial loss on employment termination benefit obligation
Balances at 1 January 2020	**500,000**	**348,382**	**(67,845)**
Transfers	-	-	-
Total comprehensive income	-	-	(14,099)
Dividends paid	-	-	-
Balances at 31 December 2020	**500,000**	**348,382**	**(81,944)**
Balances at 1 January 2021	**500,000**	**348,382**	**(81,944)**
Transfers	**-**	**-**	**-**
Total comprehensive income	**-**	**-**	**(67,855)**
Dividends paid	**-**	**-**	**-**
Balances at 31 December 2021	**500,000**	**348,382**	**(149,799)**

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

Other comprehensive income to be reclassified under profit and loss	Retained earnings				
Loss on cash flow hedge	Restricted reserves	Retained earnings	Net profit for the year	Equity holders of the parent	Total equity
(1,024,755)	**366,881**	**2,724,907**	**1,481,639**	**4,329,209**	**4,329,209**
-	107,040	1,374,599	(1,481,639)	-	-
(430,669)	-	-	1,784,170	1,339,402	1,339,402
-	(104,595)	(1,095,405)	-	(1,200,000)	(1,200,000)
(1,455,424)	**369,326**	**3,004,101**	**1,784,170**	**4,468,611**	**4,468,611**
(1,455,424)	**369,326**	**3,004,101**	**1,784,170**	**4,468,611**	**4,468,611**
-	**136,714**	**1,647,456**	**(1,784,170)**	**-**	**-**
(438,681)	**-**	**-**	**3,281,316**	**2,774,780**	**2,774,780**
-	**(107,862)**	**(1,392,138)**	**-**	**(1,500,000)**	**(1,500,000)**
(1,894,105)	**398,178**	**3,259,419**	**3,281,316**	**5,743,391**	**5,743,391**

TOFAŞ TÜRK OTOMOBİL FABRİKASI ANONİM ŞİRKETİ
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED 31 DECEMBER 2021 AND 2020

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)
(Convenience translation of consolidated financial statements originally issued in Turkish)

	Notes	*Audited* 1 January - 31 December 2021	*Audited* 1 January - 31 December 2020
A. Cash flows from operating activities:		**2,679,899**	**1,584,410**
Net profit for the year		3,281,316	1,784,170
Adjustments to reconcile profit for the period		**2,329,659**	**1,354,390**
- Depreciation and amortization	21	1,199,120	758,755
- Income from revaluation of investment properties	23	(285)	(3,000)
- Adjustments related to doubtful receivables	7-9	12,333	21,461
- Adjustments related to interest income	24	(297,041)	(212,300)
- Adjustments related to provision for inventories	10	(4,676)	16,707
- Gain on sale of property, plant and equipment		(38,170)	(7,558)
- Provision for employment termination benefits	16	51,303	42,852
- Adjustments for reversal of lawsuit and/or penalty provisions	15	3,289	3,832
- Adjustments related to warranty provisions	15, 20	245,584	208,479
- Adjustments related to other provisions		20,353	29,547
- Adjustments related to interest expense	24	112,006	104,225
- Adjustments for tax loss/(income)	25	230,900	46,606
- Deferred financial expenses from credit purchases/sales, net	22	(27,573)	(17,081)
- Adjustments related to unrealized gain on foreign currency differences		1,613,731	628,749
- Adjustments related to exchange differences of cash and cash equivalents		(791,215)	(266,884)
Changes in net working capital		**(2,700,119)**	**(1,402,820)**
- Change in inventories		(850,445)	(791,543)
- Change in receivables from third parties		513,943	(428,652)
- Change in receivables from related parties		(1,611,593)	(2,794,272)
- Change in other receivables from operating activities		(687)	380
- Change in trade payables due to third parties		212,799	1,500,361
- Change in trade payables due to related parties		547,351	1,968,254
- Adjustments for increase (decrease) in liabilities arising from customer contracts		7,908	8,882
- Change in receivables from finance sector operations		(1,534,964)	(843,439)
- Change in prepaid expenses		25,624	23,927
- Change in deferred revenue		49,995	11,689
- Change in government incentives and grants		(4,516)	(4,515)
- Change in other assets from operating activities		(87,130)	(42,718)
- Change in other liabilities from operating activities		36,748	2,998
- Change in fair value gains on derivative financial instruments		(5,152)	(14,172)
Net cash generated from operating activities		**2,910,856**	**1,735,740**
- Income taxes paid		(59,047)	(32,720)
- Payments related to employment termination benefits	16	(39,021)	(29,332)
- Other cash outflows		(132,889)	(89,278)
B. Cash flows from investing activities		**(760,779)**	**(696,999)**
- Purchases of tangible assets	12	(379,788)	(333,331)
- Purchases of intangible assets		59,809	15,935
- Proceeds from sale of tangible and intangible assets		(742,403)	(575,394)
- Change in financial assets		762	(434)
- Interest received		300,841	196,225
C. Cash flows from financing activities		**(2,741,618)**	**253,952**
- Proceeds from financial liabilities		2,913,480	3,964,695
- Bank loans paid		(4,037,524)	(2,401,935)
- Payment of lease liabilities	6	(7,101)	(6,621)
- Dividend paid		(1,500,000)	(1,200,000)
- Interest paid		(110,473)	(102,187)
Net (decrease)/increase in cash and cash equivalents before currency translation differences		**(822,498)**	**1,141,363**
D. Effects of currency translation differences on cash and cash equivalents		**791,215**	**266,884**
Net change in cash and cash equivalents		**(31,283)**	**1,408,247**
E. Cash and cash equivalents at the beginning of the year		**4,227,235**	**2,818,988**
Cash and cash equivalents at the end of the year	4	**4,195,952**	**4,227,235**

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 2021

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)
(Convenience translation of consolidated financial statements originally issued in Turkish)

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 FCA Italy S.p.A. (Stellantis). 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 2021 and 2020 which are subject to consolidation are as follows:

		Rate of ownership of the Company (%)	
Name of the company	**Operating area**	**31 December 2021**	**31 December 2020**
Koç Fiat Kredi Finansman A.Ş. ("KFK")	Consumer financing	100	99.9
Fer Mas Oto Ticaret A.Ş.	Trading of automobile and spare parts	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	
	31 December 2021	**31 December 2020**	**31 December 2021**	**31 December 2020**
Hourly-rated	5,083	5,166	4,955	5,403
Monthly-rated	1,502	1,550	1,527	1,540
	6,585	**6,716**	**6,482**	**6,943**

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 15 April 2020 relating to financial statements presentations.

The Company and its subsidiaries operating in Turkey, maintains its accounting records and prepares its statutory financial statements in accordance with the Turkish Commercial Code (the "TCC"), tax legislation and the uniform chart of accounts issued by the Minis TL of Finance. These consolidated financial statements are based on the statutory records, which are maintained under historical cost conversion, with the required adjustments and reclassifications reflected for the purpose of fair presentation in accordance with the TAS.

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.

TOFAŞ TÜRK OTOMOBİL FABRİKASI ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (continued)

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)
(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)

2.1.4 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.

Minority shares of Tofaş in subsidiaries were not recognized under non-controlling interest ("Minority interest" or "Non-controlling Interests") since they do not have a material effect in consolidated financial statements. Financial statements of the Company and its subsidiaries subject to consolidation were prepared as of the same date.

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:

a) 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 2021, the amount of guarantee expense is TL 245,584 (31 December 2020: TL 208,479) (Note 15).

b) 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 and measured and recognized on a portfolio basis for a group of similar loans and receivables that are not individually identified as impaired. As of 31 December 2021, general provisions for finance loans amounted to TL 31,019 (31 December 2020: TL 24,134) has been booked in the consolidated financial statements (Note 9).

c) 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.

d) 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.

e) 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.

f) The Group assesses whether there is any impairment indicator in investment properties and compares carrying values of the investment property with the fair determined in the valuation report obtained by a property appraiser company licensed by CMB.

g) Group management has made assumptions based on the experience of the technical staff in determining the useful life of tangible and intangible assets.

TOFAŞ TÜRK OTOMOBİL FABRİKASI ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (continued)

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)
(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)

h) 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, 2021 and 2020 since the assumptions used regarding that the Company has taxable profit in following periods

ı) 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 (Not 13).

2.2 Changes in Turkish Financial Reporting Standards

The new standards, amendments and interpretations

The accounting policies adopted in preparation of the consolidated financial statements as at December 31, 2021 are consistent with those of the previous financial year, except for the adoption of new and amended TFRS and TFRIC interpretations effective as of January 1, 2021. 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 at January 1, 2021 are as follows:

Interest Rate Benchmark Reform - Phase 2 - Amendments to TFRS 9, TAS 39, TFRS 7, TFRS 4 and TFRS 16

In December 2020, the POA issued Interest Rate Benchmark Reform - Phase 2, Amendments to TFRS 9, TAS 39, TFRS 7, TFRS 4 and TFRS 16 to provide temporary reliefs which address the financial reporting effects when an interbank offering rate (IBOR) is replaced with an alternative nearly risk-free rate (RFR, amending the followings. The amendments are effective for periods beginning on or after 1 January 2021.

Practical expedient for changes in the basis for determining the contractual cash flows as a result of IBOR reform

The amendments include a practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest. Under this practical expedient, if the interest rates applicable to financial instruments change as a result of the IBOR reform, the situation is not considered as a derecognition or contract modification; instead, this would be determined by recalculating the carrying amount of the financial instrument using the original effective interest rate to discount the revised contractual cash flows.

The practical expedient is required for entities applying TFRS 4 Insurance Contracts that are using the exemption from TFRS 9 Financial Instruments (and, therefore, apply TAS 39 Financial Instruments: Classification and Measurement) and for TFRS 16 Leases, to lease modifications required by IBOR reform.

TOFAŞ TÜRK OTOMOBİL FABRİKASI ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (continued)

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)
(Convenience translation of consolidated financial statements originally issued in Turkish)

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

2.2 Changes in Turkish Financial Reporting Standards (Continued)

Relief from discontinuing hedging relationships

- The amendments permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued.
- Amounts accumulated in the cash flow hedge reserve are deemed to be based on the RFR.
- For the TAS 39 assessment of retrospective hedge effectiveness, on transition to an RFR, entities may elect on a hedge-by-hedge basis, to reset the cumulative fair value changes to zero.
- The amendments provide relief for items within a designated group of items (such as those forming part of a macro cash flow hedging strategy) that are amended for modifications directly required by IBOR reform. The reliefs allow the hedging strategy to remain and not be discontinued.
- As instruments transition to RFRs, a hedging relationship may need to be modified more than once. The phase two reliefs apply each time a hedging relationship is modified as a direct result of IBOR reform.

Separately identifiable risk components

The amendments provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component.

Additional disclosures

Amendments need additional TFRS 7 Financial Instruments disclosures such as;
How the entity is managing the transition to RFRs, its progress and the risks to which it is exposed arising from financial instruments due to IBOR reform, quantitative information about financial instruments that have yet to transition to RFRs and If IBOR reform has given rise to changes in the entity's risk management strategy, a description of these changes.

The amendments are mandatory, with earlier application permitted. While application is retrospective, an entity is not required to restate prior periods.

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

Amendments to IFRS 16 - Covid-19-Related Rent Concessions and Covid-19-Related Rent Concessions beyond 30 June 2021

In June 2020, the POA issued amendments to TFRS 16 Leases to provide relief to lessees from applying TFRS 16 guidance on lease modifications to rent concessions arising a direct consequence of the Covid-19 pandemic. In April 7, 2021, POA extended the exemption to include concessions that cause a decrease in lease payments whose maturity expired on or before June 30, 2022.

A lessee will apply the amendment for annual reporting periods beginning on or after 1 April 2021. Early application of the amendments is permitted.

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

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.

Amendments to TFRS 3 - Reference to the Conceptual Framework

In July 2020, the POA issued amendments to TFRS 3 Business combinations. The amendments are intended to replace to a reference to a previous version of the Conceptual Framework (the 1989 Framework) with a reference to the current version issued in March 2018 (the Conceptual Framework) without significantly changing requirements of TFRS 3. At the same time, the amendments add a new paragraph to TFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date. The amendments issued to TFRS 3 which are effective for periods beginning on or after 1 January 2022 and must be applied prospectively. Earlier application is permitted if, at the same time or earlier, an entity also applies all of the amendments contained in the Amendments to References to the Conceptual Framework in TFRS standards (2018 Version).

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

TOFAŞ TÜRK OTOMOBİL FABRİKASI ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (continued)

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)
(Convenience translation of consolidated financial statements originally issued in Turkish)

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

2.2 Changes in Turkish Financial Reporting Standards (Continued)

Amendments to TAS 16 - Proceeds before intended use

In July 2020, the POA issued amendments to TAS 16 Property, plant and equipment. The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment (PP&E), any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and costs of producing those items, in profit or loss. The amendments issued to TAS 16 which are effective for periods beginning on or after 1 January 2022. Amendments must be applied retrospectively only to items of PP&E made available for use on or after beginning of the earliest period presented when the entity first applies the amendment.

There is no transition relief for the first time adopters.

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

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

In July 2020, the POA issued amendments to TAS 37 Provisions, Contingent Liabilities and Contingent assets. The amendments issued to TAS 37 which are effective for periods beginning on or after 1 January 2022, to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making and also apply a "directly related cost approach". Amendments must be applied prospectively to contracts for which an entity has not fulfilled all of its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). Earlier application is permitted and must be disclosed.

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

TFRS 17 - The new Standard for insurance contracts

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

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

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

On January 15, 2021, the POA issued amendments to TAS 1 Presentation of Financial Statements. The amendments issued to TAS 1 which are effective for periods beginning on or after 1 January 2023, clarify the criteria for the classification of a liability as either current or non-current. Amendments must be applied retrospectively in accordance with TAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. Early application is permitted.

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

Amendments to TAS 8 - Definition of Accounting Estimates

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

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

Amendments to TAS 1 - Disclosure of Accounting Policies

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

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

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

2.2 Changes in Turkish Financial Reporting Standards (Continued)

Amendments to IAS 12 - Deferred Tax related to Assets and Liabilities arising from a Single Transaction

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

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

Annual Improvements - 2018-2020 Cycle

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

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

Improvements are effective for annual reporting periods beginning on or after 1 January 2022. Earlier application is permitted for all.

The Group is in the process of assessing the impact of the amendments on 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 (Note 4).

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.

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.

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

2.3 Summary of significant accounting policies (Continued)

"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.

Recognition and Measurement

Financial assets that are purchased and sold normally are recorded at the date of sale. The date of the purchase is the date is the date which the Group commits to purchase or sell the asset. Financial assets except for financial assets at fair value through profit and loss are initially recognized at fair value plus transaction costs. When the cash flow purchase rights arising from financial assets expire or are transferred and the Group transfers all the risks and rewards, the financial assets are excluded from the balance sheet. Financial assets that are available for sale are subsequently accounted for at their fair values. Loans and receivables are carried at amortized cost using the effective interest method.

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.

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

2.3 Summary of significant accounting policies (Continued)

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. In addition, the management makes a general provision in accordance with TFRS 9 in accordance with the maturity of the receivables based on their past experience on trade receivables.

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.

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.

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

2.3 Summary of significant accounting policies (Continued)

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.

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 amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. 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 recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for 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 in-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)

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.

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).

Revenue recognition

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 significant risks and rewards of ownership 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.

Service income is recognized when the service is rendered, and the amount is reliably measured (Note 19).

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.

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

2.3 Summary of significant accounting policies (Continued)

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 form 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).

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 2021, the Group has no capitalized borrowing costs (31 December 2020: no capitalized borrowing costs).

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.

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

2.3 Summary of significant accounting policies (Continued)

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 Turkey, 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.

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.

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

2.3 Summary of significant accounting policies (Continued)

Offsetting

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to 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 Turkey. 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.

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 2021, gains on cash flow hedging accounted for under the statement of other comprehensive loss is TL 585,153 (31 December 2020: income amounting to TL 552,139).

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 2020 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.

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

2.3 Summary of significant accounting policies (Continued)

Related parties

Parties are considered related to the Group if (Note 27);

(a) directly, or indirectly through one or more intermediaries, the party:
  (i) controls, is controlled by, or is under common control with, the Company (this includes parents, subsidiaries and fellow subsidiaries);
  (ii) has an interest in the Group that gives it significant influence over the Group; or
  (iii) has joint control over the Group;

(b) the party is an associate of the Group;

(c) the party is a joint venture in which the Group is a venture;

(d) the party is member of the key management personnel of the Group or its parent;

(e) the party is a close member of the family of any individual referred to in (a) or (d);

(f) the party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or

(g) the party has a post-employment benefit plan for the benefit of employees of the Group, or of an entity that is a related party of the Group.

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).

2.4 Changes in significant accounting policies

Tangible and intangible assets:

The Group amortizes tangible fixed assets and development expenses, which it capitalized related to development projects, by using straight-line method in line with the related project lives. In the period of the Group in 2020, the redemption period of Doblo model development projects has been extended until 31 December 2022. The redemption date of the Doblo model development projects of the Group until 31 December 2019 was 31 December 2021 and as of 1 January 2020, the amortization life of the following day was changed to 31 December 2022. If these changes had not been made, as of 31 December 2020, the accumulated depreciation and amortization would have been TRY 8,152,416 and the current year depreciation and amortization expenses would have been TRY 891,912.

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NOTE 3 - SEGMENT REPORTING

The reportable operational segments for segment reporting as of 31 December 2021 and 2020 are as follows:

2021	Trading of spare parts and automobile	Consumer financing	Total
Revenue	29,684,305	828,704	30,513,009
Gross profit	**5,619,072**	**209,391**	**5,828,463**
Operating expenses (-)	(1,198,664)	(34,793)	(1,233,457)
Other income from main operations	2,918,486	(226)	2,918,260
Other expenses from main operations (-)	(3,414,202)	(3,345)	(3,417,547)
Operating profit	**3,924,692**	**171,027**	**4,095,719**

2020	Trading of spare parts and automobile	Consumer financing	Total
Revenue	23,556,747	425,585	23,982,332
Gross profit	**3,117,202**	**96,406**	**3,213,608**
Operating expenses (-)	(916,925)	(29,926)	(946,851)
Other income from main operations	1,378,225	3,202	1,381,427
Other expenses from main operations (-)	(1,569,395)	(12,626)	(1,582,021)
Operating profit	**2,009,107**	**57,056**	**2,066,163**

As of 31 December 2021, the distribution of assets and liabilities of consumer financing segment is followed by TL 2,199,752 (31 December 2020: TL 1,640,232) in current asset, TL 2,250,276 (31 December 2020: TL 1,472,758) in non-current asset as receivables from finance sector operations and TL 2,147,103 TL (31 December 2020: TL 1,223,729 in current liabilities, TL 1,974.038 (31 December 2020: 1,643,221) in non-current liabilities as financial liabilities.

A significant portion of revenue consists of sales to related party's ratio to 67% (31 December 2020: 66%) (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

	2021	2020
Cash on hand	11	4
Due from banks		
- time deposits	*4,122,844*	*4,198,679*
- demand deposits	*91,871*	*51,126*
	4,214,726	**4,249,809**

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NOTE 4 - CASH AND CASH EQUIVALENTS (Continued)

As of 31 December 2021 and 2020, the details of time deposits are as follows:

	2021		2020	
	Amount	Effective interest rate per annum (%)	Amount	Effective interest rate per annum (%)
EUR	534,916	0.03-0.25	818,118	1.30-2.00
TL	3,587,928	15.50-24.75	3,380,561	17.10-19.10
	4,122,844		**4,198,679**	

As of 31 December 2021, the maturities of time deposits vary between 3 and 38 days (31 December 2020: between 4 and 39 days).

As of 31 December 2021, the cash at banks comprise time and demand deposits amounting to TL 1,939,244 (31 December 2020: TL 2,212,173) which are deposited at a bank which is a related party of the Group (Note 27).

As of 31 December 2021 and 2020, the reserves of cash and cash equivalent in cash flow statement;

	2021	2020
Cash and cash equivalents	4,214,726	4,249,809
Less: interest accruals	(18,774)	(22,574)
	4,195,952	**4,227,235**

As of 31 December 2021, the Company does not have any worth of restricted cash consists of required reserve balance of the Central Bank of Turkish Republic (31 December 2020: None)

NOTE 5 - FINANCIAL ASSETS

a) Financial assets to fair value through profit or loss

As of 31 December 2021, the Group has financial assets to fair value through profit or loss amounting to TL 240 (31 December 2020: TL 1,002).

NOTE 6 - FINANCIAL LIABILITIES

a) Short-term financial liabilities

	2021			2020		
	Original amount (thousand)	TL equivalent	Interest rate per annum (%)	Original amount (thousand)	TL equivalent	Interest rate per annum (%)
Borrowings in TL (*)	-	150,000	20.48	-	50,000	11,55-15,75
		150,000			**50,000**	

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NOTE 6 - FINANCIAL LIABILITIES (Continued)

b) Short-term portion of long-term financial liabilities

	2021			2020		
	Original amount (thousand)	TL equivalent	Interest rate per annum (%)	Original amount (thousand)	TL equivalent	Interest rate per annum (%)
Borrowings in TL (*)	-	1,467,743	10.92-22.94	-	821,416	9.98-26.62
Borrowings in EUR	142,754	2,095,952	Euribor + 0.55% Euribor + 2.50%	184,582	1,662,695	Euribor + 0.55% Euribor + 2.90%
Bonds (1,2,3,4)	-	420,815	17.9-20.80	-	286,197	9.60-17.65
Borrowings in lease liability	-	3,752	-	-	6,771	-
		3,988,262			**2,777,079**	

c) Long-term financial liabilities

	2021			2020		
	Original amount (thousand)	TL equivalent	Interest rate per annum (%)	Original amount (thousand)	TL equivalent	Interest rate per annum (%)
Borrowings in EUR	112,044	1,645,065	Euribor + 0.55% Euribor + 2.50%	246,279	2,218,461	Euribor + 0.55% Euribor + 2.90%
Borrowings in TL (*)	-	1,898,956	17.33-26.25	-	1,636,962	9.98-26.62
Bonds (1,2,3,4)	-	70,094	20.35	-	-	-
Borrowings in lease liability	-	6,681	-	-	7,283	-
		3,620,796			**3,862,706**	

(*) The whole short-term and long-term bank borrowings amounting to 3.516.699 TL (31 December 2020: TL 2.508.378) which are denominated in TL comprise bank borrowings obtained by KFK, consolidated subsidiary, to finance consumer financing loans as of 31 December 2021 and 2020.

(1) In accordance with the minutes of Board of Directors meeting held on 28 December 2020, based on the required authorization of the Capital Markets Law, the Group issued 18-months maturity bonds on 12 March 2021, with a nominal amount of TL 75,000 and at an interest rate by 17.95%. The bonds have been sold to qualified investors by the closed issuance method through the agency of Yapı Kredi Yatırım Menkul Değerler A.Ş.

(2) In accordance with the minutes of Board of Directors meeting held on 28 December 2020, based on the required authorization of the Capital Markets Law, the Group issued 12-months maturity bonds on 13 April 2021, with a nominal amount of TL 200,000 and at an interest rate by 20.80%. The bonds have been sold to qualified investors by the closed issuance method through the agency of Garanti Yatırım Menkul Kıymetler A.Ş.

(3) In accordance with the minutes of Board of Directors meeting held on 28 December 2020, based on the required authorization of the Capital Markets Law, the Group issued 10-months maturity bonds on 29 July 2021, with a nominal amount of TL 65,000 and at an interest rate by 20.35%. The bonds have been sold to qualified investors by the closed issuance method through the agency of Yapı Kredi Menkul Değerler A.Ş.

(4) In accordance with the minutes of Board of Directors meeting held on 8 September 2021, based on the required authorization of the Capital Markets Law, the Group issued 13-months maturity bonds on 5 October 2021, with a nominal amount of TL 150,000 and at an interest rate by 17.90%. The bonds have been sold to qualified investors by the closed issuance method through the agency of İş Yatırım Menkul Kıymetler A.Ş.

Financial liabilities denominated in TL have bear fixed interest rates while financial liabilities denominated Euro bear floating interest rates.

As of 31 December 2021, TL 627,966 (31 December 2020: TL 764,717) of short-term and long-term financial liabilities are obtained through banks which are related parties of the Group (Note 27).

The redemption schedule of the long-term bank borrowings as of 31 December 2021 and 2020 is as follows:

	2021	2020
1-2 years	2,298,478	2,683,713
2-3 years	1,315,637	687,009
3-4 years	-	484,701
Total	**3,614,115**	**3,855,423**

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NOTE 6 - FINANCIAL LIABILITIES (Continued)

The movement of financial liabilities as of 31 December 2021 and 2020 is as follows:

	2021	2020
1 January	6,689,785	3,950,720
Effect of cash flows	(1,124,044)	1,562,760
Unrealized foreign exchange differences	2,198,885	1,180,889
Changes in TFRS 16 - lease liabilities	(7,101)	(6,621)
Change in accrual of interest	1,533	2,037
31 December	**7,759,058**	**6,689,785**

The Group signed the long-term external financing amounting by EUR 200,000 with HSBC Bank plc, J.P. Morgan Limited, Societe General and BNP Paribas as authorized regulators and HSBC Bank plc, J.P Morgan Limited/JPMorganChase Bank N.A London Branch, Societe General and BNP Paribas Fortis SA/NV as creditor, HSBC Bank Plc as coordinator corporation and BNP Paribas Fortis SA/NV as per procuration on 11 August 2015, the carrying amount of aforementioned loan which is used on Doblo FL and US projects investments in the consolidated balance sheet is TRY 451,768 (equivalent of EUR 30,769 thousand) (31 December 2020: TRY 554,332 (equivalent of EUR 61,538 thousand)).

The Group signed the loan agreement within the scope of guarantee of SACE amounting to EUR 70,000 with HSBC Bank Plc and ING Bank, a branch of ING-Diba AG as authorized regulators and creditors, HSBC Bank Plc as coordinator corporation and per procuration on 26 May 2017. Considering the expected loan usage schedule and average term of the aforementioned six-monthly paid loan with the due date of December 2022, yearly total cost will be 6 months Euribor + 1,91%. As of 31 December 2021, the carrying amount of aforementioned loan in the consolidated balance sheet is TRY 186,868 (equivalent of EUR 12,728 thousand) (31 December 2020: TRY 229.292 (equivalent of EUR 25,455 thousand).

The Group signed the loan agreement amounting to EUR 200,000 with European Bank for Reconstruction and Development, HSBC Bank Plc and Bank of America, N.A., London Branch as authorized regulators and as per procuration of creditors on 22 October 2015. Considering the expected loan usage schedule and average term of the six-monthly paid loan with the due date of December 2022, yearly total cost will be 6 months Euribor + 2.3%. EUR 100 million of the total loan has been used as of 5 November 2015 and the remaining 100.000 Euro is used on March 2016. The remaining balance as of 31 December 2021: TRY 452,187 (equivalent of EUR 30,798 thousand) (31 December 2020: TRY 554,332 (equivalent of EUR 61,538 thousand)).

The Group signed the loan agreement amounting to EUR 130.000 thousand with Akbank AG for. MCA investment as of 16 March 2021. Yearly total cost will be 4 years Euribor + 2.00%. The carrying amount of aforementioned loan in the consolidated balance sheet is TRY 1,636,433 (equivalent of EUR 111,458) 31 December 2020: TRY 1,171,027 (equivalent of EUR 130,000 thousand)).

The Group signed the loan agreement amounting to EUR 70,000 thousand with TEB for MCA investment purpose as of 12 May 2020. Yearly total cost will be 4 years Euribor + 2.00%. The carrying amount of aforementioned loan in the consolidated balance sheet is TRY 881,612 (equivalent of EUR 60,045) (31 December 2020: 630,553 (equivalent of EUR 70,000 thousand)).

The Group signed the loan agreement amounting to EUR 10,000 thousand with Hsbc Bank A.Ş. for financing purpose as of 30 September 2020. Yearly total cost will be until December 2022 1.30%. The carrying amount of aforementioned loan in the consolidated balance sheet is TRY 73,416 (equivalent of EUR 5,000) (31 December 2020: 90,079 (equivalent of EUR 10,000 thousand)).

The Group signed the loan agreement amounting to EUR 64,000 thousand with İşbank AG for. Financing purpose as of 2 March 2021. Yearly total cost will be until December 2022 Euribor + 2.50%. The carrying amount of aforementioned loan in the consolidated balance sheet is TRY 58,733 (equivalent of EUR 4,000 thousand) as of 31 December 2021.

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NOTE 7 - TRADE RECEIVABLES AND PAYABLES

a) Trade receivables

	2021	2020
Trade receivables	1,536,121	1,470,484
Doubtful trade receivables	14,504	12,697
Less: provision for doubtful receivables	(12,508)	(12,478)
Less: unearned credit finance income	(56,703)	(27,030)
	1,481,414	**1,443,673**

Movement of the provision for doubtful receivables is as follows:

	2021	2020
1 January	12,478	12,597
Changes in current period, net	30	(119)
31 December	**12,508**	**12,478**

Collateral received related with trade receivables

As of 31 December 2021, the letter of guarantees amounting to TL 284,112 guarantee cheques and notes amounting to TL 2,224 mortgages amounting to TL 41,973 and direct debit system limit (payment guarantee limit secured by the banks) obtained as collateral for Group's trade receivables amount to TL 1,687,550, respectively (31 December 2020: letter of guarantees amounting to TL 341,918, guarantee notes amounting to TL 2,274, mortgages amounting to TL 40,428 and direct debit system limit amounting to TL 1,327,344).

b) Trade payables

	2021	2020
Trade payables	3,777,652	3,517,731
Less: not accrued credit finance expense	(92,737)	(45,615)
	3,684,915	**3,472,116**

NOTE 8 - OTHER RECEIVABLES

a) Other receivables

As of 31 December 2021 other receivables included in current and non current assets consist of deposits and guarantees given, personnel advances amounting to TL 1,022 (31 December 2020: TL 335).

b) Other payables

	2021	2020
Taxes and payables	15,659	13,194
Other	7,262	5,812
	22,921	**19,006**

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NOTE 9 - RECEIVABLES FROM FINANCE SECTOR OPERATIONS

	2021	2020
Short-term consumer financing loans	2,152,380	1,392,115
Non-performing loans	69,859	74,408
	2,222,239	**1,466,523**
Provision for specific loan impairment	(60,483)	(64,022)
Provision for general loan impairment	(15,110)	(2,133)
	2,146,646	**1,400,368**
Long-term consumer financing loans	2,251,792	1,481,501
Provision for general loan impairment	(15,909)	(22,001)
	2,235,883	**1,459,500**

As of 31 December 2021, TL denominated loans originated by the Group, bear interest rates ranging between 0.01% and 3.09% per month (2020: between 0.01% and 3.29% per month).

The maturities of long-term consumer financing loans are as follows:

Years	**2021**	**2020**
1 to 2 years	1,334,676	785,139
2 to 3 years	756,038	491,172
3 to 4 years	145,139	182,770
4 years and more	30	419
	2,235,883	**1,459,500**

Movements in the allowance for loan impairment are as follows:

	2021	2020
1 January	88,156	87,245
Current year provision	12,303	21,580
Collections during the year (-)	(8,957)	(20,669)
31 December	**91,502**	**88,156**

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 2021, the fair value of guarantees obtained for the consumer loans amount to TL 5,558,899 (31 December 2020: 3,560,413). 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 11,101 (31 December 2020: TL 19,663 TL) as of 31 December 2021.

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NOTE 10 - INVENTORIES

	2021	2020
Raw materials	851,840	427,515
Goods in transit	744,732	359,945
Work-in-progress	382,552	251,256
Finished goods	287,951	172,998
Spare parts	147,730	109,686
Imported vehicles	14,438	257,398
Less: provision for impairment on inventories	(50,156)	(54,832)
Total	**2,379,087**	**1,523,966**

Movements in the provision for impairment on inventory are as follows:

	2021	2020
1 January	54,832	38,125
Current year provision	(4,676)	16,707
31 December	**50,156**	**54,832**

NOTE 11 - INVESTMENT PROPERTIES

For the years ended 31 December 2021 and 2020, the movement of investment properties is as follows:

	2021	2020
1 January, net book value	69,000	66,000
Fair value increase (*)	285	3,000
31 December, net fair value	**69,285**	**69,000**

(*) As of 31 December 2021, the fair value of the property has been determined as TL 69,285 (31 December 2020: TL 69,000), by using benchmarking method. As a result of the revaluation of the investment property, revaluation gains amounting to TL 285 (31 December 2020: TL 3,000) has been accounted under income from investing activities (Note 23). Relevant valuation report is prepared by an independent firm which has CMB license and necessary professional experience.

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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 2021 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	522,418	5,690,746	744,986	93,911	15,269	54,688	7,122,018
Accumulated depreciation	(265,622)	(4,210,075)	(532,091)	(67,049)	(9,698)	-	(5,084,535)
Net book value	**256,796**	**1,480,671**	**212,895**	**26,862**	**5,571**	**54,688**	**2,037,483**
1 January 2021, net book value	256,796	1,480,671	212,895	26,862	5,571	54,688	2,037,483
Additions	-	-	1,074	5,416	59	373,239	379,788
Disposals	(10)	(7,061)	(5,903)	(36,295)	-	-	(49,269)
Disposal - Depreciation	5	6,910	5,186	15,530	-	-	27,631
Transfers	13,618	251,546	56,405	58,823	311	(380,703)	-
Depreciation charge for the year	(19,693)	(390,416)	(63,363)	(17,414)	(883)	-	(491,769)
31 December 2021, net book value	**250,716**	**1,341,650**	**206,294**	**52,922**	**5,058**	**47,224**	**1,903,864**
As of 31 December 2021							
Cost	536,026	5,935,231	796,562	121,855	15,639	47,224	7,452,537
Accumulated depreciation	(285,310)	(4,593,581)	(590,268)	(68,933)	(10,581)	-	(5,548,673)
31 December 2021, net book value	**250,716**	**1,341,650**	**206,294**	**52,922**	**5,058**	**47,224**	**1,903,864**

As of 31 December 2021, 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 2020 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	517,488	5,457,606	702,510	93,388	12,790	27,031	6,810,813
Accumulated depreciation	(254,855)	(3,898,594)	(476,051)	(60,065)	(9,028)	-	(4,698,593)
Net book value	**262,633**	**1,559,012**	**226,459**	**33,323**	**3,762**	**27,031**	**2,112,220**
1 January 2020, net book value	262,633	1,559,012	226,459	33,323	3,762	27,031	2,112,220
Additions	-	-	2,119	1,974	2,438	326,800	333,331
Disposals	-	(4,624)	(6,250)	(11,252)	-	-	(22,126)
Disposal - Depreciation	-	3,882	5,940	3,927	-	-	13,749
Transfers	4,930	237,764	46,607	9,801	41	(299,143)	-
Depreciation charge for the year	(10,767)	(315,363)	(61,980)	(10,911)	(670)	-	(399,691)
31 December 2020, net book value	**256,796**	**1,480,671**	**212,895**	**26,862**	**5,571**	**54,688**	**2,037,483**
As of 31 December 2020							
Cost	522,418	5,690,746	744,986	93,911	15,269	54,688	7,122,018
Accumulated depreciation	(265,622)	(4,210,075)	(532,091)	(67,049)	(9,698)	-	(5,084,535)
31 December 2020, net book value	**256,796**	**1,480,671**	**212,895**	**26,862**	**5,571**	**54,688**	**2,037,483**

As of 31 December 2020, 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 2021			
Cost	4,666,749	165,988	4,832,737
Accumulated amortization	(2,835,561)	(116,892)	(2,952,453)
Net book value	**1,831,188**	**49,096**	**1,880,284**
1 January 2021, net book value	1,831,188	49,096	1,880,284
Additions	739,585	16,541	756,126
Amortization charge for the year	(702,512)	(13,042)	(715,554)
31 December 2021, net book value	**1,868,261**	**52,595**	**1,920,856**
As of 31 December 2021			
Cost	5,406,334	182,529	5,588,863
Accumulated amortization	(3,538,073)	(129,934)	(3,668,007)
31 December 2021, net book value	**1,868,261**	**52,595**	**1,920,856**

	Development costs (*)	Licenses and Other	Total
1 January 2020			
Cost	4,079,943	154,492	4,234,435
Accumulated amortization	(2,470,512)	(105,148)	(2,575,660)
Net book value	**1,609,431**	**49,344**	**1,658,775**
1 January 2020, net book value	1,609,431	49,344	1,658,775
Additions	586,806	11,496	598,302
Amortization charge for the year	(365,049)	(11,744)	(376,793)
31 December 2020, net book value	**1,831,188**	**49,096**	**1,880,284**
As of 31 December 2020			
Cost	4,666,749	165,988	4,832,737
Accumulated amortization	(2,835,561)	(116,892)	(2,952,453)
31 December 2020, net book value	**1,831,188**	**49,096**	**1,880,284**

(*) 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

The Group has considered its investment expenditures amounting to TL 1,887,183 (31 December 2020: TL 2,514,720) in the context of the investment certificate obtained on 2009 and on 2013 in the deferred tax calculation in accordance with the aforementioned law amounting TL 866,423 (31 December 2020: TL 1,171,242) (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.

As of 31 December 2021, total amount of research and development expenses is TL 727,622. The amount subject to corporate income tax R&D allowance is TL 228,226 after deduction of TEYDEB, European and Mess support collected during the year amounting to TL 10,812 and TL 488,584 which is not subject to corporate income tax research and development allowance. (As of 31 December 2020, total amount of research and development expenses is TL 582,929 The amount subject to corporate income tax R&D allowance is TL 182,488 after deduction of TEYDEB support collected during the year amounting to TL 5,004 and TL 395,437 which is not subject to corporate income tax research and development allowance).

As of 31 December 2021, government incentives of the Group amounting to TL 4,516 (31 December 2020: TL 4,516) short-term, amounting to -2,135 (31 December 2020: TL 6,651) long-term and total TL 6,649 (31 December 2020: TL 11.167) 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 Turkey (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

	2021	2020
Provision for warranty claims	371,172	258,478
Provision for legal cases	18,167	14,878
Other	65,236	44,883
	454,575	**318,239**

Movement of the provision for warranty is as follows:

	2021	2020
1 January	258,478	139,277
Paid during the year	(132,890)	(89,278)
Increase in provision during the year	245,584	208,479
31 December	**371,172**	**258,478**

Litigations against the Group

As of 31 December 2021, the total amount of outstanding legal claims brought against the Group is TL 25,165 (31 December 2020: TL 21,359). The Group has reflected a reserve amounting to TL 18.167 (31 December 2020: TL 14.878) in the consolidated financial statements.

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

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 2021 and 2020 is as follows:

	2021			2020		
	TL equivalent	KEUR	TL	TL equivalent	KEUR	TL
A. Total amount of guarantees provided by the Company on behalf of itself	171,433	2,000	142,068	175,945	2,000	157,929
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	-	-	-	-	-	-
ii) Total amount of guarantees provided on behalf of the associates which are not in the scope of B and C	-	-	-	-	-	-
iii) Total amount of guarantees provided on behalf of third parties which are not in the scope of C	-	-	-	-	-	-
Total	**171,433**	**2,000**	**142,068**	**175,945**	**2,000**	**157,929**

Other

As of 31 December 2021, the Group has realized USD 2,831,515,000 thousand of export commitments numbered 2020/D1-03216 to be realized until 21 February 2022 in connection with the export incentive certificates amounting to USD 2,600,296,881 thousand. The Group has realized USD 1,771,268,790 thousand of export commitments in connection with the export incentive certificates amounting to USD 1,324,995,294 thousand.

Furthermore, the Group has realized USD 1,533,252,000 thousand of export commitments numbered 2021/D1-02520 to be realized until 3 March 2022 in connection with the export incentive certificates amounting to USD 769.396.294 thousand. The Group has realized USD 954,474,800 thousand of export commitments in connection with the export incentive certificates amounting to USD 486,104,029 thousand.

NOTE 16 - EMPLOYEE BENEFITS

a) Short-term employee benefits:

	2021	2020
Personnel income tax	56,915	38,443
Payables to employees	53,414	59,835
Social security premiums	41,532	23,615
Unused vacation provision	9,279	8,862
Other	11,965	10,389
Total	**173,105**	**141,144**

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NOTE 16 - EMPLOYEE BENEFITS (Continued)

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 8,284,51 (exact TL) for each period of service as of 31 December 2021 (31 December 2020: TL 7,117.17). The maximum severance pay is revised semi-annually, and the maximum amount of 10,848.59 full TL (1 January 2021: 7,638.96 full TL) effective as of 1 January 2022 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:

	2021	2020
Discount rate, net (%)	4.45	4.63
Estimated turnover rate for retirement (%)	97.48	97.98

Movement in reserve for employment termination benefits for the years ended 31 December 2021 and 2020 is as follows:

	2021	2020
1 January	249,643	218,499
Service expenses	18,823	14,447
Interest expenses	32,480	28,405
Payments during the year	(39,021)	(29,332)
Actuarial loss	85,181	17,624
31 December	**347,106**	**249,643**

The sensitivity analysis of the assumptions which was used for the calculation of provision for employee benefits as of 31 December 2021 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 (%)	3.95	4.95	96.98	97,98
Change in provision for employee benefits	**(1,237)**	**2,302**	**(2,426)**	**5,782**

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

a) Other current assets

	2021	2020
Value Added Tax ("VAT")	198,669	119,458
Other	14,921	7,785
Total	**213,590**	**127,243**

b) Short - term prepaid expenses

	2021	2020
Credit commission expenses (*)	35,078	23,905
Advances given	17,191	3,293
Insurance Expense	7,087	5,515
Other	12,867	9,615
Total	**72,223**	**42,328**

(*) Credit commission expenses are composed of the credit insurance fee and commission given to dealers in advance by KFK as of 31 December 2021 and 2020.

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

c) Long - term prepaid expenses:

As of 31 December 2021, TL 22,682 (31 December 2020: TL 78,201) of long-term prepaid expenses are composed of advances given for fixed asset purchases amounting to TL 16,435 (31 December 2020: TL 59,916).

d) Short - term deferred income

As of December 31, 2021, TL 94,784 (31 December 2020: 44,789) of the deferred income amounting to TL 59,460 (31 December 2020: TL 34,443) consists of the received loan allocation fees in advance of the KFK, consumer receivables amounting to TL 13,601 (31 December 2020: TL 5,798) and advances received amounting to TL 21,723 (31 December 2020: TL 4,548).

e) Contract liabilities

As of 31 December 2021, amounting to TL 44,205 consists of extended warranty under the TFRS 15 (31 December 2020: 36,297).

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 (exact TL). The Company's historical authorized and issued share capital as of 31 December 2021 and 2020 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 2021 and 2020, the breakdown of issued share capital of the Company is as follows:

		2021		2020	
	Share group	Amount (historical)	Amount %	Amount (historical)	Amount %
FCA Italy S.p.A.	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 53. General Assembly Meeting held on 16 March 2021, dividend amounting to TL 1,500,000 (At 2020: 1,200,000) related to the profit of 2020 after deduction of legal liabilities, is distributed from retained earnings to the shareholders. As of 31 December 2021 and 2020, dividend distributed per share is Kuruş 3.00 and Kuruş 2.40, respectively.

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NOTE 19 - REVENUE AND COST OF SALES

a) Revenue	2021	2020
Export sales	14,643,275	10,821,043
Domestic sales	14,264,210	12,441,509
Other	776,820	294,195
	29,684,305	**23,556,747**

The amount of sales discounts is TL 1,179,292 (31 December 2020: TL 753,084).

The distribution of the Group's sales in 2021 and 2020 based on product type is as follows.

	2021	2020
Passenger cars	13,679,017	12,878,437
Commercial vehicles	13,625,246	9,308,213
Spare parts	1,603,222	1,075,902
Other	776,820	294,195
	29,684,305	**23,556,747**

b) Other	2021	2020
Income from scrap sales	185,108	115,585
Income from research and development	180,131	64,538
Income from mould sales	90,620	9,076
Package sales income	38,365	26,080
Revenue from extended warranty sales	10,353	5,438
Other	272,243	73,478
	776,820	**294,195**

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.

All items of the Group's revenue consist of goods and services sold through intermediaries.

c) Cost of sales	2021	2020
Direct material expense	19,842,600	16,986,660
Cost of merchandise sold	2,207,860	2,002,777
Depreciation and amortization expense	1,140,373	711,894
Other production expenses	707,723	554,408
Direct labor expense	412,608	291,781
Change in work-in-process	(131,296)	11,306
Change in finished goods	(114,953)	(119,338)
Cost of other sales	318	57
	24,065,233	**20,439,545**

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NOTE 19 - REVENUE AND COST OF SALES (Continued)

d) Production and sales quantities	Production		Sales	
	2021	2020	2021	2020
Manufactured vehicles				
Yeni Doblo	77,520	68,798	77,626	67,663
Egea	65,641	98,614	65,461	98,524
Egea Hatchback	43,359	36,223	43,285	35,994
MCV	34,345	30,096	34,437	30,202
Egea Stationwagon	7,679	16,899	7,638	16,817
	228,544	**250,630**	**228,447**	**249,200**

	Import		Sales	
	2021	2020	2021	2020
Imported vehicles				
Jeep	1,954	5,506	2,906	4,587
Ducato	1,976	4,089	2,243	3,841
Fiat 500	313	1,656	635	1,300
Panda Futura	146	307	235	219
Alfa Romeo	129	282	172	241
Maserati	100	54	101	51
Ferrari	36	22	35	22
Transit satış	12	17	12	17
Fullback	-	-	-	1
	4,666	**11,933**	**6,339**	**10,279**

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

	2021	2020
General and administrative expenses	510,139	390,629
Marketing expenses	596,791	480,225
Research and development expenses	126,527	75,997
	1,233,457	**946,851**

a) General administrative expenses	2021	2020
Personnel expenses	197,589	151,456
Information technology expenses	76,267	55,172
Depreciation and amortization expenses	42,021	34,633
Services obtained from third parties	35,303	33,224
Insurance expenses	12,560	10,606
Donations	11,468	11,826
Duties, taxes and levies	11,695	8,494
Lawsuit provision expenses	8,221	10,615
Travel expenses	4,386	4,579
Other	110,629	70,024
	510,139	**390,629**

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NOTE 20 - RESEARCH AND DEVELOPMENT EXPENSES, MARKETING EXPENSES AND GENERAL ADMINISTRATIVE EXPENSES (Continued)

b) Marketing expenses	2021	2020
Warranty expenses	245,585	208,479
Transportation and insurance expenses	118,602	92,848
Personnel expenses	132,067	91,483
Advertisement expenses	43,661	38,432
Depreciation and amortization expenses	5,472	5,401
Travel expenses	4,072	2,978
Other	47,332	40,604
	596,791	**480,225**

c) Research and development expenses	2021	2020
Personnel expenses	67,846	40,766
Travel expenses	4,571	6,456
Information technology expenses	8,927	5,592
Depreciation and amortization expenses	11,253	6,827
Other	33,930	16,356
	126,527	**75,997**

NOTE 21 - EXPENSES BY NATURE

Between 1 January - 31 December 2021 Group's personnel and depreciation/amortization expenses are TL 1,241,339 and TL 1,199,120 respectively (between 1 January - 31 December 2020: TL 916,840 and TL 758,755 respectively).

NOTE 22 - OTHER INCOME AND EXPENSES FROM OPERATING ACTIVITIES

	2021	2020
Foreign exchange gains on operating activities	2,288,024	1,186,076
Interest income on operating activities	551,714	147,727
Other	78,522	47,624
	2,918,260	**1,381,427**

	2021	2020
Foreign exchange loss on operating activities	(2,781,256)	(1,365,275)
Interest expense on operating activities	(524,141)	(130,646)
Other	(112,150)	(86,100)
	(3,417,547)	**(1,582,021)**

NOTE 23 - INCOME FROM INVESTMENT ACTIVITIES

	2021	2020
Gain on sale of property, plant and equipment	38,170	7,558
Revaluation income of investment property (Note 11)	285	3,000
	38,455	**10,558**

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NOTE 24 - FINANCIAL INCOME AND EXPENSES

	2021	2020
Foreign exchange gain	3,027,206	1,333,665
Interest income	297,041	212,300
Gain on derivative financial instruments	6,929	-
Total financial income	**3,331,176**	**1,545,965**
Foreign exchange loss	(3,834,253)	(1,680,213)
Interest expenses	(112,006)	(104,225)
Other	(6,875)	(7,472)
Total financial expenses	**(3,953,134)**	**(1,791,910)**
Financial expenses, net	**(621,958)**	**(245,945)**

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% (23% for taxation periods of 2022, 20% for taxation period of 2023 and after) over the bases declared in interim periods during the year to be deducted from the corporation tax.

As of December 31, 2021 and 2020, the tax provision has been set aside under the current tax legislation.

A tax rate of 25% is used for temporary differences that are expected to be realized/closed in 2022, and 20% for temporary differences that are expected to be realized/closed in 2022 and after.

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 Turkey 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 Turkey is 25% (However, it will be applied as 23% for the corporate earnings of the institutions for the 2022 taxation periods, and 20% for the year 2023 and beyond.) 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, amd is paid in one installment until the end of the relevant mounth.

Companies calculate a provisional tax of 25% on their quarterly financial profits (23% for the taxation periods of 2022, 20% for the year 2023 and beyond) 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.

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NOTE 25 - TAX ASSETS AND LIABILITIES (Continued)

Tax assets and liabilities (Continued)

Corporation tax (Continued)

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, 2021 and December 31, 2020, taxes payable is netted off for each subsidiary and are separately classified in the Consolidated

Financial Statements.

With the "Law Amending the Tax Procedure Law and the Corporate Tax Law", which was accepted on the agenda of the Turkish Grand National Assembly on January 20, 2022, the application of inflation accounting was postponed starting from the balance sheet dated on December 31, 2023.

The law on amending the Tax Procedure Law and the Corporate Tax Law was enacted on January 20, 2022, It has been enacted with the number 7352 and it has been decided that the financial statement will not subject to inflation adjustment in the 2021 and 2022 accounting periods, including the temporary accounting periods, and in the provisional tax periods of the 2023 accounting period, regardless of whether the conditions for the inflation adjustment within the scope the repeated Article 298 are met. POA made a declaration on the Implantation of Financial Reporting in High Inflation Economies under TFRS on January 20, 2022, and it was stated that there was no need to make any adjustments within the scope of TAS 29 Financial Reporting in Hyperinflationary Economies in the consolidated financial statement for 2021.

For the years ended 31 December 2021 and 2020, the analysis of the tax expense in the profit or loss is as follows

	2021	2020
Current tax expense	(113,178)	(31,884)
Deferred tax income/(expense)	(117,722)	(14,722)
	(230,900)	**(46,606)**

	2021	2020
Current corporate tax	113,178	31,884
Less: prepaid corporate tax	(62,584)	(35,421)
Prepaid income tax	**50,594**	**(3,537)**

The analysis of tax expense accounted for under the statement of profit or loss for the years ended 31 December 2021 and 2020 is as follows:

	2021	2020
Profit before tax (25%)	3,512,216	1,830,776
Income tax charge at effective tax rate	(878,054)	(366,155)
Disallowable expenses	(25,427)	(6,851)
Deduction of research and development incentive expenditures during the period	122,146	79,087
Effect of investment incentive, net	809,557	246,353
Used and earned investment incentive	(304,819)	35,081
Other	45,697	(34,121)
	(230,900)	**(46,606)**

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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 2021 and 2020, using the effective tax rates were as follows

	Cumulative temporary differences		Deferred tax assets/(liabilities)	
	2021	**2020**	**2021**	**2020**
Unused investment incentive allowances (*)	1,887,183	2,514,720	866,423	1,171,242
Warranty provisions	371,172	258,478	77,163	51,692
Provision for employment termination benefits and unused vacation	365,494	265,964	74,580	53,193
Property, plant and equipment and intangibles	289,599	(1,090,162)	61,530	(218,032)
Inventories	83,610	65,999	19,230	13,200
Contract liabilities	44,205	36,297	11,051	7,259
Deferred income	6,379	11,167	(488)	2,234
Land valuations	(116,560)	(116,275)	(11,656)	(11,627)
Other	207,300	152,071	47,970	30,566
Deferred tax asset, net	**3,138,382**	**2,098,259**	**1,145,803**	**1,099,727**

(*) 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:

	2021	**2020**
Deferred tax asset at 1 January	1,099,727	989,454
Deferred tax income	(117,722)	(14,722)
Other comprehensive income	163,798	124,995
- Actuarial gain/(loss) on employment termination benefit obligation attributable to equity	17,326	3,525
- Net gain on cash flow hedging attributable to equity	146,472	121,470
Deferred tax assets at 31 December	**1,145,803**	**1,099,727**

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 2021 and 2020, the weighted average number of shares outstanding is 50,000,000,000 and as of 31 December 2021 and 2020 earnings per share is Kuruş 6.56 and Kuruş 3.57 respectively.

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NOTE 27 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Related party balances:

Deposit and financial loan balances from related parties	2021	2020
Yapı ve Kredi Bank A.Ş. (deposit) [1]	1,939,244	2,212,173
Yapı ve Kredi Bank A.Ş. (financial loan) [1]	(627,966)	(764,717)

Trade receivables due from related parties	2021	2021
FCA Italy SPA [2]	4,815,594	3,112,434
Otokoç Otomotiv Tic. ve San. A.Ş. [1]	865,653	949,093
Other [1]	5,333	3,547
Less: Unearned credit finance expense	(25,648)	(15,735)
	5,660,932	**4,049,339**

Trade payables due to related parties	2021	2020
FCA Italy SPA [2]	4,860,844	3,834,682
Other [1]	225,468	177,683
Less: Unearned credit finance expense	(2,841)	(386)
	5,083,471	**4,011,979**

Related party transactions

Sales	2021	2020
FCA Italy SPA [2]	14,844,650	10,846,546
Otokoç Otomotiv Tic. ve San. A.Ş. [1]	5,034,470	4,626,281
Other [1]	125,111	56,327
	20,004,231	**15,529,154**

[1] Represents the related parties of joint ventures; comprise of subsidiaries, joint managing company or associates.

[2] Represents the joint ventures.

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NOTE 27 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

Domestic goods and services purchases	2021	2020
Ram Dış Ticaret A.Ş. [1]	585,866	390,799
Otokoç Otomotiv Tic. ve San. A.Ş. [1]	427,485	307,639
Zer Merkezi Hiz. ve Tic. A.Ş. [1]	193,609	151,140
Plastiform Plastik San. Tic. A.Ş. [1]	80,476	66,892
Sistemi Comandi Meccanici Otomotiv San. Tic. A.Ş. [1]	62,901	53,813
Koç Holding A.Ş. [2] [*]	42,929	30,088
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş. [1]	26,289	21,142
Opet Fuchs Madeni Yağ ve San. Tic. A.Ş. [1]	25,526	17,471
Opet Petrolculuk A.Ş. [1]	20,474	14,135
Ford Otomotiv [1]	16,350	-
Ingage Dijital Pazarlama Hizmetleri [1]	14,155	11,347
Ram Sigorta Aracılık ve İletişim A.Ş. [1][**]	13,778	5,068
Tanı Pazarlama ve İletişim A.Ş. [1]	4,664	3,150
Setur Servis Turistik A.Ş. [1]	4,630	9,646
Akpa Dayanıklı Tüketim Lpg ve Akaryakıt Ürünleri Paz. A.Ş. [1]	2,658	2,757
Koç Digital Çözümleri A.Ş. [1]	2,147	300
Diğer [1]	3,729	3,269
	1,527,666	**1,088,656**

Foreign trade good, material and service purchase	2021	2020
FCA Italy SPA [2]	11,690,462	11,207,126
Other [1]	1,692	4,192
	11,692,154	**11,211,318**

[1] Represents the related parties of joint ventures; comprise of subsidiaries, joint managing company or associates.

[2] Represents the joint ventures.

[*] 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.

[**] 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 2021 is TL 310,364 (31 December 2020: TL 42,138).

Salaries and similar benefits paid to the top management of the Group for the year ended 31 December 2021 (31 person) (31 December 2020: 30 person) is TL 70,300 (2020: TL 51,093). 5,700 TL of the total amount consists of the payments made due to leaved the senior management team. (31 December 2020: 1.467 TL)

Furthermore, as of 31 December 2021, 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 91,431 (31 December 2020: TL 91,114).

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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;

	Trade receivables					
2021	**Related parties**	**Other parties**	**Other receivables**	**Bank deposits**	**Derivative instruments**	**Receivables from finance operations**
Maximum credit risk exposure as of reporting date (A+B+C+D+E) (1)	**5,660,932**	**1,481,414**	**1,022**	**4,214,715**	**240**	**4,382,529**
- Maximum risk secured by guarantee (2)	33,700	1,422,904	-	-	-	5,558,899
A. Net book value of financial assets neither overdue nor impaired	5,652,707	1,463,430	1,022	4,214,715	240	4,350,817
- Maximum risk secured by guarantee	33,700	1,422,904	-	-	-	5,536,563
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	8,224	11,132	-	-	-	22,336
- Maximum risk secured by guarantee						
D. Net book value of impaired assets	-	1,996	-	-	-	9,376
- Overdue (gross book value)	-	14,504	-	-	-	69,859
- Impairment (-)	-	(12,508)	-	-	-	(60,483)
- Net value under guarantee	-	-	-	-	-	-
- Not overdue (gross book value)						
- Impairment (-)	-	-	-	-	-	-
- Net value under guarantee	-	-	-	-	-	11,101
E. Off- balance sheet items having credit risk	-	-	-	-	-	-

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NOTE 28 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

	Trade receivables					
2020	**Related parties**	**Other parties**	**Other receivables**	**Bank deposits**	**Derivative instruments**	**Receivables from finance operations**
Maximum credit risk exposure as of reporting date (A+B+C+D+E) [1]	**4,049,339**	**1,443,673**	**335**	**4,249,805**	**1,002**	**2,859,868**
- Maximum risk secured by guarantee (2)	33,700	1,408,230	-	-	-	3,578,795
A. Net book value of financial assets neither overdue nor impaired	4,047,653	1,434,619	335	4,249,805	1,002	2,831,100
- Maximum risk secured by guarantee	33,700	1,402,119	-	-	-	3,560,413
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	1,686	8,835	-	-	-	18,382
- Maximum risk secured by guarantee	-	6,111	-	-	-	18,382
D. Net book value of impaired assets	-	219	-	-	-	10,386
- Overdue (gross book value)	-	12,697	-	-	-	74,408
- Impairment (-)	-	(12,478)	-	-	-	(64,022)
- Net value under guarantee	-	-	-	-	-	-
- Not overdue (gross book value)	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-
- Net value under guarantee	-	-	-	-	-	19,663
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.

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:

2021	
1 - 30 days past due	18,929
1 - 3 months past due	5,456
3 - 12 months past due	13,866
1 - 5 years past due	3,441
	41,692

2020	
1 - 30 days past due	11,973
1 - 3 months past due	6,395
3 - 12 months past due	4,902
1 - 5 years past due	5,633
	28,903

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NOTE 28 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Amount secured with guarantee

As of 31 December 2021, TL 4,839 of total past due receivables of the Group is due from the Group's related party, FCA Italy SPA (31 December 2020: TL 1,524). As of 31 December 2021, the Group's payables to Stellantis Group amounting to TL 4,860,844 (31 December 2020: TL 3,834,682).

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.

As explained in detail in Note 6, according to the manufacturing agreements signed by the Group, the repayment obligations related to loans obtained for Egea, Doblo, Mini Cargo are guaranteed by FCA Italy SPA through future purchases. As of 31 December 2021, loans obtained related with Doblo vehicle project have entirely been repaid.

2021	TL equivalent (functional currency)	USD	EUR	Other
1. Trade receivables	4,821,667	-	328,400	-
2a. Monetary financial assets (including cash, bank accounts)	554,988	36	37,768	-
2b. Non-monetary financial assets	749,929	-	51,077	-
3. Other	5,048	-	344	-
4. Current assets (1+2+3)	**6,131,632**	**36**	**417,589**	**-**
5. Trade receivables	-	-	-	-
6a. Monetary financial assets	-	-	-	-
6b. Non-monetary financial assets	22,036	-	1,501	-
7. Other	-	-	-	-
8. Non-current assets (5+6+7)	**22,036**	**-**	**1,501**	**-**
9. Total assets (4+8)	**6,153,668**	**36**	**419,090**	**-**
10. Trade payables	(5,147,856)	(4,901)	(346,256)	(24)
11. Financial liabilities	(2,095,956)	-	(142,754)	-
12a. Monetary other liabilities	-	-	-	-
12b, Non-monetary other liabilities	-	-	-	-
13. Current liabilities (10+11+12)	**(7,243,812)**	**(4,901)**	**(489,010)**	**(24)**
14. Trade payables	-	-	-	-
15. Financial liabilities	(1,645,067)	-	(112,044)	-
16a. Monetary other liabilities	-	-	-	-
16b. Non-monetary other liabilities	-	-	-	-
17. No n-current liabilities (14+15+16)	**(1,645,067)**	**-**	**(112,044)**	**-**
18. Total liabilities (13+17)	**(8,888,879)**	**(4,901)**	**(601,054)**	**(24)**
19. Net asset/(liability) position of off-balance sheet derivative instruments (19a-19b)	**-**	**-**	**-**	**-**
19a. Total hedged asset amount	-	-	-	-
19b. Total hedged liability amount	-	-	-	-
20. Net foreign currency asset/(liability) position (9+18+19)	**(2,735,211)**	**(4,865)**	**(181,964)**	**(24)**
21. Net foreign currency asset/(liability) position of monetary items (1+2a+3+5+6a-10-11-12a-14-15-16a)	**(3,507,176)**	**(4,865)**	**(234,542)**	**(24)**
22. Total fair value of financial instruments used for foreign currency hedging	-	-	-	-
23. Export	14,897,618	-	1,380,167	1,835
24. Import	12,620,855	9,260	1,210,476	2,199

(*) The Groups exposure to foreign exchange rate fluctuations on the long-term bank borrowings denominated in EUR are undertaken by Stellantis Group. Accordingly, net long foreign currency exposure of the Group excluding such borrowings as of 31 December 2021 is TL 235,338.

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NOTE 28 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

2020	TL equivalent (functional currency)	USD	EUR	Other
1. Trade receivables	3,113,735	5	345,663	-
2a. Monetary financial assets (including cash, bank accounts)	829,905	50	92,090	-
2b. Non-monetary financial assets	362,199	-	40,209	-
3. Other	1,362	-	151	-
4. Current assets (1+2+3)	**4,307,201**	**55**	**478,113**	**-**
5. Trade receivables	-	-	-	-
6a. Monetary financial assets	-	-	-	-
6b. Non-monetary financial assets	69,352	-	7,699	-
7. Other	-	-	-	-
8. Non-current assets (5+6+7)	**69,352**	**-**	**7,699**	**-**
9. Total assets (4+8)	**4,376,553**	**55**	**485,812**	**-**
10. Trade payables	(3,945,654)	(905)	(437,284)	-
11. Financial liabilities	(1,662,698)	-	(184,582)	-
12a. Monetary other liabilities	-	-	-	-
12b. Non-monetary other liabilities	-	-	-	-
13. Current liabilities (10+11+12)	**(5,608,352)**	**(905)**	**(621,866)**	**-**
14. Trade payables	-	-	-	-
15. Financial liabilities	(2,218,455)	-	(246,279)	-
16a. Monetary other liabilities	-	-	-	-
16b. Non-monetary other liabilities	-	-	-	-
17. No n-current liabilities (14+15+16)	**(2,218,455)**	**-**	**(246,279)**	**-**
18. Total liabilities (13+17)	**(7,826,807)**	**(905)**	**(868,145)**	**-**
19. Net asset/(liability) position of off-balance sheet derivative instruments (19a-19b)	**-**	**-**	**-**	**-**
19a. Total hedged asset amount	-	-	-	-
19b. Total hedged liability amount	-	-	-	-
20. Net foreign currency asset/(liability) position (9+18+19)	**(3,450,254)**	**(850)**	**(382,333)**	**-**
21. Net foreign currency asset/(liability) position of monetary items (1+2a+3+5+6a-10-11-12a-14-15-16a)	**(3,881,805)**	**(850)**	**(430,241)**	**-**
22. Total fair value of financial instruments used for foreign currency hedging	-			
23. Export	10,905,181	-	1,339,757	1,149
24. Import	11,442,222	4,006	1,379,670	6,626

(*) The Groups exposure to foreign exchange rate fluctuations on the long-term bank borrowings denominated in EUR are undertaken by FCA Italy SPA. Accordingly, net short foreign currency exposure of the Group excluding such borrowings as of 31 December 2020 is TL 6,067.

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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 2021 and 2020:

Exchange rate sensitivity analysis table

	2021			
	Profit/loss		Equity	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
In case 10% appreciation of USD against TL:				
1- USD net asset/liability	(6,314)	6,314	-	-
2- Amount hedged for USD risk (-)	-	-	-	-
3- USD net effect (1+2)	**(6,314)**	**6,314**	**-**	**-**
In case 10% appreciation of EUR against TL:				
4- EUR net asset/liability	(344,362)	344,362	-	-
5- Amount hedged for EUR risk (-)	369,726	(369,726)	-	-
6- EUR net effect (4+5)	**25,364**	**(25,364)**	**-**	**-**
In case 10% appreciation of other exchange rates against TL				
7- Other exchange rates net asset/liability	(42)	42	-	-
8- Amount hedged for other exchange rates risk (-)	-	-	-	-
9 Other exchange rates net effect (7+8)	**(42)**	**42**	**-**	**-**
Total (3+6+9)	**19,008**	**(19,008)**	**-**	**-**

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NOTE 28 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

	2020			
	Profit/loss Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Equity Depreciation of foreign currency
In case 10% appreciation of USD against TL:				
1- USD net asset/liability	(624)	624	-	-
2- Amount hedged for USD risk (-)	-	-	-	-
3- USD net effect (1+2)	**(624)**	**624**	**-**	**-**
In case 10% appreciation of EUR against TL:				
4- EUR net asset/liability	(387,557)	387,557	-	-
5- Amount hedged for EUR risk (-)	388,105	(388,105)	-	-
6- EUR net effect (4+5)	**548**	**(548)**	**-**	**-**
In case 10% appreciation of other exchange rates against TL				
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)	**(76)**	**76**	**-**	**-**

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 2021, and 2020, the effect of +/- 0.5% change in interest rates until the next reporting period on the interest sensitive financial instruments in the balance sheet has been calculated as follows:

	2021	2020
Change in interest rates (%)	0.50	0.50
Effect on net income before for taxes	(299)	(182)

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.

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(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)
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NOTE 28 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

2021

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	7,257,716	8,168,922	604,033	3,488,611	4,076,278	-
Lease liabilities	10,433	13,779	1,775	5,326	6,678	-
Trade payables	8,756,832	8,852,410	8,851,960	450	-	-
Bonds	490,909	551,902	6,713	460,402	84,787	-
Employee benefit liabilities	173,105	173,105	173,105	-	-	-
Other payables	22,921	22,921	22,921	-	-	-
	16,711,916	**17,783,039**	**9,660,507**	**3,954,789**	**4,167,743**	**-**

Expected maturities (or maturities per agreement)	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)
Derivative financial assets (net)	**2,124**	**1,090,392**	**-**	**-**	**1,090,392**	**-**
Derivative cash inflows						
Derivative cash outflows	2,124	1,090,392	-	-	1,090,392	-
	2,124	**1,090,392**	**-**	**-**	**1,090,392**	**-**

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NOTE 28 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

2020

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						
Trade payables	7,484,095	7,530,091	7,530,091	-	-	-
Bank loans	6,389,534	6,897,077	308,345	2,878,817	3,709,915	-
Bonds	286,197	305,927	3,831	302,096	-	-
Employee benefit liabilities	141,144	141,144	141,144	-	-	-
Lease liabilities	14,054	14,054	1,693	5,078	7,283	-
Other payables	19,006	19,006	19,006	-	-	-
	14,334,030	**14,907,299**	**8,004,110**	**3,185,991**	**3,717,198**	**-**

Expected maturities (or maturities per agreement)	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)
Derivative financial assets (net)	**7,276**	**1,749,667**	**-**	**-**	**1,749,667**	**-**
Derivative cash inflows	-	-	-	-	-	-
Derivative cash outflows	7,276	1,749,667	-	-	1,749,667	-
	7,276	**1,749,667**	**-**	**-**	**1,749,667**	**-**

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 2021.

Consolidated net financial debt/total equity ratio as of 31 December 2021 and 2020 is as follows;

	31 December 2021	31 December 2020
Total borrowing	7,759,058	6,689,785
Cash and cash equivalent	(4,214,726)	(4,249,809)
Net financial debt	3,544,332	2,439,976
Equity	5,743,391	4,468,611
Net financial debt/total equity multiplier	**62%**	**55%**

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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 19.40% (31 December 2020: 16.13%).

	2021		2020	
	Carrying value	**Fair value**	**Carrying value**	**Fair value**
Consumer financing loans	4,382,529	3,635,541	2,859,868	2,395,855

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)).

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).

2021

	Level 1	**Level 2**	**Level 3**
Investment property	-	69,285	-
Total assets	**-**	**69,285**	**-**
Derivatives held for trading	-	2,124	-
Total Liabilities	**-**	**2,124**	**-**

2020

	Level 1	**Level 2**	**Level 3**
Investment property	-	69,000	-
Total assets	**-**	**69,000**	**-**
Derivatives held for trading	-	7,276	-
Total Liabilities	**-**	**7,276**	**-**

As of 31 December 2021, the Group has not made any transfers between second level and first level, and also between third level and other levels.

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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 Gazzette on March 30,2021, are as follows:

Independent audit fee for the reporting period	1 January-31 December 2021	1 January-31 December 2020
Audit and assurance fee	390	332
Fee for other assurance services	20	20
Total	**410**	**352**

NOTE 31 - SUBSEQUENT EVENTS

None.

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