



TOFAŞ

TÜRK OTOMOBİL FABRİKASI A.Ş.

Tofaş 2022 Annual Report

On 6 February 2023 our country suffered one of the worst natural disasters in its history. Our grief is immense.

We are all profoundly sorrowed by the loss of so many lives in this catastrophe. May God have mercy on those who perished. To the survivors we offer our wishes for a speedy recovery and to our nation we extend our condolences.

Joining hands together in a spirit of unity and solidarity we will get through even these difficult times as we bind our nation's wounds.

Working in concert with our shareholders Koç Holding and Stellantis, we at Tofaş will continue to marshal every possible means available to us to support and facilitate recovery efforts and to create an even better and brighter future for our country.



CONTENTS

TOFAŞ AT A GLANCE

- 2 ABOUT TOFAŞ
- 3 OUR VISION
- 3 OUR MISSION
- 3 ABOUT THE KOÇ GROUP AND STELLANTIS
- 4 MILESTONES
- 6 KEY FINANCIAL AND OPERATIONAL HIGHLIGHTS

GENERAL ASSEMBLY

- 10 ORDINARY GENERAL ASSEMBLY MEETING
- 11 INDEPENDENT AUDITOR'S REPORT ON THE ANNUAL REPORT OF THE BOARD OF DIRECTORS
- 12 CHAIR'S MESSAGE
- 14 BOARD OF DIRECTORS
- 16 DIVIDEND DISTRIBUTION POLICY
- 17 2022 PROFIT DISTRIBUTION PROPOSAL
- 18 2022 DIVIDEND DISTRIBUTION TABLE
- 19 REMUNERATION POLICY FOR TOP-LEVEL MANAGERS AND MEMBERS OF THE BOARD OF DIRECTORS

2022 ACTIVITIES

- 22 CEO'S MESSAGE
- 24 SENIOR MANAGEMENT
- 26 TOFAŞ 2022 HIGHLIGHTS
- 30 AWARDS & RECOGNITIONS
- 32 INVESTOR RELATIONS
- 36 THE TURKISH AUTOMOTIVE INDUSTRY AND TOFAŞ'S POSITION
- 38 FINANCIAL RESULTS
- 43 2023 OUTLOOK
- 44 BRANDS & PRODUCTS
- 48 DEALERS NETWORK
- 50 SUBSIDIARIES & AFFILIATES
- 54 R&D OPERATIONS
- 58 INNOVATION & DIGITALIZATION

SUSTAINABILITY

- 64 SUSTAINABILITY
- 70 HUMAN RESOURCES
- 75 OCCUPATIONAL HEALTH & SAFETY
- 76 ENVIRONMENT AND CLIMATE CHANGE
- 84 QUALITY MANAGEMENT
- 89 ETHICAL BEHAVIOR & ANTICORRUPTION
- 90 CORPORATE SOCIAL RESPONSIBILITY PROJECTS

CORPORATE GOVERNANCE

- 96 INFORMATION ON THE CAPITAL STRUCTURE AND SHAREHOLDING OF THE COMPANY
- 98 CV'S OF BOARD OF DIRECTORS
- 104 DECLARATION OF CORPORATE GOVERNANCE PRINCIPLES
- 127 CORPORATE GOVERNANCE INFORMATION FORM
- 135 SUSTAINABILITY PRINCIPLES COMPLIANCE STATEMENT
- 146 ACTIVITIES OF THE EARLY DETECTION OF RISK AND RISK MANAGEMENT COMMITTEE
- 148 AFFILIATED COMPANY REPORT CODE OF COMMERCE
- 149 INDEPENDENT AUDITOR'S REPORT ON THE EARLY IDENTIFICATION OF THE RISK COMMITTEE AND SYSTEM

FINANCIAL INFORMATION

- 150 CONSOLIDATED FINANCIAL STATEMENTS TOGETHER WITH INDEPENDENT AUDITOR'S REPORT



STRONG ADDED VALUE FOR THE NATIONAL ECONOMY

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

ABOUT TOFAŞ

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



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

Tofaş's production capacity, export performance, R&D competencies, and workforce of nearly six 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 m² of enclosed space situated on nearly 1 million m² of grounds.

As one of Stellantis's important manufacturing and R&D centers, Tofaş creates added value for Turkey's economy, industry, and R&D know-how. Today, with its knowledge and competencies to develop complete vehicles from scratch, Tofaş R&D Center, takes part in the product development processes of different models within Stellantis, in addition to the models produced at the Tofaş Factory.

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



TOFAŞ FILM

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



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 8% 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. 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.



Born of a merger of Fiat Chrysler Automobiles and Groupe PSA in 2021, Stellantis is the fourth largest 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.

MILESTONES

1968

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

1971

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

1974

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

1976

- The Murat 131 goes into production.

1977

- The Şahin goes into production.

1981

- Kartal and Doğan models go into production.

1990

- The Tempra goes into production.

1991

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

1993

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

1994

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

1995

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

1998

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

1999

- Marea and Brava models go into production.

2000

- The Fiat Doblò goes into production and Tofaş creates a segment of its own in the Turkish automotive industry. For the first time, Tofaş personnel are directly involved in a project's pre-production stages.

2001

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

2002

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



2012

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

2013

- Tofaş achieves World Class Manufacturing Gold status.
- Tofaş's new R&D complex is opened.

2014

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

2015

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

2016

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

2017

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

2003

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

2005

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

2006

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

2007

- Tofaş begins producing Fiorino Minicargo models for Fiat.

2008

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

2009

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

2011

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



2018

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

2019

- Versions of the Egea family's Hatchback and Station Wagon models fitted out with three different equipment options are put on sale.

2021

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

2022

- Fiat Egea's latest-model "Cross Wagon" as well as automatic-transmission & hybrid-engine equipped versions of Egea's Sedan, Hatchback, Cross, and Cross Wagon models go on sale.
- Tofaş's production of Fiat Egea models reaches 1 million units. The millionth Egea rolling off the company's assembly line is a hybrid-engine equipped Cross.
- Tofaş R&D Center's newly-created Product-Development & Software branch commences operations in İzmir Institute of Technology's Technopark İzmir Software Center.
- The "Koç Fiat Sigorta" initiative that began as an agile-team project in line both with anticipated developments in customers' automotive-industry expectations and with Tofaş's own mobility priorities is transformed into a Koç Fiat Kredi subsidiary.

KEY FINANCIAL AND OPERATIONAL HIGHLIGHTS

In 2022 Tofaş bolstered its strong position in the Turkish automotive industry with TL 65.5 billion in sales and a home market share of 19.2%.

OPERATIONAL HIGHLIGHTS	2018	2019	2020	2021	2022
Export Sales (TL thousand)	14,455,023	13,301,313	10,821,043	14,643,275	29,903,470
Domestic Sales (TL thousand)	3,934,701	5,355,308	12,441,509	14,264,210	34,038,696
Other Income from Operational Activities (TL thousand)	213,607	240,293	294,195	776,820	1,603,188
Cumulative Production Volume (units)	301,750	264,197	250,630	228,544	263,747
Sales (units)	311,499	271,319	259,479	234,786	270,271

FINANCIAL HIGHLIGHTS (TL THOUSAND)	2018	2019	2020	2021	2022
Total Assets	13,001,799	12,809,287	19,475,621	23,473,341	40,375,815
Shareholders' Equity	3,706,555	4,329,209	4,468,611	5,743,391	11,313,640
Sales Revenues	18,603,331	18,896,914	23,556,747	29,684,305	65,545,354
EBITDA	2,532,578	2,479,757	3,025,512	5,794,126	11,269,849
Profit Before Tax	1,290,894	1,456,555	1,830,776	3,512,216	8,562,231
Net Profit	1,330,423	1,481,639	1,784,170	3,281,316	8,562,191

95.7%

The leader of the domestic sales with a share of 95.7%

7 years

The most preferred automobile in Turkey for 7 years in a row.

12.3%

Tofaş's share in Turkey's automotive exports

the leader for 4 years

Fiat is the leader in passenger and light commercial vehicles for 4 years.

18.7%

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

19.5%

Tofaş's share in Turkey's automotive production

100%

Waste recovery

0.320 tonCO₂eq

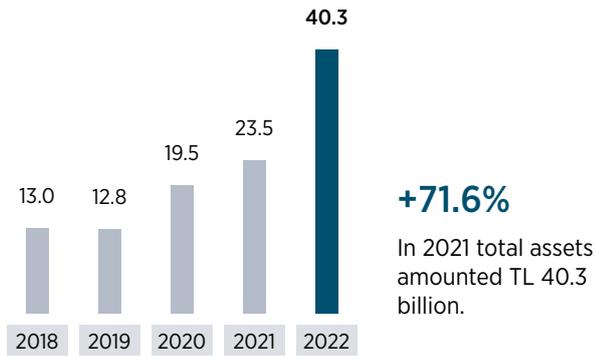
Emissions per vehicle produced

2.74 m³/vehicle

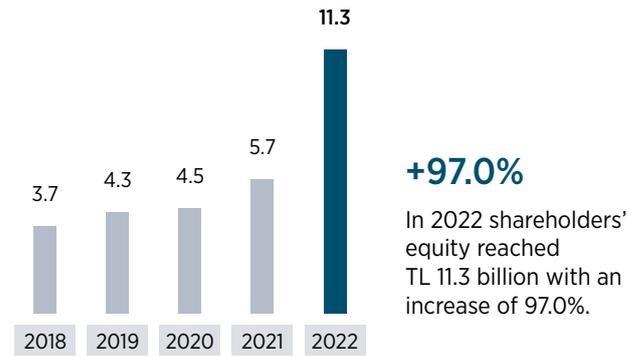
Water consumption per vehicle

KEY FINANCIAL AND OPERATIONAL HIGHLIGHTS

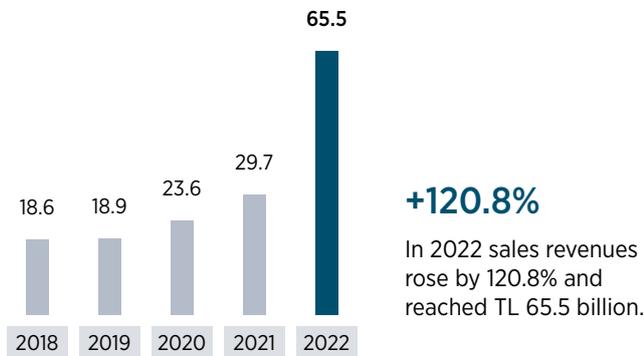
TOTAL ASSETS (TL MILLION)



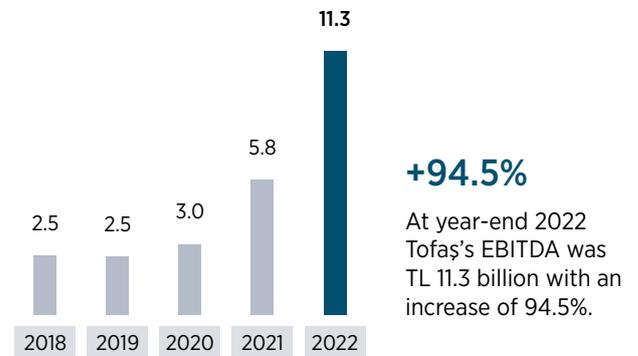
SHAREHOLDERS' EQUITY (TL MILLION)



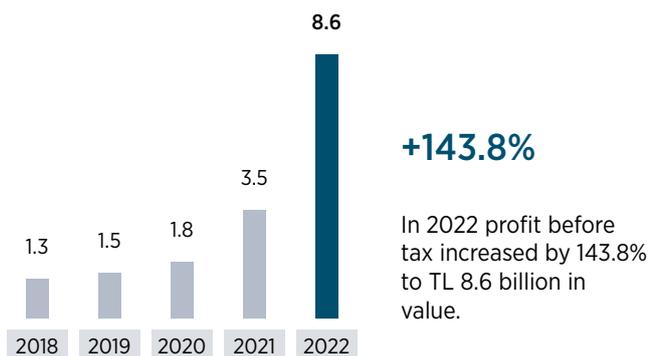
SALES REVENUES (TL MILLION)



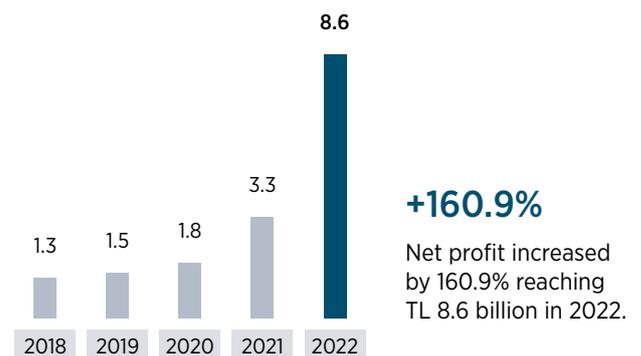
EBITDA (TL MILLION)



PROFIT BEFORE TAX (TL MILLION)

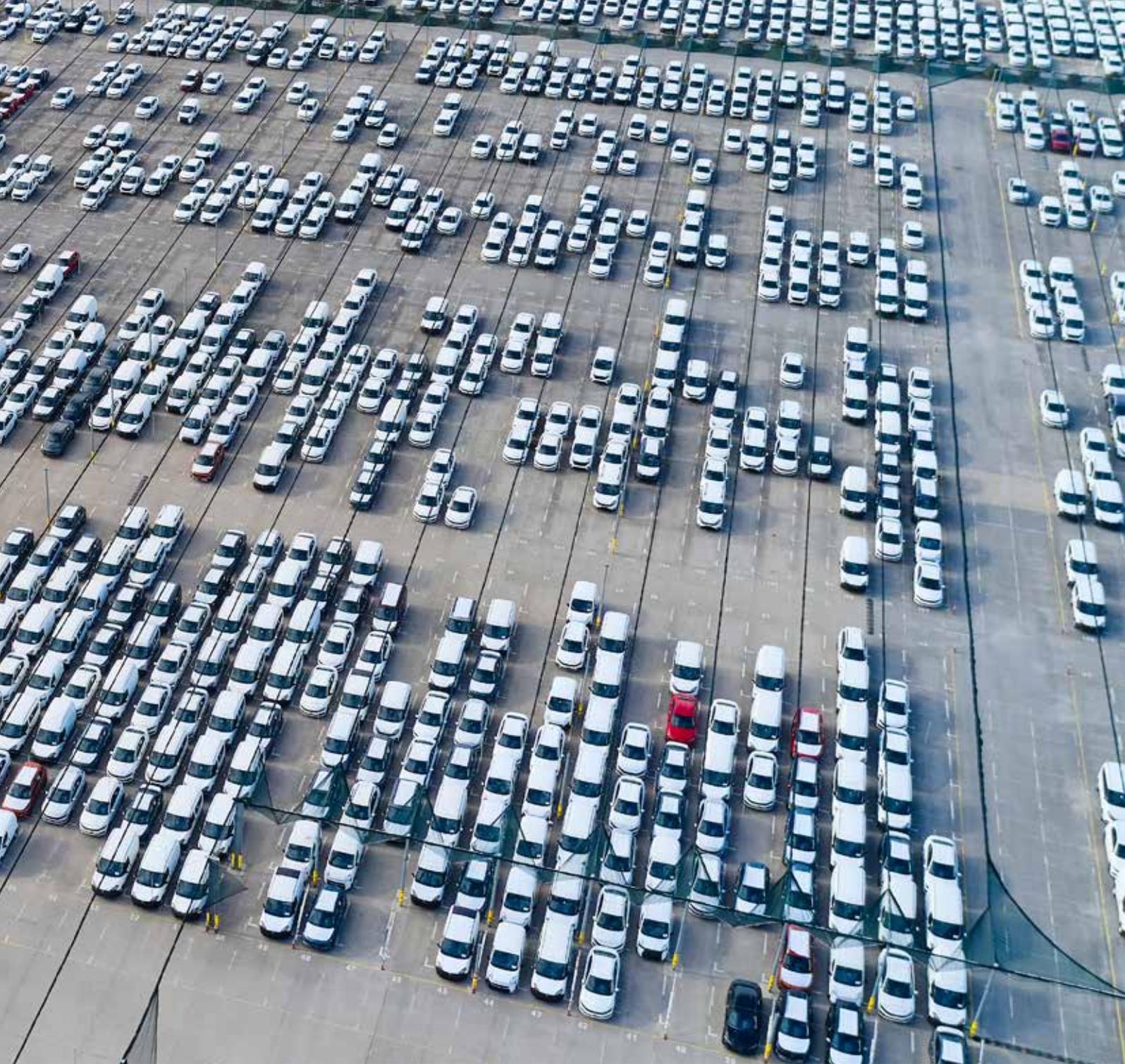


NET PROFIT (TL MILLION)





**12% OF TURKEY'S
AUTOMOTIVE
EXPORTS.**



123 THOUSAND UNITS THAT TOFAŞ
SHIPPED ABROAD CORRESPONDED
TO 12% OF THE COUNTRY'S
AUTOMOTIVE EXPORTS.

ORDINARY GENERAL ASSEMBLY MEETING

AGENDA OF 55th ORDINARY GENERAL ASSEMBLY MEETING OF TOFAŞ TÜRK OTOMOBİL FABRİKASI ANONİM ŞİRKETİ TO BE HELD ON 14 MARCH 2023

1. Opening and election of Meeting Chair,
2. Reading, discussion and approval of 2022 Activity Report prepared by the Company's Board of Directors,
3. Reading of Independent Audit Report Summary related to 2022 accounting period,
4. Reading, discussion and approval of Financial Statements related to 2022 accounting period,
5. Approval of replacement of the member of Board of Directors within the year under Article 363 of Turkish Commercial Code,
6. Acquittal of each Member of the Board of Directors for 2022 activities of the Company,
7. Approval, approval with amendment or rejection of the Board of Directors' proposal on distribution of 2022 profits and the date of profit distribution prepared as per the Company's Profit Distribution Policy,
8. Determination of the number and office term of the members of the Board of Directors, appointment of the members of the Board of Directors according to the determined number, appointment of the independent members of the Board of Directors,
9. Informing the Shareholders on and approval of "Remuneration Policy" for Members of the Board of Directors and Top-Level Managers and the payments made within the frame of such policy as required by Corporate Governance Principles,
10. Determination of annual gross remunerations of the Members of the Board of Directors,
11. Approval of selection of Independent Auditing Organization by the Board of Directors as per the Turkish Commercial Code and Capital Market Board regulations,
12. Informing the Shareholders on donations made by the Company in 2022 and setting an upper limit for donations to be made in 2023 within the scope of the Company's Donation and Sponsorship Policy,
13. Informing the Shareholders on assurances, pledges, securities and indemnities supplied by the Company and its affiliates in favor of third parties and the profits and benefits gained in 2022 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 2022 as per the Capital Market Board Corporate Governance Communiqué,
15. Wishes and opinions.

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



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

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

(Convenience translation of a report originally issued in Turkish)

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

To the General Assembly 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, 2022.

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 2, 2023 on the full set consolidated financial statements of the Group for the period of January 1 - December 31, 2022.

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

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

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

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

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

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

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

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

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



Mehmet Can Altıntaş SMMM
Partner

February 17, 2023
İstanbul, Türkiye

CHAIR'S MESSAGE



2023 will be the year in which the Republic of Turkey celebrates its first centenary. I believe that it will also be a year in which Tofaş, confident of its past and benefitting from its steadily growing corporate competencies, will once again register successes of which we can all be proud.

Ömer M. Koç
Chair of the Board of Directors

Valued shareholders:

The catastrophic earthquakes that struck Kahramanmaraş on 6 February 2023 plunged our entire nation into the deepest sorrow. Among the most devastating natural disasters in the history of our Republic, they caused massive losses of life and property across a broad region. May God have mercy on the souls of those who perished. To their survivors I offer my most heartfelt hopes and wishes for a speedy recovery.

As a nation we have locked together to hasten to the victims' aid and bind up their wounds. From the moment the first news of the earthquakes was received, Tofaş and its sister companies mobilized every means at their disposal in order to make whatever contribution they might in every way possible. They will all continue to do so in the future as well. I sincerely believe that through national solidarity we can put these trying times behind us.

Let me now share with you my views and assessments of developments and of Tofaş's operations in 2022.

Having made significant progress towards recovery from the adverse effects of the pandemic in 2021, the global economy was shaken yet again by the outbreak of Russia's war on Ukraine at the beginning of 2022. The increases in energy and food prices caused by this conflict further accelerated inflationary trends throughout the world while disruptions in international supply chains and transportation networks created huge difficulties for businesses.

With inflation in the United States and in eurozone countries reaching levels not seen in many a year, monetary authorities generally felt compelled to raise their policy rates. The most serious consequence of that was a worldwide slowdown in

growth rates. In its 2023 January World Economic Outlook report, the IMF stated that excepting only the 2019 global financial crisis and the acute phase of the Covid-19 pandemic, the current global growth profile is the weakest seen since 2001. The report announced that global growth is expected to slow from 3.4% in 2022 to 2.9% in 2023.

The Turkish economy for its part grew by 6.2% in the first nine months of 2022. Although the biggest contributor to that performance was domestic consumption, growth was also supported by net exports. Driven by global imbalances in supply and demand, by costlier energy and food, and by the impact of higher exchange rates on prices, CPI inflation rose persistently. According to the twelve-month averages, it closed at 72.31%.

Despite Turkey's successful export performance last year, the country's foreign trade deficit widened. This was primarily due to higher energy and commodity prices and to accelerating gold imports. While strong rises in services and tourism revenues helped constrain current account deficit growth to a degree, Europe's looming economic recession is likely to hammer Turkey's export performance in the period ahead.

Despite rising inflation, Turkey's central bank (TCMB) reduced its policy rate by 500 basis points to 9%, further widening the inflation rate/interest rate gap and thus exerting even more pressure on the Turkish lira. While TCMB measures to rein in credit growth did moderate exchange rate movements late in the year, they also made it considerably more difficult for individuals and companies to borrow TL. Taking all currently available data into account, the IMF for its part says that while the Turkish economy is likely to have grown by 5.5% overall in 2023, it is expected to grow by 3% in 2022.

A YEAR OF CONFRONTING AND MANAGING CHALLENGES

Already struggling with rapidly-increasing raw material and energy costs and with soaring exchange rates, the Turkish automotive industry also found it necessary in 2022 to contend with production bottlenecks arising from supply-side issues, especially those associated with microchips. Notwithstanding such problems, the sector increased its total output by 6% year-on and produced 1,352 thousand vehicles.

Despite recession and changes in demand-side parameters throughout the world, especially in European countries that make up its biggest market, the Turkish automotive industry's USD 31 billion in 2022 export earnings corresponded to a year-on rise of 5.5% and a 12.2% share of the country's total export trade.

Turning now to the home market, passenger and light commercial vehicle sales were up by 6.2% year-on and amounted to 783,283 units. Detailing this performance we see that car (592,600 units) and LCV (190,623 units) sales grew by 5.5% and 8.6% respectively last year.

A COMMANDING SECTORAL PRESENCE GROWS STRONGER

Even in so challenging a year as this however, Tofaş produced a total of 264 thousand units and the 123 thousand units that it shipped abroad corresponded to 12% of the country's automotive exports.

In 2022 Tofaş's share of Turkey's passenger & light commercial vehicle market was up by two percentage points and reached 19.2%. Its Fiat brand was once again the national market leader, this time for the fourth year in a row. Consistently the country's most popular car in all seven years since its launch, Fiat Egea's production run passed the one-million unit mark in 2021. Having further strengthened its market position with the introduction of Sedan, Hatchback, Cross, and Cross Wagon body types that year, Tofaş unveiled its Fiat Egea Cross Wagon model in 2022.

Spending more on R&D than most other companies in Turkey and as one of the Stellantis group's foremost production & engineering centers, Tofaş is looking especially to grow its operations in automotive software development. The company intends to expand its R&D ecosystem collaborations and to increase its exports of such high added-value products and services in the period ahead.

HOPEFUL AND CONFIDENT TOWARDS THE FUTURE...

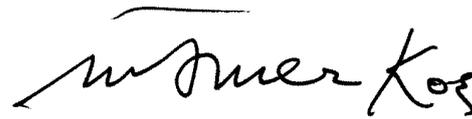
Tofaş abides by the principle of sustainability in all business processes from procurement to production and it focuses on further improving its sustainability performance through the deployment of leading-edge technologies. It is likewise keeping a close watch in developments associated with the European Union's Green Deal industrial plan and resolutely continuing its efforts to become a carbon-neutral company in keeping with the Koç Group's overall carbon-transformation program. Tofaş will continue to contribute to efforts to contribute to worldwide prosperity by undertaking socially supportive products consistent with UN Sustainable Development Goals while also improving its own environmental, social, and corporate governance performance and increasing the value that it creates for all of its stakeholders.

Tofaş's agile-management approaches, its coherent investment policies, and its competitive competencies facilitate its adaptation to rapidly-changing business dynamics and enable it to prudently manage the risks that confront it. The company's strong operational and financial results are tangible evidence of its successful performance on these fronts. Tofaş will continue to invest out of its belief in the country's bright future.

2023 will be the year in which the Republic of Turkey celebrates its first centenary. I believe that it will also be a year in which Tofaş, confident of its past and benefitting from its steadily growing corporate competencies, will once again register successes of which we can all be proud.

With that in mind, I therefore take this opportunity to offer my sincerest thanks to all Tofaş stakeholders for their support of and contributions to the successful results that the company has achieved.

Very truly yours,



Ömer M. Koç

Chair of the Board of Directors

BOARD OF DIRECTORS



ÖMER M. KOÇ
Chair



SAMIR CHERVAN
Vice Chair



CENGİZ EROLDU
Member & CEO



TEMEL KAMİL ATAY
Member



KENAN YILMAZ
Member



**ISABELLE VÉRONIQUE
LERAT**
Member



MELİH POYRAZ
Member



GIORGIO FOSSATI
Member



SERGIO DUCA
Independent Member



NESLİHAN TONBUL
Independent Member

See page 98 for the CVs.

BOARD OF DIRECTORS MEMBERS WHO HELD OFFICE DURING THE REPORTING PERIOD

BOARD OF DIRECTORS		TERM OF OFFICE	
Name	Position	From	Until
Ömer M. Koç	Chair	16.03.2021	15.03.2023
Samir Cherfan	Vice Chair	09.11.2021	15.03.2023
Cengiz Eroldu	Member & CEO	16.03.2021	15.03.2023
Temel Kâmil Atay	Member	16.03.2021	15.03.2023
Levent Çakıroğlu	Member	16.03.2021	15.03.2022
Christian André Chapelle	Member	09.11.2021	14.10.2022
Isabelle Véronique Lerat	Member	14.10.2022	15.03.2023
Kenan Yılmaz	Member	15.03.2022	15.03.2023
Melih Poyraz	Member	16.03.2021	15.03.2023
Giorgio Fossati	Member	16.03.2021	15.03.2023
Sergio Duca	Independent Member	16.03.2021	15.03.2023
Neslihan Tonbul	Independent Member	16.03.2021	15.03.2023

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

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

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

DIVIDEND DISTRIBUTION POLICY

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

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

The intention is to complete dividends distribution in maximum one month after the General Assembly meeting and the date of dividends distribution is determined by

the General Assembly. General Assembly or the Board of Directors, if authorized, can decide on distribution of dividends in installments in accordance with the Capital Markets Regulations.

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

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

This is to inform our esteemed Shareholders.

2022 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 8,562,191,000 in 2022. The donations and charitable grants made to foundations and associations during the reporting period amounted to TL 21,028,679.

It is hereby proposed that; Cash dividends in the total amount of TL 3,000,000,000 corresponding to a rate of 600.00% (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 600.00% (gross) and in the amount of TL 0.06 Gross=Net for each share with a nominal value of TL 0.01.

Our other shareholders be paid out a cash dividend at the rate of 600.00% and in the amount of TL 0.06 gross and TL 0.054 net per share with a nominal value of TL 0.01, and;

The beginning date of dividend distribution be set as 21 March 2023.

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

2022 DIVIDEND DISTRIBUTION TABLE

TOFAŞ TÜRK OTOMOBİL FABRİKASI A.Ş. 2022 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	8,562,231,000	6,438,619,287
4.	Taxes Payable (-)	40,000	643,782,302
5.	Net Current Period Profit (=)	8,562,191,000	5,794,836,985
6.	Losses in Previous Years (-)		
7.	Primary Legal Reserves (-)		
8.	NET DISTRIBUTABLE CURRENT PERIOD (=)	8,562,191,000	5,794,836,985
9.	Donations Made during the Year (+)	21,028,679	
10.	Donation-Added Net Distributable Current Period Profit on which First Dividend is Calculated	8,583,219,679	
11.	First Dividend for Shareholders		
	- Cash	3,000,000,000	25,000,000
	- Stock		
	- Total	3,000,000,000	25,000,000
12.	Dividend Distributed to Owners of Privileged Shares		
13.	Other Dividend Distributed		
	- To the Members of the Board of Directors,		
	- To the Employees		
	- To None Shareholders		
14.	Dividend to Owners of Redeemed Shares		
15.	Second Dividend for Shareholders		2,975,000,000
16.	Secondary Legal Reserves	297,500,000	297,500,000
17.	Statutory Reserves		
18.	Special Reserves		
19.	EXTRAORDINARY RESERVES	5,264,691,000	2,497,336,985
20.	Other Distributable Resources	0	0
	- Retained Earnings		
	- Extraordinary Reserves		
	- Other distributable reserves in accordance with the Law and the Articles of Association		0
21.	Legal Reserves from Other Distributable Resources	0	0
	- Retained Earnings		
	- Extraordinary Reserves		
	- Other distributable reserves in accordance with the Law and the Articles of Association		0

TOFAŞ TÜRK OTOMOBİL FABRİKASI A.Ş. 2022 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)	6,296,628		0.07	5.4000	540.00
A (legal entity)	1,128,682,888		13.18	6.0000	600.00
D	1,022,111,227		11.94	5.4000	540.00
E	655,777,546		7.66	5.4000	540.00
TOTAL	2,812,868,289	0	32.85		

⁽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.



THE LEADER OF TURKEY'S AUTOMOTIVE MARKET



IN 2022, FIAT WAS THE MOST POPULAR BRAND, IN BOTH THE AUTOMOBILE AND THE TOTAL MARKET.

CEO'S MESSAGE



Structural agility and effective supply chain management ensured production continuity and product availability was even increased. Tofaş's product line was expanded with new models, further strengthening its market position.

Cengiz Eroldu
Board Member & CEO

Esteemed shareholders and stakeholders:

The earthquakes that struck the Pazarcık district of Kahramanmaraş on February 6, 2023 caused tremendous loss of life in ten provinces. Our sadness as a country in the face of this disaster we are experiencing is indescribable. I wish God's mercy on the souls of those who lost their lives in the earthquake and condolences for their relatives, and a speedy recovery to the injured.

At Tofaş, we mobilized and went to the greatest efforts to heal the wounds wrought by the disaster immediately after the earthquakes struck. Our Tofaş search and rescue team supported rescue efforts in the region. Aid materials collected with the support of our company and our employees and earmarked for those in need, reached the region with Tofaş trucks. We will continue to tailor our support for the disaster area according to the changing needs, in cooperation with the relevant organizations. I have no doubt that we will overcome these difficult days together and in solidarity.

Now, I would like to share with you my assessments of developments and of Tofaş's operations in 2022.

Expectations that 2022 would be a year of recovery in the aftermath of the extraordinary global economic contraction brought on by the pandemic in 2020 and 2021 were dashed owing to problems arising from such adversities as global supply & demand, Russia's war on Ukraine, and rampant cost-side inflation. However thanks to its experience, competencies, and ability to adapt to changing conditions, Tofaş confronted such challenges and once again successfully completed a year whose uncertainties put its resilience to the test.

FIAT'S FOURTH YEAR AS SECTOR LEADER

Despite materials procurement difficulties arising from chip shortages, structural agility and effective supply chain management ensured production continuity and product availability was even increased. Tofaş's product line was expanded with new models, further strengthening its market position.

Tofaş's 264 thousand production units corresponded to an 18.8% share of the Turkish automotive industry's total output in 2022. 95% of home-market sales consisting of domestically-built vehicles defended long-term leadership on that front while the 123 thousand units that the company shipped abroad corresponded to a 12% share of all Turkish automotive

industry exports. On the basis of its OHS, quality, and efficiency performance, the Tofaş plant is one of the two best in the entire Stellantis Production System according to a group-wide assessment.

Tofaş's six-brand presence in Turkey's automobile & light commercial vehicle market gave it a 19.2% market share with a total of 150,013 units sold. With total sales of 146,435 units and an 18.7% share of the passenger & LCV segment, Tofaş defended its standing as home-market leader for the fourth year in a row.

As a globally undertaken project bearing the Tofaş signature and with its unique place both in our own company's history and in that of the Turkish automotive industry, the Egea's success last year continued to make us proud. Egea was rated the most popular car in Turkey for the seventh year in a row in 2022, a year in which the line's Sedan, Hatchback, Cross, and Cross Wagon body type and diesel & automatic and next-generation hybrid & automatic engine options went on sale for the first time. In addition to a record-breaking home-market sales performance, Fiat Egeas shipped to destinations around the world make a substantial contribution to Turkey's automotive exports.

Besides defending its LCV market share in Turkey during 2022, late in the year Tofaş also introduced two new models in the midrange commercial vehicle segment: the Fiat Scudo and the Fiat Ulysse.

Tofaş's Alfa Romeo and Maserati lines are both conspicuous among the fastest-growing automotive brands in Turkey. During 2022, Alfa Romeo's compact SUV Tonale was introduced to the market with hybrid and diesel engine options.

Tofaş's 2022 financial performance was also such as to support operational results last year. The company's 2022 revenues were up by 121% year-on and amounted to TL 65,545 million (TL 65.5 billion) while its net profit was up by 160% and weighed in at TL 8.6 billion.

OUTSTANDING COMPETENCIES IN R&D AND TECHNOLOGY

In keeping with its vision of being a company that creates the best customer value, Tofaş continues to undertake investments that will carry it forward, with particular attention being given to R&D, technology, and mobility. Positioned in the global arena as a competitively-advanced product & technology development hub, the Tofaş R&D Center contributes to Turkey's economy, industry, and R&D know-how by exporting engineering services while also developing entirely original products of its own and improving

existing ones. Tofaş R&D enjoys a commanding position among the Stellantis Group's R&D facilities by virtue of its product-engineering experience, more than 600 personnel, and the diverse inhouse capabilities of high-tech laboratories.

Tofaş is currently discussing and assessing new products, the continuation of Fiat Doblò production, and potential domestic-market collaboration and synergy opportunities with the Stellantis Group at Tofaş's plant in the period ahead.

In an important initiative that got under way in 2022, the Tofaş R&D Center opened a product development & software branch in Izmir Institute of High Technology's Technopark Izmir Software Center. This new venue in Izmir is intended to speed up the development of solutions addressing local needs by increasing the center's automotive-industry software-production capabilities while also enabling Tofaş to better fulfill the responsibilities it is given in the design and development of components and systems, in virtual/physical verification processes, and in prototyping etc for Stellantis's global ecosystem of brands and models.

Having increased the number of EU research projects on which it is working to 31 last year, the Tofaş R&D Center is currently working with more than 260 international project partners. Constantly increasing its involvement in the search for value-adding innovation, the center filed a total of 71 new patent applications during 2022.

Tofaş gives great importance to continuous learning and innovation both to ensure its sustainability as a company and to support the development of its employees. Tofaş regards digitalization and innovation as an ongoing journey of bringing about cultural change in every aspect of people's lives. While working on intelligent-factory projects that make use of productivity-enhancing digital optimization, the company also taps into its digitalization and innovation competencies in the development of its sales and after-sales services processes so as to improve the customer experience. Such projects carry Tofaş forward of course but we also take pleasure in knowing that they also contribute to the growth and development of its sector.

With the introduction of Fiat Connect last year, Tofaş became the first automotive brand to bring the global phenomenon of connectivity technology to the Turkish market. Fiat Connect is now standard equipment on all Egea models. Developed in Turkey and the first connected-vehicle technology available in its vehicle class, Fiat Connect's features and capabilities will be increased and expanded. The recognition that Fiat Connect has already attracted shows once again that Tofaş is on the right track in the area of vehicle connectivity.

Yet another significant development in 2022 was the formation of Koç Fiat Sigorta, an insurer and outstanding example of corporate intrapreneurship. The "Koç Fiat Sigorta" initiative that began as an agile-team project in line both with anticipated developments in customers' automotive-industry expectations and with Tofaş's own mobility priorities has been transformed into a Koç Fiat Credit subsidiary. Koç Fiat Sigorta will be providing whatever insurance products and services may be needed by any of its brands today and in the future both through Tofaş's nationwide dealership network and through online channels in keeping with its vision of delivering end-to-end excellence in the customer experience.

INVESTING IN A BETTER FUTURE

Introducing new and constantly improving existing environmental, social, and corporate governance practices consistent with its approach of creating sustainable value and encouraging

stakeholder engagement, Tofaş's shares continue to be included in the Borsa İstanbul Sustainability Index.

Conducting all of its human resources processes and policies in line with the principles of inclusiveness, equality, and diversity, Tofaş prioritizes training and development programs that make its employees better prepared for the future. Through a variety of activities and projects, the company likewise continues to support the efforts of new graduates who will shape Tofaş's future as they embark upon careers of their own.

Acknowledging the important role that social gender equality plays in a country's economic and social progress, Tofaş believes that it should come up with long-term, concrete solutions for addressing this issue. Likewise recognizing the overlap in the two companies' attitudes and approaches, Tofaş joined with its parent Koç Holding by becoming a member of the United Nations Technology & Innovation Action Coalition in 2022. Tofaş has committed itself to taking action to increase the number of female personnel with technology and innovation responsibilities and to encourage girls and women to pursue careers in technology and science.

Tofaş is aware of the urgent necessity of measures to deal with the increasingly more serious climate crisis and of taking action to reduce the environmental impact of all of its operations. As a corporate member of the Climate Initiatives Platform, Tofaş supports low-carbon economic transition. Having drawn up a comprehensive roadmap for this in 2022, the company has joined the UN Science-Based Targets Initiative. Tofaş intends to continue its efforts in this direction by resolutely advancing towards the realization of its ultimate goal of becoming a carbon-neutral business enterprise.

Committed to undertaking long-term projects capable of contributing to social progress, Tofaş continues its efforts to protect cultural heritage while also prioritizing investment in sport and education that contributes to the growth and development of new generations. It also continues to develop applications and solutions for inclusion in its Fiat Barrier-Free Movement, a program that was initiated to make it possible for drivers and passengers with reduced mobility to get around without being dependent on others.

ONWARD AND UPWARD

Tofaş will continue to acquire new and develop existing competencies to ensure the sustainability of its success. While creating added value for the national economy through its production and export operations, the company will likewise continue to invest in R&D, to support the wellbeing and development of its employees, and to further improve its environmental performance.

In closing, I thank our shareholders, employees, customers, dealers, and suppliers for being the chief architects of our success as well as all of our stakeholders for their continued support and contributions.

Very truly yours,



Cengiz Eroldu
Board Member & CEO

SENIOR MANAGEMENT



CENGİZ EROLDU
Board Member & CEO



FABRIZIO RENZI
Financial Director (CFO)



ZEKİ ERDAL ŞİMŞEK
Factory Director



GIUSEPPE MASCIOTTO
R&D Director



ALTAN AYTAÇ
Fiat Business Unit Director



ÖMER ÖZGÜR ÇETİNOĞLU
Information and
Communication Technologies
Director



HASAN ERDOĞAN
Mobility Solutions Director



MAHMUT KARACAN
Sales Director



DOĞU ÖZDEN
Financial Planning and
Control Director

See page 100 for the CVs.



YÜKSEL ÖZTÜRK
Purchasing Director



SABRİ ERKAN POLAT
Vehicle Engineering Director



ORÇUN SARICA
Human Resources and
Industrial Relations Director



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



HÜSEYİN ŞAHİN
After Sales and Spare Parts
Director



RECEP TEMİZEZEN
Production Director



ONUR YALÇIN
Supply Chain Director



ARZU YAZGAN
Corporate Communications
Director



İSMET KAĞAN YILDIRIM
External Relations Director



SİNAN YILDIRIM
Quality Director

TOFAŞ 2022 HIGHLIGHTS

JANUARY

EGEA FAMILY'S NEWEST MEMBER: CROSS WAGON



The Cross Wagon, Fiat Egea's newest model went on sale with pre-sale orders being accepted on the company's online sales channel at online.fiat.com.tr.

FIORINO MAKEOVER



Under continuous production at Tofaş since 2007, the Fiat Fiorino was given a makeover and put on sale.

FEBRUARY

FIAT TEAM JOINS RACING SIMULATOR



The Fiat Motor Sporları team entered the Assetto Corsa world of simulated racing with its Egea. Organized jointly by Fiat and the Turkish Automobile Sports Federation (TOSFED), the first "Fiat Digital Tournament" took place on virtual recreations of Italy's Monza and Imola racetracks. Sim-racing fans competing in the tournament drove virtualized models of the Egea specially designed for circuit racing.

JEEP'S ONLINE SALES PLATFORM "JEEP ONLINE" GOES LIVE



"Jeep Online" was opened. "Jeep Online" is a digital sales channel that allows would-be Jeep customers to experiment with differently-configured models.

MARCH**TOFAŞ ANNOUNCES SOCIAL GENDER EQUALITY SUPPORT COMMITMENTS**

Attending the United Nations Generation Equality Forum as members of the “Technology & Innovation” action group, Tofaş along with other Koç Group companies announced their commitments to strengthen the roles of women and girls in the areas of technology and innovation. Tofaş announced that it had set itself the goals of increasing the number of female personnel employed in technology & innovation functions to 30% and those in technology & innovation management positions to 20% of the totals by 2026. The company also revealed its goal of reaching out to 30,000 girls in order to increase their numbers among science, technology, engineering, and maths students by the same year.

TOFAŞ CEO CENGİZ EROLDU ELECTED OSD PRESIDENT

Tofaş CEO Cengiz Eroldu was elected president of the Automotive Manufacturers Association (OSD). As the Turkish automotive sector’s foremost trade association, OSD’s membership consists of Turkey’s leading automotive manufacturers.

APRİL**ON THE ROAD WITH THE EGEA HYBRID**

Automatic-transmission & hybrid-engine equipped versions of Egea’s Sedan, Hatchback, Cross, and Cross Wagon models went on sale in Turkey.

JUNE**OSD AUTOMOTIVE SUMMER CAMP FOR STUDENTS**

The second Automotive Manufacturers Association’s automotive summer camp once again provided an occasion for highschool and university students and automotive-industry firms and organizations to interact with one another. The OSD Automotives Summer Camp is a joint undertaking of Tofaş and the OSD Human Resources Project Team.

ALL-NEW FIAT DOBLÒ RELOCATING TO A NEW PRODUCTION CENTER

Stellantis announced that production of new models of the Doblò is to be relocated to the company’s plant in Vigo (Spain), where operations will benefit from economies of scale by using the same resources as Stellantis’s Peugeot, Citroën, Opel, and Toyota models.

AUTO-INSURANCE COLLABORATION WITH GROUPAMA SİGORTA

Tofaş and insurer Groupama Sigorta signed an agreement under which Groupama will be providing branded comprehensive automobile insurance policies for Tofaş’s Fiat, Fiat Professional, Alfa Romeo, and Jeep brands. The company’s brand-specific policies are written so as to provide owners with all aspects—including authorized servicing and OEM parts and repairs—of the exact coverage that they require.

ALFA ROMEO ONLINE

With the launch of Alfa Romeo’s “Alfa Romeo Online” digital sales channel, would-be Alfa Romeo customers have been given the opportunity to experiment with differently-configured models.

TOFAŞ 2022 HIGHLIGHTS

TOFAŞ DEALERS MEETING



Koç Holding and Tofaş executives and Fiat, Alfa Romeo, and Jeep dealers and services-providers gathered in the year's dealership network meeting in İstanbul. During the meeting, best-performance awards were handed out while 37 long-time Tofaş dealers received their 20th-50th-year service awards.

JULY

KOÇ FIAT SİGORTA

The “Koç Fiat Sigorta” initiative that began as an agile-team project in line both with anticipated developments in customers' automotive-industry expectations and with Tofaş's own mobility priorities was transformed into a Koç Fiat Kredi subsidiary.

CONNECTIVITY TECHNOLOGY BECOMES STANDARD ON ALL EGEA MODELS



In keeping with its goal of making connectivity technology as widely available as possible, Tofaş made Fiat Connect standard equipment across the entire Fiat Egea family.

SEPTEMBER

FIAT PANDAS WITH NEW EQUIPMENT OPTIONS



Fiat's iconic city car the Fiat Panda went on sale in Turkey with new “City” level equipment and hybrid-engine options.

OCTOBER

NEW ALFA ROMEO TONALE GIVEN GLOBAL UNVEILING IN İSTANBUL



The international launch of Alfa Romeo's compact SUV offering new hybrid and diesel engine options held in İstanbul was attended by media representatives from around the world.

TOFAŞ-NATIONAL EDUCATION DIRECTORATE OCCUPATIONAL TRAINING PROTOCOL



Tofaş and the Bursa Provincial Directorate of National Education signed a protocol covering the provision of various occupational training & development resources in order to expand the province's qualified workforce. Under this agreement, it is aimed to increase the qualified workforce and to give master-craftsmen certificate to the participants at the end of the program.

TOFAŞ R&D CENTER PRODUCT-DEVELOPMENT & SOFTWARE BRANCH OPENS IN İZMİR



Tofaş R&D Center's newly-created Product-Development & Software branch commenced operations in İzmir Institute of Technology's Technopark İzmir Software Center. The opening of this new venue in İzmir is a part of Tofaş's plan to expand its automotive-industry software-production capabilities so as to better fulfill the responsibilities it is given in the design and development of components and systems, in virtual-physical verification processes, and in prototyping etc for Stellantis's global ecosystem of brands and models.

NOVEMBER

ONE-MILLIONTH FIAT EGEA



Tofaş's production of Fiat Egea models passed the one-million mark. The millionth Egea rolling off the company's assembly line was a hybrid-engine equipped Cross. With the crossing of this threshold, the total number of Tofaş-made vehicles reached 6.8 million.

GOTECH TECHNOLOGY SUMMIT: IMPROVING SUPPLIERS' TECHNOLOGICAL CAPABILITIES



The fifth in the series of GoTECH technology summits that have been held every year to support suppliers' efforts to improve their technological capabilities was held. Conducted with the aim of creating synergies among suppliers on the one hand and public agencies and organizations, domestic technology-suppliers and innovative startups on the other, the summit was convened under the auspices of Tofaş Academy.

DECEMBER

FIAT MARKET LEADER ONCE AGAIN



Selling 146,435 units in total, the Fiat brand was once again the Turkish automobile & light commercial vehicle sector's leader fourth time in a row with an overall 18.7% market share in 2022. In the year's round of the Automotive Distributors & Mobility Association (ODMD) series of Gladiator awards, Fiat was acclaimed as "Most Popular Car Brand Of The Year" while the Fiat Egea was hailed as "Turkey's Most Popular Car".

TOFAŞ BARRIER-FREE VEHICLES AT THE "LIVING WITHOUT OBSTACLES" FAIR



Solutions developed by Tofaş in partnership with HNC as part of the Fiat Barrier-Free Movement project to address the special needs of disabled persons by eliminating hindrances to their travel mobility were shown off at the EYAF EXPO 2022 "Accessibility & Awareness Summit".

NEW TURKISH MARKET ENTRIES: FIAT SCUDO AND FIAT ULYSSE



Two new models in Fiat Professional's midrange commercial vehicle segment—the Fiat Scudo and the Fiat Ulysse—went on sale in Turkey.

AWARDS & RECOGNITIONS

EXPORT CHAMPIONS RECOGNIZED



At an award ceremony conducted by the Turkish Exporters Assembly to empower women in Turkey’s export trade, Tofaş ranked seventh among Turkey’s export champions. Tofaş independent board member Neslihan Tonbul accepted the TIM award on the company’s behalf.

INTELLIGENT ENERGY MANAGEMENT SYSTEM PROJECT MINISTRY AWARD



Tofaş’s Paintshop Intelligent Energy Management System project placed first in an “Industrial Energy Efficiency 2021” project competition organized by the Ministry of Energy & Natural Resources.

TOFAŞ BURSA’S PATENT-APPLICATION CHAMPION



The Ministry of Industry & Technology honors firms that are successful in the management of SMEs’ intellectual & industrial property rights. The ministry cited Tofaş as “Bursa’s #1 Patent Applicant” in recognition of the company’s contributions to the growth and development of Turkey’s industrial property rights system.

TOFAŞ “MESS WORK SAFETY STARS” AWARD



Tofaş’s “VR Forklift Simulator” project earned its Bursa plant a place among the top three contenders in the “Innovation In Communication” category of the Turkish Employers’ Association of Metal Industries’ “Work Safety Stars” competition.

GEAR UP INTELLIGENT CAMPAIGN MANAGEMENT SYSTEM PICKS UP THREE AWARDS

In the series of Direct Marketing Awards, Tofaş’s Gear Up intelligent campaign management system placed first in the “Data-Based Loyalty Programs” category and second in both the “Innovative Data & Advanced Analytics Deployment” and the “Creating Value From Data” categories.

TOFAŞ BURSA'S TOP EMPLOYER



In 2021 Tofaş provided more jobs for more people than any other company in Bursa.

TOFAŞ'S INNOVATIVE LEARNING & DEVELOPMENT SOLUTIONS PICK UP TWO INTERNATIONAL AWARDS

In the year's round of "Stevie Awards For Great Employers", Tofaş Academy's "Ask Someone Who Knows" program won silver in the "Mentoring Program: Coaching & Mentoring" category while its "Agility Coaching Certification Program" won bronze in the "Certification Programs" category.

"ASK SOMEONE WHO KNOWS" BRINGS HOME TWO AWARDS

In the series of European Mentoring and Coaching Council (EMCC) accreditation awards, Tofaş Academy's "Ask Someone Who Knows" mentoring program was honored with a silver International Standards for Mentoring and Coaching Programs (ISMCP) award. Its Ask Someone Who Knows" mentor training received a European Foundation for Quality Management EQA award.

OGD AWARDS FOR EGEA HYBRID LAUNCH AND FYA CONNECT

The results of the seventh round of Automotive Journalists Association (OGD) series of "Car Of The Year" awards were announced at a ceremony held at Intercity İstanbul Park. With 64 votes, the association's "Press Launch of the year" award, given for the first time this year, went to Tofaş for its Fiat Egea Hybrid launch in Çanakkale. FYA Connect also earned the company an OGD "Innovation" award.

FIAT CONNECT EARNS CX AWARD GOLD

Tofaş Fiat Connect returned from the year's round of Turkey Customer Experience Awards with gold in the "Customer Growth Strategy". Fiat Connect was also the only entry in the category deemed to be worthy of an award.

NEW FIAT CONNECT FUNCTION EARNS IDC AWARD



Fiat Connect's innovative "Second-Hand Dynamic Assessment" function placed first in the "Future of Digital Innovation" category of the IDC Turkey DX Awards 2022 organized by the International Data Corporation.

THREE CRYSTAL APPLES GRAND FOR FIAT

In the 34th round of the Turkish Association of Advertising Agencies' series of Crystal Apple awards, Fiat's "Panda Dere Tepe Türküler" Turkish folk music radio project earned two Crystal Apples as well as the Crystal Apple Grand Prize.

ALFA ROMEO ONLINE "ALTIN ÖRÜMCEK" AWARD

Alfa Romeo's "Alfa Romeo Online" digital sales channel and its feature that lets Alfa Romeo owners experiment with differently-configured models placed third in the "Automotives" category of the year's "Altın Örümcek" web awards.

JEEP CRYSTAL APPLE AND FELIS AWARDS

Jeep was awarded a silver Crystal Apple for its "Jeep Crossword Puzzle" campaign. The brand's "Jeep Çık" communication campaign also earned Tofaş a crystal award in the Crystal Apple Awards series as well as a Felis award in the "Print & Publishing" category.

JEEP ODD AWARD

In the 13th round of the Gladiators Awards series of ODMD Sales & Communication honors handed out by the Automotive Distributors & Mobility Association, the "Jeep Crossword Puzzle" was honored as "Newspaper Campaign Of The Year" in 2022.

INVESTOR RELATIONS



With their average trading value up by 121% in 2022, Tofaş’s shares significantly outperformed the 98% rise in the BIST 100 index last year.

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

As of end-2022, 22.4% of Tofaş’s shares were held by foreign shareholders while the average foreign-investor share of BIST-traded companies was 29.6% as of the same date.

SHAREHOLDING STRUCTURE

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

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

2022 trading highlights

Closing:	TL 165.70
Market capitalization:	USD 4.43 billion
Intraday high:	TL 170.20
Intraday low:	TL 58.95
% held by international investors:	22.4%
Average trading volume:	USD 67.6 million

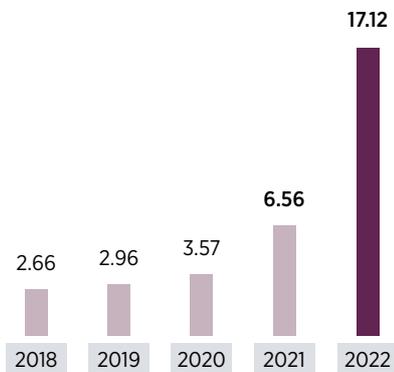
PERCENTAGE OF PUBLICLY-TRADED TOFAŞ SHARES HELD BY INTERNATIONAL INVESTORS (%)



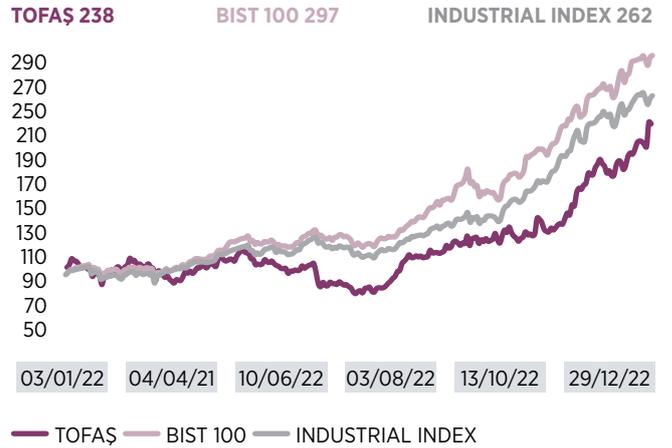
SHARE PERFORMANCE

With their average trading value up by 121% in 2022, Tofaş's shares significantly outperformed the 98% rise in Borsa İstanbul's BIST 100 index last year. On the basis of their twelve-month performance however, Tofaş shares gained 138% in value in 2022 while the BIST 100 index was up by 197%.

EARNINGS PER SHARE (TL)



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



WHY TOFAŞ?

STRONG DOMESTIC MARKET POSITION

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

VALUE-ADDING PRODUCTION

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

GUARANTEED EXPORT CONTRACTS

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

SOLID FINANCIAL POSITION

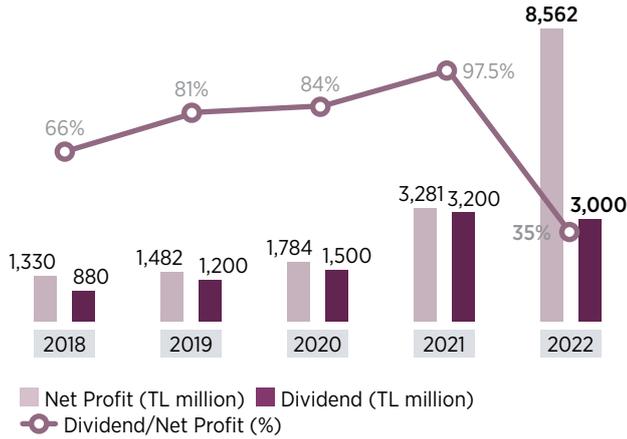
- Increased profitability supported by pricing & cost discipline
- Robust balance sheet supported by free cashflow

OUTSTANDING PROFITABILITY SHARED WITH INVESTORS

- Historically high dividend payout

INVESTOR RELATIONS

DIVIDEND PAYMENT PERFORMANCE



In 2022 Tofaş paid out a record-breaking lump-sum gross dividend of TL 3,200 million on its 2021-year profits. The aggregate value of Tofaş-paid dividends between 2018 and 2022 amounts to TL 6.8 billion. The Tofaş Board of Directors has proposed paying out a total dividend of TL 3,000 million on its 2022-year profits. This corresponds to a rate of return of 35% per share.

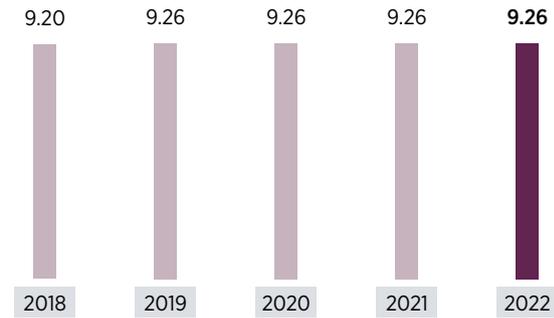
CORPORATE GOVERNANCE AT TOFAŞ

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

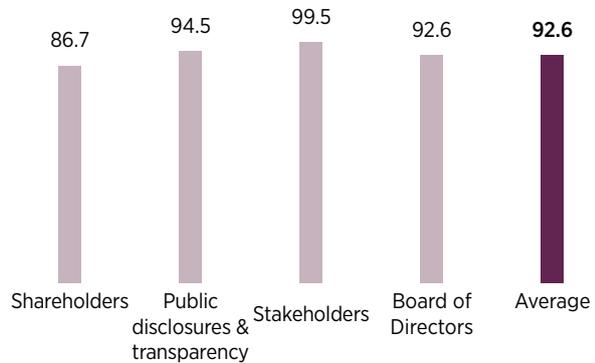
Tofaş has its compliance with corporate governance principles independently audited in a process in which its practices are individually rated under the headings of "Shareholders", "Public disclosure and transparency", "Stakeholders", and "Board of Directors".

Saha Kurumsal Yönetim ve Kredi Derecelendirme Hizmetleri A.Ş., a corporate governance and credit rating services provider, periodically reviews and updates Tofaş's corporate governance rating. According to a Saha-issued 26 October 2022 corporate governance report, Tofaş had been assigned a corporate governance rating of 9.26 based on a review of the company's performance as of that date.

CORPORATE GOVERNANCE RATING



BREAKDOWN OF CORPORATE GOVERNANCE RATING (%)



2022 CORPORATE GOVERNANCE RATING



RELATIONS WITH CORPORATE INSTITUTIONAL INVESTORS

The Tofaş Institutional Investor Relations Department held a total of four analyst meetings in 2022. These webcast meetings were attended by members of senior management and consisted of a presentation of all the year's quarterly results announced as of that date.

In addition to these four analyst meetings, a total of 204 other meetings with 72 institutional investors and 132 financial analysts in the form of company visits, teleconferences, and investor conferences in Turkey and abroad took place during 2022. Tofaş representatives took part in eight video conferences and personally attended three investor conferences in other countries, in the course of which they met with representatives of 57 mutual funds.

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

Institutional Investor Relations Department:

Devran Aydın

Industrial Control Manager

Telephone: +90 212 275 3390 Extension: 2754

Email: devran.aydin@tofas.com.tr

Mehmet A. Ağyüz, CFA

Investor Relations Manager

Telephone: +90 212 275 3390 Extension: 2751

Email: mehmet.agyuz@tofas.com.tr



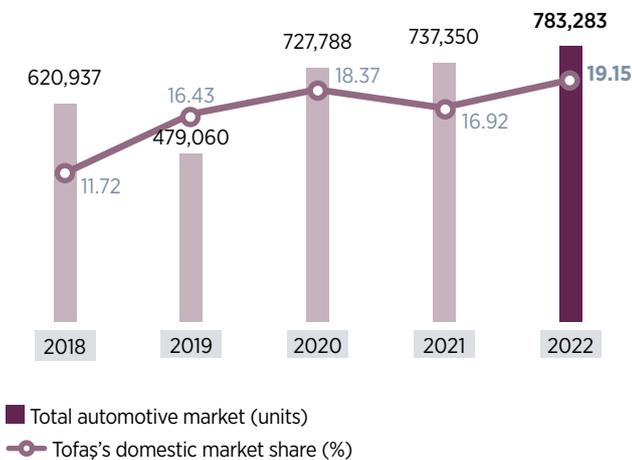
INVESTOR RELATIONS
WEB PAGE

THE TURKISH AUTOMOTIVE INDUSTRY AND TOFAŞ'S POSITION



Retail sales of cars and light commercial vehicles in Turkey were up by 6.2% in 2022 as compared with 2021 and numbered 783,283 units sold.

TOFAŞ'S DOMESTIC MARKET POSITION



DOMESTIC RETAIL SALES

Retail sales of cars and light commercial vehicles in Turkey were up by 6.2% in 2022 as compared with 2021 and numbered 783,283 units sold.

The principal factors nourishing demand for vehicles last year were (1) resolution of pent-up demand which had resulted from reduced vehicle availability attributable to shrinking markets and to supply-chain disruptions in 2018-2019 and (2) consumers' desire to protect the purchasing power of TL assets whose value was being eroded by high inflation. Owing both to modest improvements in vehicle availability and to low-base effects, Q4 market demand was up by 47% in 2022 as compared with the same period of the previous year.

With combined sales of 150,013 units, Tofaş's Fiat, Fiat Professional, Jeep®, Alfa Romeo, Maserati, and Ferrari brands together accounted for a 19.15% share of the overall market in 2022 and corresponded to a year-on rise of 20.3%.

The effects of the earthquakes, which took place in Kahramanmaraş on 6 February 2023 and affected 10 cities in Turkey, on the activities, employees, business continuity and performance of Tofaş's suppliers and dealers are closely and meticulously monitored.

In 2022, the Fiat brand was once again the market leader as measured by total passenger and light commercial vehicle sales.

PASSENGER VEHICLES

Total car sales in Turkey were up by 5.5% year-on and numbered 592,660 vehicles sold.

In 2022 Tofaş sold a total of 100,932 cars, a 31.8% year-on increase that gave it a 17.03% share of the Turkish retail market for passenger vehicles.

With a total of 146,435 units sold giving it an 18.7% share of the overall 2022 market, the Fiat brand handily defended its leadership of the car & LCV segments. The continued successful performance of the Fiat Egea family was a factor contributing to Fiat's 16.4% share of the domestic automobile market.

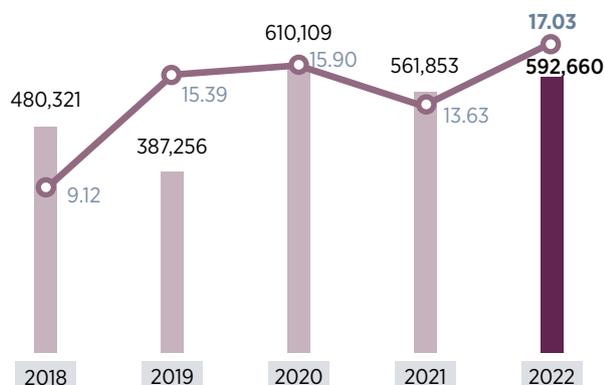
Sales of 68,799 units made the Fiat Egea Sedan Turkey's best-selling car for the seventh year in a row. Successful performance by the Fiat Egea Cross, a crossover model that went on sale early in 2021, contributed to the Fiat brand's overall market share as likewise did sales of Fiat Egea hatchbacks and station wagons.

LIGHT COMMERCIAL VEHICLES

Sales in the overall LCV market increased by 8.6% in 2022 and amounted to 190,623 units sold. Tofaş's Fiat and Fiat Professional brands yet again defended their strong position with a combined 25.7% share of that market.

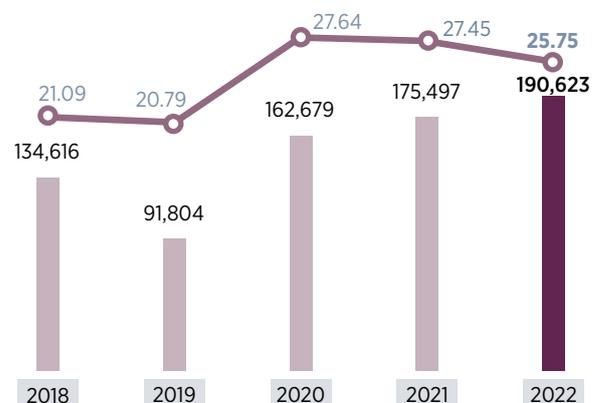
In the minivan segment, which makes up a substantial part of the market, the Fiat Doblò was designated "Most popular LCV of the year" while the Fiorino also continued to perform successfully.

TOFAŞ'S DOMESTIC PASSENGER VEHICLES MARKET POSITION (%)



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

TOFAŞ'S DOMESTIC LIGHT MARKET VEHICLES MARKET POSITION (%)



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

FINANCIAL RESULTS



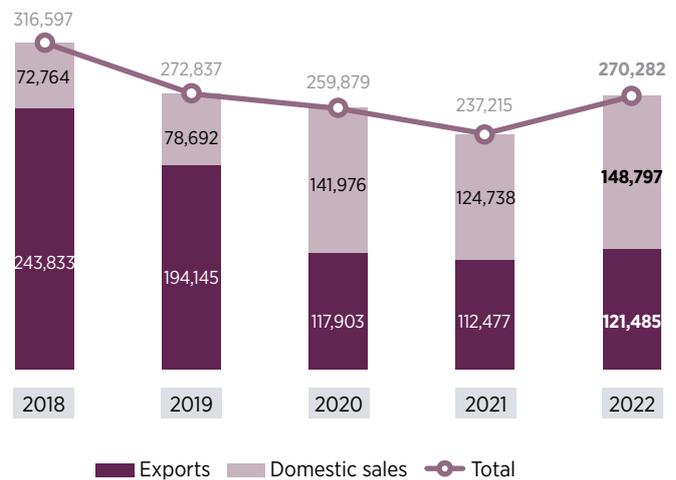
PRODUCTION

The 263,747 vehicles that Tofaş produced in 2022 corresponded to 19.5% of the Turkish automotive industry's total output.

SALES

Total retail sales of cars and LCVs in Turkey were up by 6.2% in 2022 and numbered 783,283 units sold. Car sales (592,660) increased by 5.5% as compared with 2021 while LCV sales (190,623) grew a somewhat more robust 8.6%. Tofaş's combined sales to the retail market were up by 20.3% and amounted to 148,797 units as of year-end. Turning now to Turkey's automotive exports, Tofaş registered an 8.0% year-on increase in its export sales, shipping 181,485 units abroad as of year-end. This performance corresponds to a 12.3% share of the country's automotive exports on the measure of numbers of units sold.

TOTAL SALES (THOUSAND UNITS)



PRODUCTION (UNITS)	2018	2019	2020	2021	2022
Egea	147,859	146,103	151,736	116,679	134,844
Doblò	104,198	76,529	68,798	77,520	85,021
MCV	49,693	41,565	30,096	34,345	43,882
Total	301,750	264,197	250,630	228,544	263,747

PRODUCTION (UNITS)	2018		2019		2020		2021		2022		CHANGE
Egea	147,859	146,103	151,736	116,679	134,844	%	2021	2022		%	
Doblò	104,198	76,529	68,798	77,520	85,021	-14.1	120,480	139,831		16.1	
MCV	49,693	41,565	30,096	34,345	43,882	23.1	114,306	130,440		14.1	
Total	301,750	264,197	250,630	228,544	263,747	8.0	234,786	270,271		15.1	

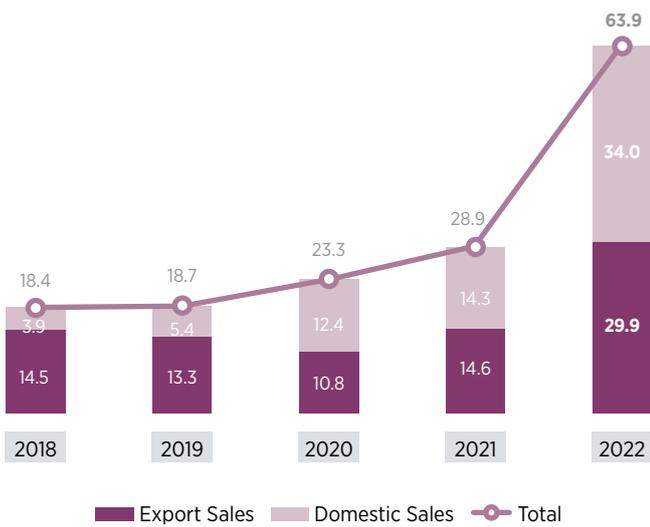
SALES (UNITS)	2021		2022		CHANGE (UNITS)
Domestic Sales	122,309		148,786		26,477
Manufactured	115,982		142,338		26,356
Egea Sedan	49,183		68,668		19,485
Egea HB	21,677		27,988		6,311
Doblò	28,865		24,321		-4,544
Fiorino	16,257		21,361		5,104
Imported	6,327		6,448		121
Ducato	2,243		2,383		140
Fiat 500	635		165		-470
Jeep®	2,906		2,346		-560
Ulysse	0		2		2
Scudo	0		232		232
Alfa Romeo	172		880		708
Panda	235		84		-151
Maserati	101		312		211
Ferrari	35		44		9
Exports	112,477		121,485		9,008
Tipo	16,278		7,890		-8,388
Tipo HB and SW	29,246		30,452		1,206
Doblò	37,697		32,806		-4,891
Ram Doblo	11,064		27,755		16,691
Fiorino	18,180		22,574		4,394
Others	12		8		-4
Total	234,786		270,271		35,485

On a unit basis, Tofaş's total sales were up by 15.2% year-on and amounted to 270,271 vehicles sold.

FINANCIAL RESULTS



SALES (TL MILLION)



Tofaş’s total sales were up by 121% in 2022 and amounted to TL 65,545 million in value.

The principal factors nourishing demand for vehicles last year were (1) resolution of pent-up demand which had resulted from reduced vehicle availability attributable to shrinking markets, (2) supply-chain disruptions in 2018-2019, and (3) continued strong growth in online sales. Domestic LCV sales were also powered by low TCMB policy rates in a high-inflation environment in which consumers had recourse to tangible fixed assets such as houses and cars in an effort to preserve the value of their monetary assets. The result of these dynamics is that Tofaş’s domestic retail sales grew by 20% to around 150 thousand units sold. On the foreign sales side, car exports were in decline, falling by 15.2% as compared with 2021, but LCV exports grew by around 24.1% during the same twelve-month period. The upshot is that Tofaş’s total exports registered a net 8.0% rise as compared with the previous year. The drop in car exports can be attributed essentially to supply-side difficulties and to a rapid market shift in favor of hybrids and electrics. Commercial vehicle export growth on the other hand was supported by expanding e-commerce volumes.

SALES (TL THOUSAND)

	2021	2022	CHANGE %
Export Sales	14,643,275	29,903,470	104.2
Domestic Sales	14,264,210	34,038,696	138.6
Other Income from Operational Activities	776,820	1,603,188	106.4

Tofaş accounted for a 12.3% share of Turkey’s 2022 exports as measured by volume.

EXPORTS

Still reeling from the lingering effects of the slowdown caused by disruptions in semiconductor availability, car sales in Europe (EU plus European Free Trade Association countries and the UK) were down by 4% year-on.

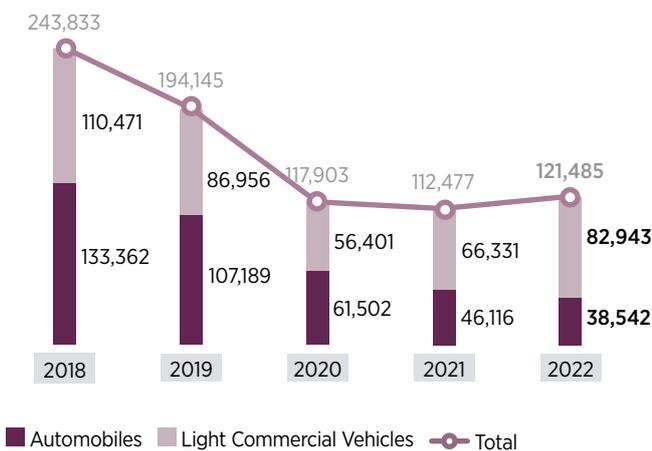
There is some variation at the national-market level however: sales in France (-7.6%), Spain (-5.4%), and Italy (-9.7%) were down for example while sales in Germany (+1.1%) were up slightly. Taking 2020’s general contraction into account as well, at end-2022 Europe’s passenger-vehicle market was still 13% below where it had been before its 2019 economic downturn.

On a unit-count basis, Tofaş’s exports registered an 8.0% recovery in 2022 as compared with the previous year, with a total of 121,485 vehicles being shipped abroad. As a result of this performance, Tofaş accounted for a 12.3% share of Turkey’s 2022 exports as measured by volume.

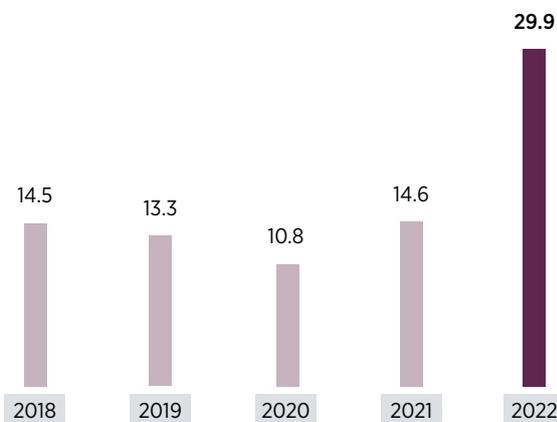
Although car exports were down by 15% year-on in 2022, LCV exports were up by around 24% during the same twelve-month period. The drop in car exports can be attributed essentially to supply-side difficulties and to a rapid market shift in favor of hybrids and electrics. Commercial vehicle export growth on the other hand was supported by expanding e-commerce volumes and by North American sales.

Tofaş 2022 export earnings were up by 109.6% year-on and weighed in at TL 29,903 million.

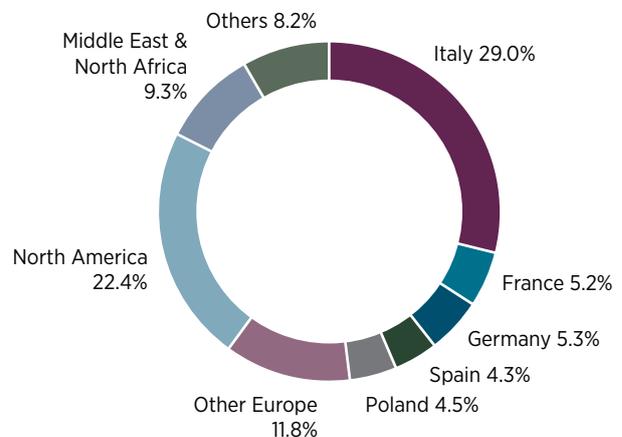
EXPORTS (UNITS)



ANNUAL EXPORT INCOME (TL MILLION)



DESTINATION OF EXPORTS (BASED ON UNITS SOLD)



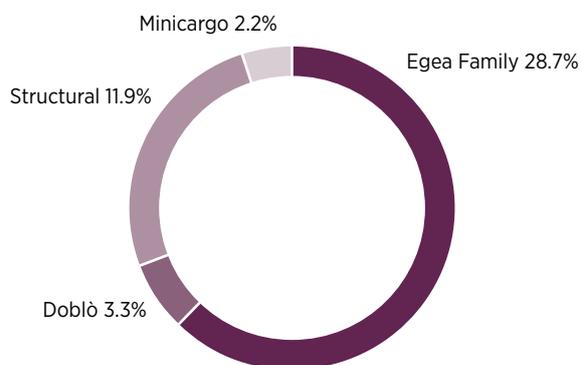
FINANCIAL RESULTS



INVESTMENTS & R&D EXPENDITURES

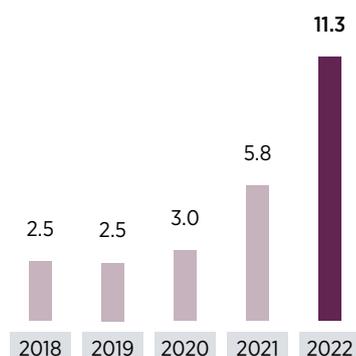
Tofaş's total investments amounted to EUR 46 million in value during 2022, much of it on Egea-related projects.

BREAKDOWN OF INVESTMENTS (%)



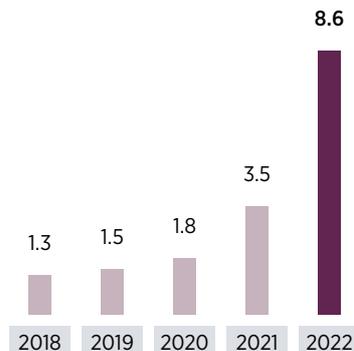
2022 INVESTMENTS	EUR (MILLION)
Egea Family	28.7
Doblò	11.9
Structural	3.3
Minicargo	2.2
Total	46.1

	2018	2019	2020	2021	2022
Investment outlays (EUR million)	95	106.6	108.3	100	46.1

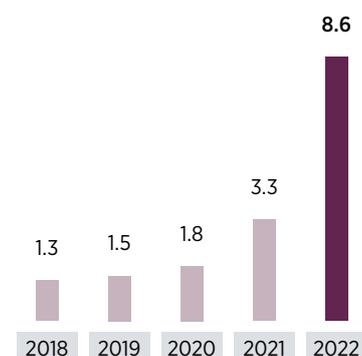
EBITDA (TL BILLION)

Tofaş's earnings before interest, taxes, depreciation, and amortization weighed in at TL 11,269,849 million in 2022. The factors contributing to this 94.5% year-on growth in EBITDA were:

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

PRETAX PROFIT (TL THOUSAND)

Owing both to the company's strong cash position and to a 37% year-on decline in net financial expenses, Tofaş's profit before tax was up by 143.8% year-on and reached TL 8,562 million in 2022.

NET PROFIT (TL BILLION)

With the additional benefit of claimed tax deferments, net profit was up by 160.9% and amounted to TL 8,562 million.

YEARS	EBITDA		PROFIT BEFORE TAX		NET PROFIT	
	TL thousand	Change %	TL thousand	Change %	TL thousand	Change %
2018	2,532,578	24.40%	1,290,894	5.00%	1,330,423	3.70%
2019	2,479,757	-2.10%	1,456,555	12.80%	1,481,639	11.40%
2020	3,025,512	22.00%	1,830,776	25.70%	1,784,170	20.40%
2021	5,794,126	91.50%	3,512,216	91.80%	3,281,316	83.90%
2022	11,269,849	94.5%	8,562,231	143.8%	8,562,191	160.9%

2023 OUTLOOK

	2022 Realization	2023
Total automotive market (units)	783,283	775,000-825,000
Retail sales (units)	150,013	155,000-165,000
Export sales (units)	121,485	70,000-80,000
Production (units)	263,747	215,000-235,000
Investment outlays (fixed asset) (EUR million)	46.1	100
Sustainable net profit before tax (EBIT) margin	>10%	>12%

BRANDS & PRODUCTS

FIAT

Egea



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

The Fiat Egea is offered in a wide range of body types: Sedan, Cross, Cross Wagon, and Station Wagon. Featuring best-in-class handling characteristics and equipped with connectivity technologies not found in its class at all, the Fiat Egea successfully fulfills its “A good car should also be affordable” mission. Manufactured 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 seven years in a row between 2016-2021. In 2021, Egeas with facelifted body options and the Egea Cross went on sale. In June of the same year, the Egea Cross was voted Turkey’s “Car Of The Year” by the Automotive Journalists Association.

In 2022, the Egea Cross Wagon was added to the Fiat Egea lineup. Automatic-transmission and hybrid-engine equipped versions of Egea’s Sedan, Hatchback, Cross, and Cross Wagon models were put on sale. Tofaş’s Egea Hybrid is equipped with a 1.5 liter 4-cylinder turbo petrol FireFly engine with 130 HP power and 240 Nm torque together with a 15 kW electric motor powered by a 48-volt battery.

500



Aby combining its sixty years of inherited DNA with new trends in design and timeless style, the Fiat 500 is a recognized icon of the automotive world. In 2022, HB Dolcevitaa and Cabrio Dolcevitaa versions of the Fiat 500 with a more economical and ecofriendly 1.0-liter Hybrid 70 HP MT engine option were put on sale.

500L



Going on sale in 2013, the 500L combines “multipurpose family car” and “crossover” characteristics in a single model with its roominess, functionality, attractive design, and drive features.

In 2022, the 500L model 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 quality, technology, active and passive safety features, and comfort options position it as one of the boldest offerings in the crossover segment. "Soft Top", a new special-edition version of the 500X designed for drivers who are looking for performance, went on sale in 2022. Fitted out with sports-car body features, this new model comes with a 1.3 liter 150 HP 270 Nm torque engine and an automatic transmission.

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. In 2022 a new version of the Panda with "City" level equipment and hybrid-engine options was put on sale. Now offered with "City", "Urban", "Cross", "Cross 4x4", and "Cross Plus 4x4" equipment-level options, this Fiat Panda combines fuel economy and performance with a 1.0 liter 3 cylinder 70 HP hybrid engine.

FIAT PROFESSIONAL

Doblò



With its durability, performance, and usability constantly being improved for over two decades, the Doblò is the front-runner of Turkey's small commercial-vehicle class. Manufactured by Tofaş, the Doblò has been hailed as commercial vehicle of the year many times since its introduction. A strong player in Turkish and European professional markets, a version of the Doblò was introduced to the North American market in 2015 under the name RAM ProMaster City. A one-ton payload, roomy interior, and economical engine options in a range of body types make the Doblò the preferred choice of large families as well as of tradesmen and artisans. In 2022 Stellantis announced that production of new models of the Doblò is to be relocated to the company's plant in Vigo (Spain), where operations will benefit from economies of scale by using the same resources as Stellantis's Peugeot, Citroën, Opel, and Toyota models.

Fiorino



The Fiorino is the outcome of a Tofaş Minicargo project that represents a milestone in the company's history. In continuous production at Tofaş since 2007, the Fiorino remains one of the most popular offerings available in Turkey's light commercial vehicle market. Coming in 1.3 liter Multijet 95 HP diesel, 1.4 liter 77 HP petrol, and 1.4 liter petrol factory-exit LPG-convertible engine versions, the Fiorino is capable of addressing a wide range of driving needs. Its compact design suitable for city driving, onboard technology, and fuel economy make it the preferred choice of both businesses and ordinary drivers.

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 1.6-liter 120 HP engine options all conforming to the Euro 6d emissions standard. A loading capacity of up to a ton and 4.2 m² of cargo space that is fully accessible from every door also make the van highly adaptable to city life.

Ducato



The Ducato distinguishes 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 over the years has resulted in more than 10 thousand variants of it being sold in more than 80 countries around the world since its introduction. Offered with a 140-160 HP range of engine and 9-speed fully-automatic transmission options, the Ducato’s high-performance technology and safety features set it apart in its class. Van, pickup, and minibus body options mean that the Ducato can meet the needs of commercial-vehicle customers whatever their business may be. The Ducato Co-Driver is equipped with Level 2 autonomous driving capabilities that include adaptive cruise control, autonomous emergency braking, and lane keep assist without the need for driver intervention.

ALFA ROMEO

Tonale



Signaling a momentous change in a brand that has had a singular impact on automotive history while remaining faithful to the badge’s heritage ever since 1910, the Alfa Romeo Tonale combines sports-car DNA and cutting-edge technology and electrification. Awarded a five-star Euro NCAP safety rating, many Level-2 autonomous driving features that boost driving safety are standard on the Tonale. Turkish-market offerings of the Tonale come with automatic transmission and three equipment levels (Sprint, TI, Veloce) and are fitted either with a new 1.5 liter 160 HP 240 Nm hybrid turbo petrol engine or with a 1.6 liter 130 HP 320 Nm torque diesel engine.

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®

Compass



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.

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. The 1.3-liter electric and turbocharged petrol engine of the 4xe can produce 240 hp. 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



Infrastructure additions incorporated into the Fiat and Fiat Professional websites in 2022 make it possible for people with hearing disabilities to interact with a dealer without the need for anyone else’s assistance.

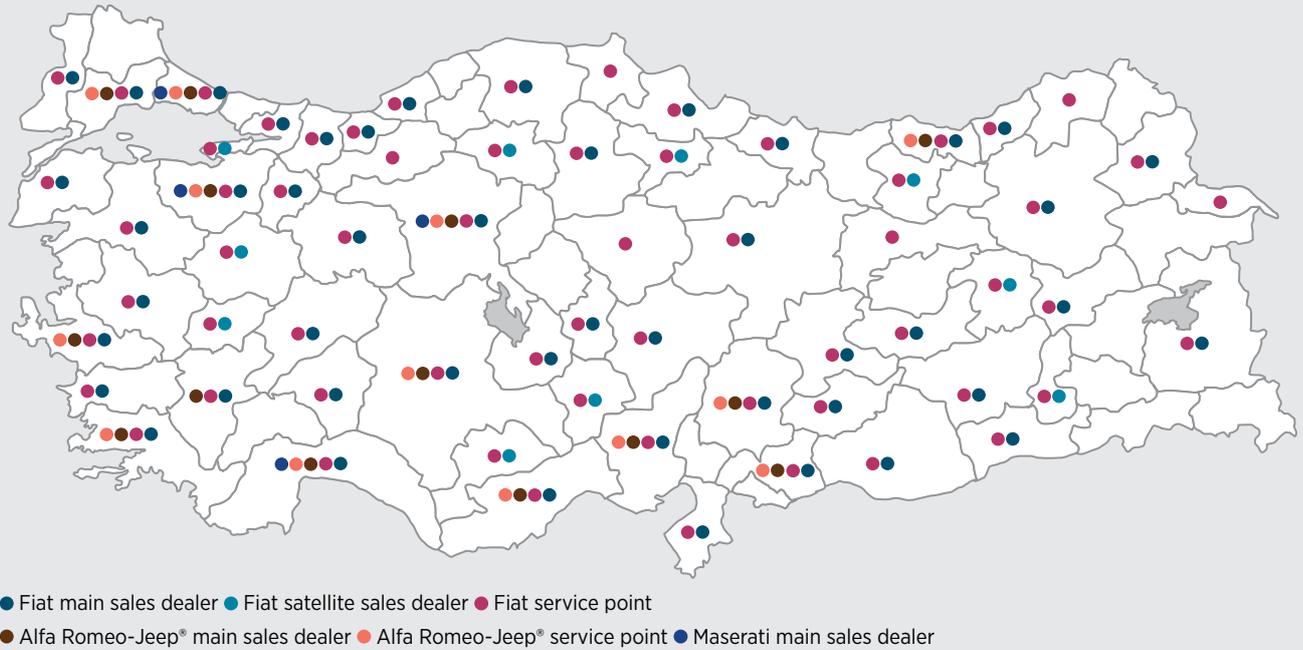
The dealership network for the brands which Tofaş represents sells new vehicles, second-hand vehicles, and spare parts and also provides maintenance & repair services.

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 dealers in the network also service the company’s Alfa Romeo, Jeep® and Maserati brands. With the inclusion of the satellite and authorized service points not associated with the premises of the network’s dealerships, there are 102 Fiat sales points and 130 Fiat service points located all over Turkey. There are also 21 Alfa Romeo-Jeep® main dealerships, together with another five locations that only service the vehicles. The number of Maserati dealerships is three.

Tofaş has 71 dealerships located all over Turkey.



With the inclusion of the satellite and authorized service points not associated with the premises of the network's dealerships, there are 102 Fiat sales points and 130 Fiat service points located all over Turkey.

By interacting with sales representatives in real time through the company's digital channels, prospective Fiat, Alfa Romeo, and Jeep owners can visit showrooms, check vehicles out, and make purchases without having to leave home. As part of the Fiat Barrier-Free Movement program, infrastructure additions incorporated into the Fiat and Fiat Professional websites in 2022 make it possible for people with hearing disabilities to interact with a dealer without the need for anyone else's assistance. Tofaş intends to bring all the dealership and service-outlet venues associated with any of its brands into compliance with its accessibility-standards by 2026.



CUSTOMER SATISFACTION POLICY

SUBSIDIARIES & AFFILIATES

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

Information about Tofaş's related-party sales and purchases is provided in footnote 27 to the financial statements. Among Tofaş's financial obligations is the carrying value of all bonds issued privately by Koç Fiat Kredi through related parties. As of 31 December 2022 this amounted to TL 542.5 million. (31 December 2020: TL 490.9 million.)

KOÇ FIAT KREDİ FİNANSMAN A.Ş.

Koç Fiat Kredi provides financial-solution services for all of the automotive brands as well as for the second-hand vehicles and spare parts etc offered for sale through Tofaş. With its ability to provide conventional customers with one-stop and fast service without their having to leave the dealer's premises as well as online and with its own operational strengths KFK provides individual and commercial customers with financing support. In 2022, TL 4.52 billion worth of credit was disbursed by the company in order to finance purchases of 21,000 vehicles. Koç Fiat Kredi finances 21.5% of Tofaş's retail sales and its loan portfolio as of 31 December 2022 was worth TL 4.80 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 4.12 billion. The securities issued had a nominal value of TL 542.5 million. Koç Fiat Kredi's A1+ Short-term national (TR) and AA Long-term national (TR) credit ratings were once again confirmed in 2022 with stable outlooks in both cases.

In 2021 the company launched a project to update headquarters and dealership infrastructure so that operations can be managed more effectively at the individual-unit level. This project is intended to shorten additional development and maintenance processes and make them more productive while also generating savings in licensing fees. Another goal is to leverage Koç Fiat Kredi's recruitment of a next-gen workforce. The first two phases of the project, both dealing with after-sales processes, were completed in 2022. Pre-sale processes will be dealt with in the third and last phase of the project, planned to get under way in 2023. Another project paralleling the modernization project and concerned with a one-stop self-service mobile app that allows customers to take care of all of their business on their own was also completed in 2022.

Embracing a corporate culture that focuses on value-creation and digital-transformation, Koç Fiat Kredi is currently working on remote customer-acquisition and robotic-process automation projects compatible with that culture. 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	2022
Outstanding Portfolio (TL million)	4,802.4
Outstanding Financed (units)	47,686
Penetration (excluding big fleet sales)	21.5%
Penetration (total Tofaş sales)	13.4%
Loan applications (units)	55,630
Financed units (total)	21,018
Financed units (Tofaş)	20,062
Financed units (2 nd -hand + Iveco)	956
Financed amount (total) (TL million)	4,516.8
Profit before tax (TL million)	256.1

KOÇ FIAT SİGORTA

The "Koç Fiat Sigorta" initiative that arose in line both with anticipated developments in customers' automotive-industry expectations and with Tofaş's own mobility priorities was transformed into a new business unit and Koç Fiat Kredi subsidiary under the oversight of the Tofaş Mobility Solutions Division.

Koç Fiat Sigorta is a good example of how inhouse entrepreneurship can create brand-new business lines for Tofaş. With the launch of this subsidiary, Tofaş has taken an important step in line with its vision of delivering end-to-end excellence in the customer experience by offering insurance coverage for their mobility as well as other needs. With the potential to become Turkey's biggest insurance agency, Koç Fiat Sigorta will be providing customers with whatever mobility-related insurance products and services they may need through Tofaş's nationwide dealership network and other channels. Through its Customer CareCenter, Koç Fiat Sigorta will be able to provide policy-related information the moment a claim arises and to stand by customers throughout the claim-resolution process. Koç Fiat Sigorta will also be looking to play a role in the creation and development of future mobility-insurance products and services.

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 2022 Ferrari sold a total of 44 vehicles in Turkey. In 2022 Ferrari showed off the Ferrari 296 GTB, a plug-in hybrid sports car with a V6 engine. Deliveries of Ferrari's limited-edition Competizione sports car were also made last year.

2022 was also the year in which Ferrari unveiled the first four-door, four-seater SUV in its 75-year history: the Ferrari Purosangue. The first deliveries of this high-performance vehicle with an iconic Ferrari V12 engine and featuring best-in-class handling characteristics will begin in 2023.

The sales figures of Ferrari and Maserati in Turkey in 2022 were 44 and 314, respectively.

Maserati



The company's Ankara Otokoç, Bursa Mengerler, and Antalya Otokoç showrooms and dealerships provide Maserati sales and services support in Turkey. In 2022 they sold a total of 314 automobiles.

Sales of the Grecale, a new Maserati mild hybrid SUV, began in 2022. Sales of a new GranTurismo that was introduced in October 2022 are scheduled to begin in 2023. This icon of the Maserati badge is going on sale with both internal-combustion and innovative electric solutions. Two versions of the new GranTurismo—a coupe and a cabriolet (convertible)—will be equipped with a V6 Nettuno engine while a third—the GranTurismo Folgore—will come with an all-electric battery-based powertrain. The Maserati MC 20 Cielo, a cabriolet version of the badge's MC 20 next-generation supercar, was given its global unveiling in 2022.

In 2022 Fer Mas services relocated to new premises in Istanbul Vadi Koru. In their new home, a dedicated 375 m² area has been set aside for the exclusive use of Ferrari and Maserati customers. There is also a 1,200 m² body & paint repairs shop and a 1,125 m² mechanical repairs shop.



STRONG R&D, HUMAN RESOURCES AND TECHNOLOGY



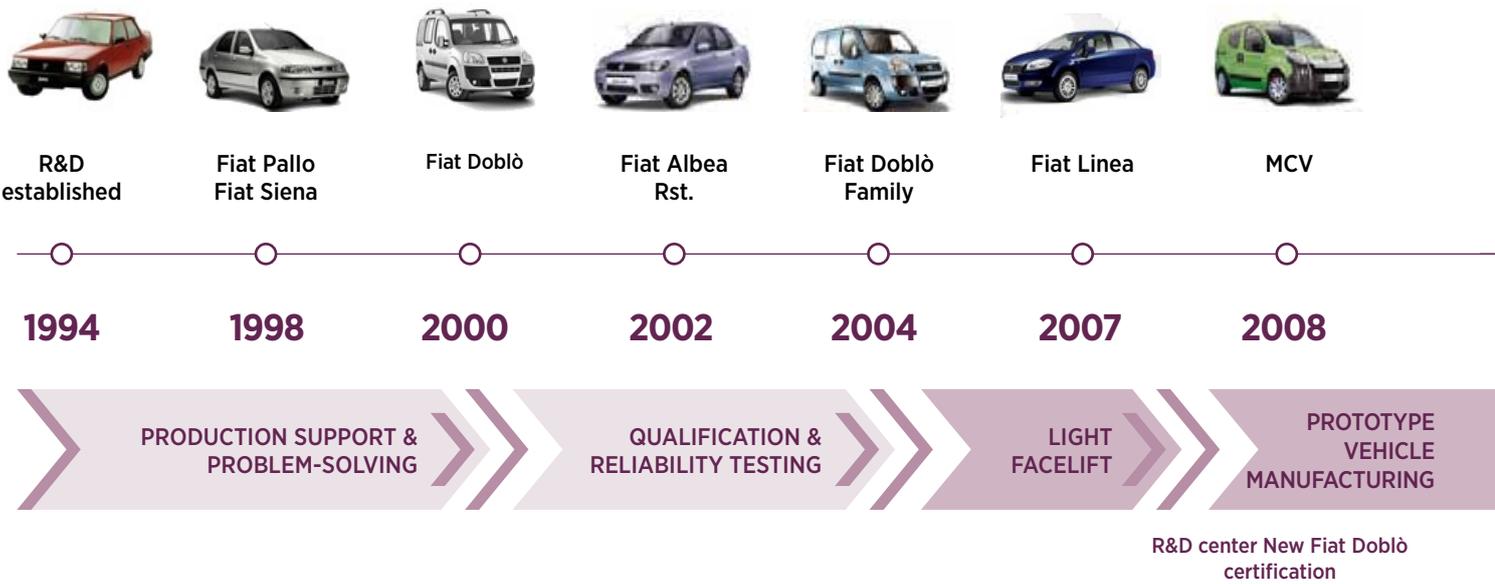
IN ADDITION TO DEVELOPING FINAL PRODUCTS FROM SCRATCH, TOFAŞ CONTRIBUTES TO TURKEY'S ECONOMY, INDUSTRY AND R&D EXPERIENCE THROUGH ENGINEERING EXPORTS.

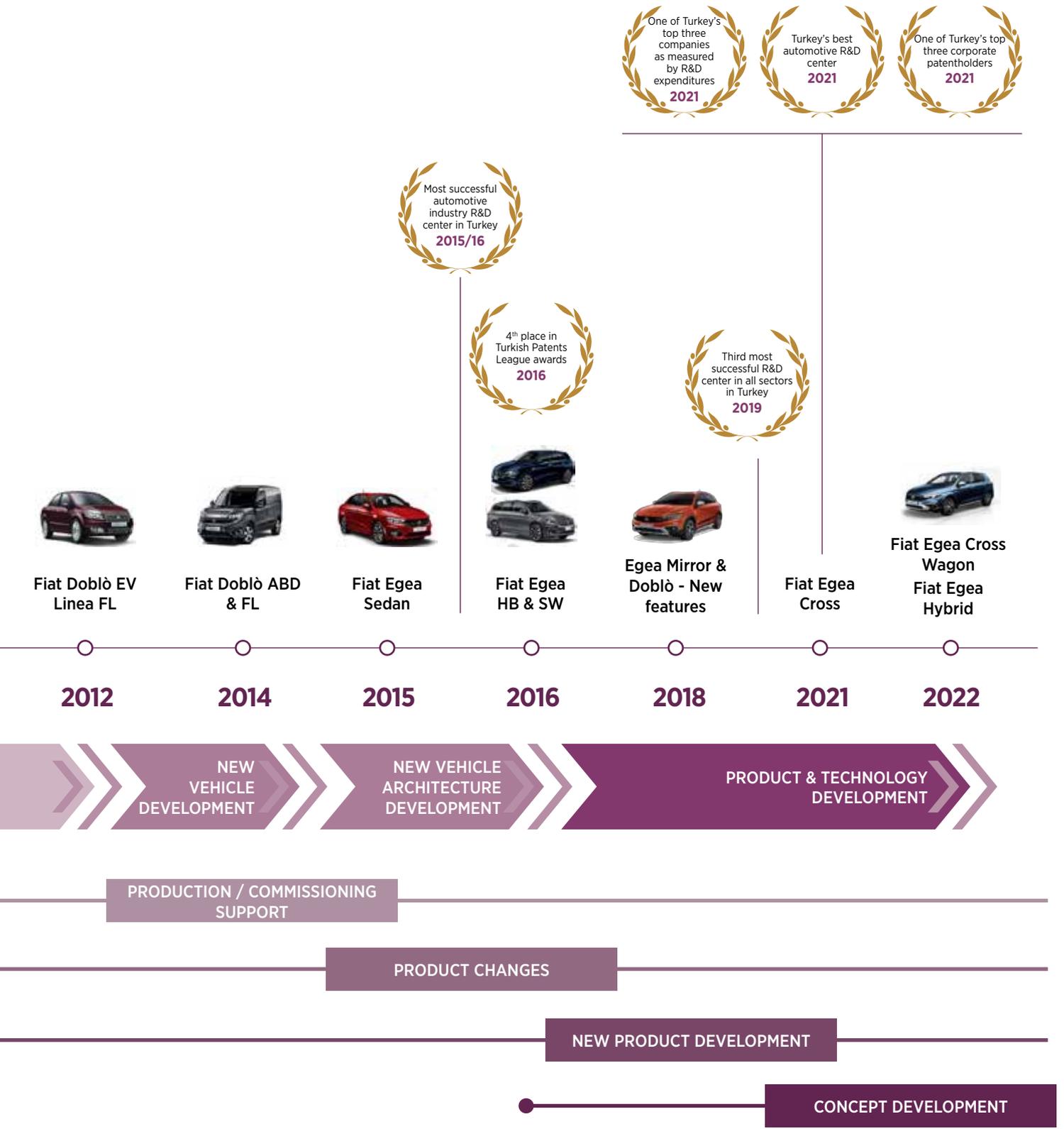
R&D OPERATIONS

MILESTONES

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

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





R&D OPERATIONS



Tofaş R&D Center enjoys a commanding position among Stellantis Group R&D facilities by virtue of the diverse capabilities of its high-tech laboratories.

CONTINUOUSLY INVESTING IN INFORMATION AND TECHNOLOGY

The Tofaş R&D Center is fully equipped with all of the knowledge, skills, experience, and resources needed to handle all aspects of vehicle research and development from initial concept and design to finished-product improvements. In addition to providing R&D for Tofaş's own models, the Tofaş R&D Center also plays a role in the product-development processes of other vehicles in the Stellantis ecosystem.

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.



"A DAY AT TOFAŞ R&D"

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 m² 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.

As of end-2022, the Tofaş R&D Center employed more than 600 people, 159 of whom held a master's or a PhD degree.

As of end-2022, 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.

In the conduct of its 2022 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.

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.

When developing products and processes, the Tofaş R&D Center engages with stakeholders in different sectors so as to ensure that the projects on which it is working are conducted effectively and that any social and/or environmental issues which may arise are dealt with. With the benefit of European Union and TÜBİTAK support and the business opportunities created by both platforms, Tofaş develops high added-value, innovative, and ecofriendly projects. With the addition of 13 EU research projects that were approved in 2021 and 2022, the number of such projects in which the Tofaş R&D Center has taken or is taking part reached 31 as of end-2022. The number of international project partners with which the center has worked in the conduct of these projects is now more than 260.

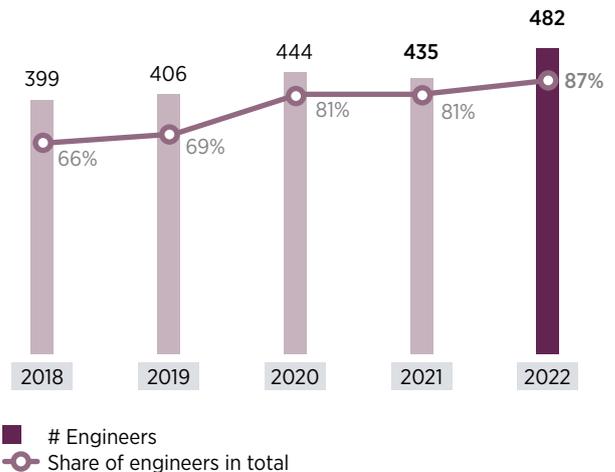
The Tofaş R&D Center’s goal is to increase the number of patents that it applies for every year by coming up with new projects and innovative ideas that create added value. As a result of the innovative work carried out by the Tofaş R&D Center, new applications for 71 patents were submitted in 2022.

TOFAŞ R&D İZMİR BRANCH

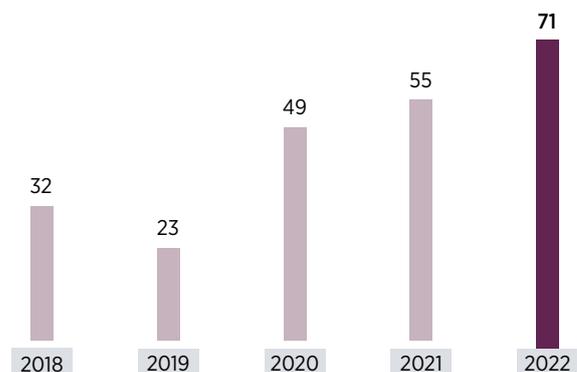
Tofaş R&D Center’s newly-created Product-Development & Software branch commenced operations in İzmir Institute of High Technology’s Technopark İzmir Software Center in 2022.

Through its new İzmir-based R&D branch, Tofaş plans to expand the scope of its automotive software development operations so as to undertake increasingly more responsibilities in such areas as designing components and systems for different brands and models, carrying out virtual & physical verifications, and prototyping across the entire Stellantis ecosystem. Tofaş R&D İzmir will be working on calibration & safety issues, data-science & AI-based intelligent vehicle architecture, autonomous & driverless vehicle solutions, connectivity solutions, automotive cybersecurity, and management & optimization algorithms in the provision of fleet services. At a time when the place and importance of software in product-development processes are becoming increasingly greater, Tofaş envisions addressing the global demand for automotive software by becoming an integral part of Stellantis’s software-based growth strategy through its İzmir R&D branch while also continuing to respond to the software needs of its home market.

OF ENGINEERS IN TOFAŞ R&D CENTER



OF PATENTS



INNOVATION & DIGITALIZATION



Tofaş focused on smart factory activities with digital optimization applications that increase productivity.

Tofaş's strategic priorities and practices are informed by technological developments in light of changing market and customer needs. The company regards intelligent-factory solutions that make use of productivity-enhancing digital optimization so as to constantly improve its competitive strength as one of its strategic priorities.

During 2022 Tofaş completed a total of 364 projects, of which 1,500 were associated with digitalization solutions. Foremost among the digitalization projects on which the company focused last year were those that involved such technologies as Internet of Things (IoT), advanced data analytics & machine learning, image processing, collaborative robots (cobots), and robotic process automation (RPA).

- Much of the production machinery and equipment currently in use at Tofaş is already connected to an IoT platform that makes it possible for their critical parameters to be monitored in real time. The total number of projects that facilitate early problem-detection & intervention at Tofaş reached 761 in 2022 with the addition of 167 new ones during the year.

- During 2022, 72 work-process digitalization projects were carried out bringing the total number of such projects to 272. Besides facilitating workflows, these projects also make them more economical.
- The total number of Tofaş projects that make use of RPA technology to come up with solutions for repetitive tasks which employees must perform but which demand attention reached 300 in 2022 with the addition of 136 new ones during the year.
- Between 2016 and 2022, a total of 64 projects making use of next-generation image processing & machine-vision technologies to ensure the effectiveness of critical QC processes were carried out.
- Through the deployment of cobots to help automate unergonomic tasks, some Tofaş production operations that require people and robots to perform tasks together have been made more efficient.
- Between 2019 and 2022, a total of 15 projects involving the use of wearable technologies to reduce labor costs and to improve worker ergonomics were carried out.
- The total number of projects that make use of data-science, AI, and machine learning technologies to optimize tasks that are particularly difficult for workers to perform by hand reached 33 in 2022 with the addition of 9 new ones during the year. Such projects lead to significant opportunities and improvements in the areas of occupational health & safety and productivity.



During 2022 Tofaş completed a total of 364 projects, of which 1,500 were associated with digitalization solutions.

Tofaş continues to invest in developing such IT capabilities as remote working, 5G, cloud, and cybersecurity while also improving the quality of existing databases as an essential element of its ongoing digital transformation program.

In order to expand employees' data competencies and to support the proliferation of their data-focused analytical projects, big-data backbone accessibility has been increased so that they may tap its resources to develop analytical scenarios of their own into which they may incorporate data from both internal and external sources. The addition of self-service analytical products and rapid software-development methods such as low-code/no-code tools to existing infrastructure has been accelerated. During 2022, various modernization projects related to Tofaş's commercial operations and production-management systems were successfully deployed. Investments capable of advancing the robotic-transformation of basic infrastructure and office processes have been accelerated and are now at the point at which they are capable of supporting operational agility.

In the period ahead, Tofaş will continue to take a benefit-driven approach when dealing with digitalization projects 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.

TALENT & ECOSYSTEM DEVELOPMENT

Two important elements of any successful organizational implementation of digitalization and innovation are firstly the propagation of digital and innovative mindsets and competencies throughout the organization and secondly the expansion of the ecosystem so as to engage all appropriate solution partners. As a component of its corporate entrepreneurship approach, Tofaş regularly engages and works together with other Koç Holding companies, NGOs, universities, incubation centers, and angel investment groups.

INNOVATION & DIGITALIZATION

Under the Optimus initiative, 181 Tofaş personnel led a total of 364 projects during 2022.

Expertise domains were established and tasked with guiding the acquisition and implementation of such fundamental technologies as data science, machine learning, IoT, and RPA. Work has begun on developing a platform management system for ecosystem expansion. Under the online training and full-time consultancy Data Science Program that was initiated in 2019, the number of Tofaş personnel with AI competencies reached 124 in 2022 while 30 data science projects were also submitted. Under the auspices of Tofaş Academy, 35 Tofaş employees are taking part in IoT training and 158 are receiving training so that they will be able to support RPA program-related process analysis and the implementation of new RPA projects.

Tofaş seeks to foster technology-literacy and digital-transformation culture both within the company and throughout its value-creation chain. For this purpose, Tofaş Academy, working together with Tofaş 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. During 2022, 568 field personnel received such training.

Under the Optimus initiative that was launched in 2020 to support Tofaş employees in the development of digitalization-related projects, 181 Tofaş personnel led a total of 364 projects during 2022. Originally conceived as a factory-related undertaking, the success of the Optimus initiative led to the expansion of its scope so as to include quality-control and supply-chain functions as well. Energy and supply chain-related Optimus project numbers are expected to increase in 2023.

CORPORATE INTRAPRENEURSHIP

Tofaş conducts corporate intrapreneurship programs with the aim of supporting employees in their efforts to acquire new competencies and to make use of innovative methods to come up with creative ideas capable of being developed as projects.

- Under the “Benim Projem” [My Project] corporate intrapreneurship program, Tofaş employee-developed product, service, and process projects are assessed by a jury and those deemed worthy are encouraged to advance to the next stage. Project-owners are rewarded if their projects reach the prototyping stage and their investor presentations are successful.
- Tofaş’s kaizen-based suggestion systems is designed to encourage employees to come up with innovative solutions, particularly whenever they spot an opportunity for improving production processes. Tofaş personnel who are employed in production-related functions set themselves annual suggestion-submission targets. Project owners whose ideas are trialed and deemed to be successful are rewarded.
- Tofaş’s idea-bank Fikir Kumbarası Platformu is a corporate-intrapreneurship program for soliciting and collecting program-related ideas and proposals. Company employees may use this platform at any time to submit ideas for projects they would like to see undertaken.
- In 2022 Tofaş initiated a HackYourJob corporate intrapreneurship program with the support of Koç Holding, Microsoft, and KoçSistem. The aim of this program is to encourage Tofaş employees to learn basic coding, to design apps of their own, and to come up with creative solutions for turning their ideas into reality. In the hackathon that is organized as part of this program, Tofaş employees receive three days of Microsoft Power platform training and compete as teams in the development of project ideas and software solutions.

Tofaş conducts corporate intrapreneurship programs with the aim of supporting employees in their efforts to acquire new competencies and to make use of innovative methods to come up with creative ideas capable of being developed as projects.

FIAT CONNECT

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



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

With the addition of a new "Connect Kasko" feature in 2020, it became possible for comprehensive automobile insurance policies to be individualized according to information received via Fiat Connect. This customization gives drivers the benefit of smart pricing to get a better deal on their insurance by pricing policies according to the number of days a vehicle is actually driven.

During 2021 new features were added to Fiat Connect: "Accident Black Spot", "Child Alarm", "Gamified Fuel Economy", and "Android Auto Integration". "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 belongings still on seats after the engine is turned off, Fiat 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 displays. Fiat Connect shows drivers how many kilometers remain until the next scheduled maintenance, accumulated driver penalty points, fuel consumption, average speed, nearby fuel stations, and similar information, all without distracting their attention as they drive.

In 2022 a mobile payments feature was added to Fiat Connect under an agreement with Mastercard. This feature allows drivers to pay for fuel at Opet stations through Fiat Connect. In keeping with its goal of making connectivity technology as widely available as possible, Tofaş made Fiat Connect standard equipment across the entire Fiat Egea family last year. Between 2018 and 2022, Fiat Connect came to the aid of Tofaş customers at times when they were most in need of support by proactively summoning ambulances in 62 incidents.

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 increasingly more safe-driving habits categories to its Fiat Connect app and to increase the number of Fiat Connect users.



VALUE-CREATING MANAGEMENT MODEL



TOFAŞ DEEMS CONSERVING NATURAL RESOURCES AND KEEPING THE ENVIRONMENTAL IMPACT OF ITS OPERATIONS TO A MINIMUM TO BE ONE OF ITS FUNDAMENTAL RESPONSIBILITIES.

SUSTAINABILITY



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

CORPORATE SUSTAINABILITY



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

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

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

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

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

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

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

- Effectively managing risks and constantly improving all processes;
- Adhering to a sustainable environmental management policy that is grounded in national environmental laws and regulations, applicable environmental standards, and the best available technologies for dealing with such matters;
- Complying with the requirements of national and international laws and regulations;
- Improving the company's performance and production efficiency;
- Abiding by "Zero-Accident" principles in matters pertaining to occupational health and safety;
- Ensuring information security and business continuity in the conduct of all operations;
- Making adherence to ethical values, combating corruption, and all other corporate governance principles part of the company's corporate culture.
- Encouraging active employee participation and fostering open communication;
- Making efficient use of energy while protecting environmental balances and natural resources;

- Improving suppliers' own sustainability practices,
- Ensuring continuity in customer satisfaction;
- Managing stakeholder relations transparently and with common sense;
- Increasing stakeholder knowledge and community awareness of climate change issues;
- Behaving transparently when dealing with the public at large on matters involving sustainable environment policies and practices;
- Making stakeholders aware of the company's corporate social responsibility activities, strategies, objectives, and priorities;

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

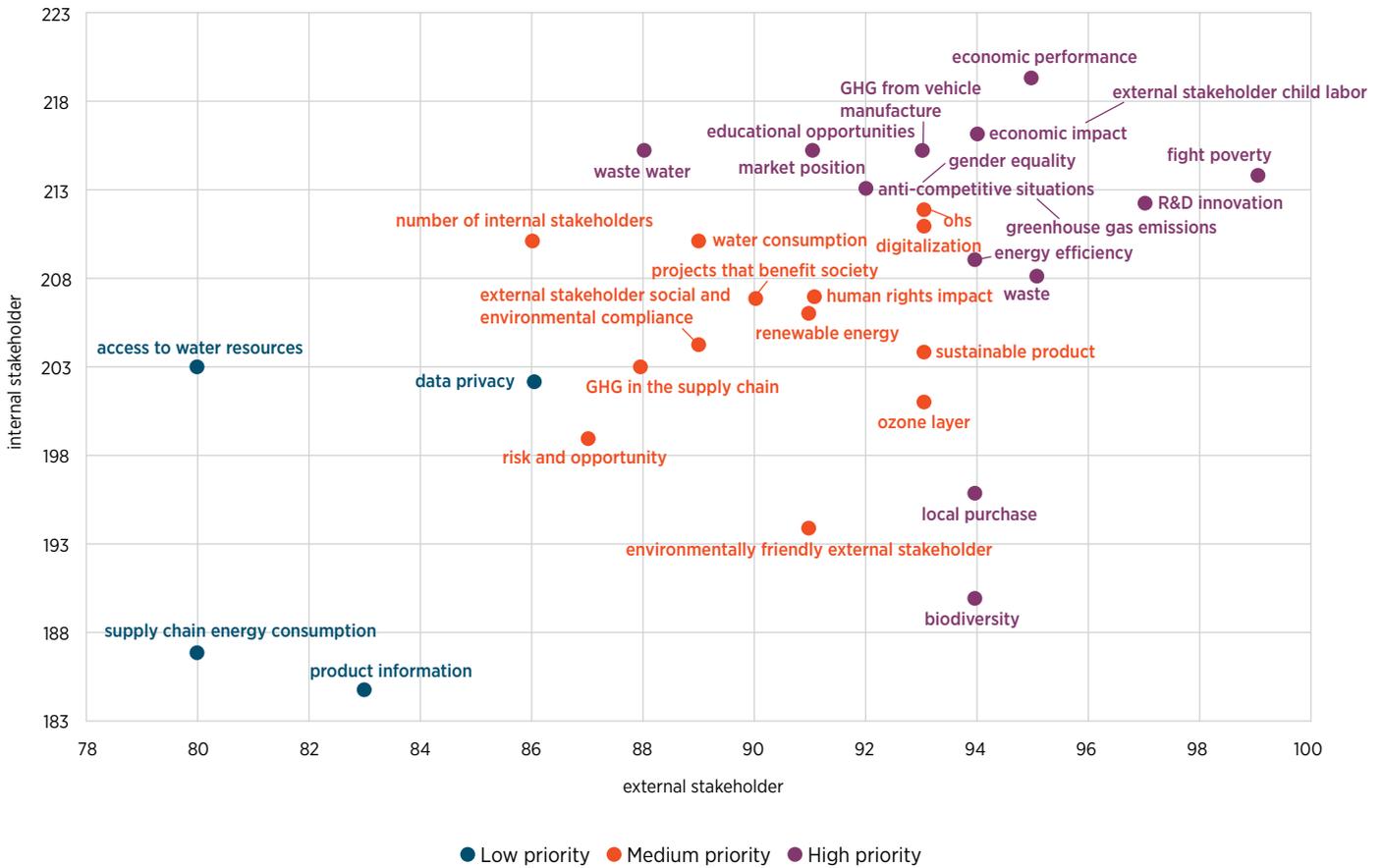
Tofaş's sustainability policy addresses the company's management of social, ethical, and environmental issues. This policy embodies an integrated approach which is rooted in stakeholder participation and which takes stakeholders' expectations and satisfaction into account. The development and continuity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

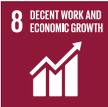
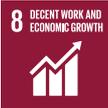
It is a matter of importance to Tofaş that the management, improvement, and oversight of the company's corporate, social, and environmental impact processes and its management, social, and environmental performance be audited and that the results of these audits be shared with all of the company's stakeholders.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

SUSTAINABILITY

PRIORITIZATION ANALYSIS

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



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

SUSTAINABILITY

STAKEHOLDER COMMUNICATION

STAKEHOLDER GROUPS	CHANNEL & FREQUENCY
Employees	Polls & surveys (at various intervals); Training activities, Tofaş Ethical Principles, Internal communication platforms (continuous - company bulletin screens, TofaşGO intranet); Tofaş Suggestions & Rewards System (immediate); OHS committees, Working groups & committees (at varying intervals); Performance management & career progression meetings, Social activities (at least twice a year); Management meetings, Communication meetings, Annual reports, 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 (periodic); 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)	36 th Group Occupational Committee and Assembly Membership
Italy Business Council	Membership
Italian Chamber of Commerce	Representation
Automobile Distributors' Association (ODD)	Board of Directors and Committee Memberships
Automobile Industry Association (OSD)	Board of Directors, Committee, and Working Group Memberships
Advertisers' Association (RVD)	Membership
Union of Chambers and Commodity Exchanges of Turkey (TOBB) Automotive Industry Assembly	Chair 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 Chair of Board of Directors
Foreign Capital Association (YASED)	Vice Chair of Board of Directors, Board of Directors and Committee Memberships; Automotive and Sub-Industry Working Group Chairship

HUMAN RESOURCES



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 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-2022, Tofaş had a total of 5,928 people on its payroll, of whom 1,440 were those paid monthly salaries, and 4,480 were those paid hourly wages.

NUMBER OF PERSONNEL

Monthly salaries	1,440
Hourly wages	4,480
Total	5,928

BREAKDOWN OF EMPLOYEES BY GENDER

Male (monthly salaries)	1,100
Female (monthly salaries)	340
Male (hourly wages)	4,229
Female (hourly wages)	259

AVERAGE AGE OF EMPLOYEES

Monthly salaries	37
Hourly wages	36
Total	36

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.

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.

EMPLOYER BRAND

Click4Career

The Click4Career events that Tofaş organizes in order to attract talented university students and young professionals to the automotive industry were conducted as a series of online gatherings over a five-week period during 2022. Twenty thousand senior-year undergraduate students as well as graduate students took part in these sessions. Participants were assessed for positions in the company's Prova+ traineeship and early-placement program and those who were deemed to be suitable began working at the company.

Talent Chats

Talent Chats are a series of online events during which Tofaş company directors and managers interact amicably and professionally with young people who are interested in automotive and would like to pursue a career in the industry. These chats are conducted concurrently with Click4Career events.

Career MeetUP

Career MeetUP is a series of online events during which Tofaş executives interact with young people and talk about their careers and experiences. These real-time events take place as six sessions, each of which is organized around a particular theme. Each session is viewed by about 5 thousand people on average.

Campus events

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

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.

HUMAN RIGHTS

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.

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

HUMAN RESOURCES



INCLUSIVENESS AND DIVERSITY

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

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

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 2022 Tofaş had 194 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.

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%.

	2018	2019	2020	2021	2022
% female employees receiving promotions	16%	9%	5%	29%	9%
% female employees	10.4%	10.3%	9.7%	10.1%	10.1%
% female mid-senior level employees	40%	33%	28%	21%	28.45%
% disabled employees	5.6%	5.9%	5.9%	5.9%	5.9%



TOFAŞ'S INCLUSIVENESS AND DIVERSITY POLICY

TOFAŞ'S BOARD OF DIRECTORS DIVERSITY POLICY

PERFORMANCE MANAGEMENT SYSTEM

In 2021 Tofaş introduced a new approach to performance management whose aims are to support new ways in which employees do their jobs and to speed up adoption of the agile working model. This new performance system is based on encouraging and sustaining dialogue between employee and supervisor. Team leaders meet with their individual team members five times a year, on which occasions targets and results are managed through development-focused dialogues. Because employees are allowed to proactively update their targets as the year progresses, their performance can be managed more dynamically.

CAREER MANAGEMENT

Under the “Pusula” career-planning system that was introduced in 2022, employees and supervisors have begun discussing and setting short and medium-term career objectives in much greater detail. These discussions are intended to enable employees to clearly lay out their chosen career paths, to discover alternative paths, and take advantage of progression opportunities. As a result of the introduction of this new process, the percentage of employees making career plans shot up from 34% in 2021 to 98% in 2022.

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.

Education ministry occupational training protocol

In 2022 Tofaş and the Bursa Provincial Directorate of National Education signed a protocol covering the provision of various occupational training & development resources in order to expand the province’s qualified workforce. Under this collaborative agreement, training is to be provided to workers with lower-level qualifications so that they can satisfy the Ministry of Education’s requirements for master-craftsmen certification.

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-2022, 5,078 Tofaş employees along with 7,813 of their family members were benefiting from this coverage.

In 2022 another 342 people joined the “Tofaş Supports Education Once Again” scholarship program that Tofaş originally introduced in 2011 for its employees’ dependent children, thereby bringing the total number of people benefitting from such support to 3,070.

In 2016 the company introduced daycare assistance for the dependent children of female employees in order to encourage women’s participation in the workplace and to help them better balance their working and home lives. A monthly average of 215 Tofaş employees benefited from this program in 2022.

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 2022, Tofaş had a total severance pay liability of TL 1,094,875,159.39, 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 2022 are explained in the note xx of the financial report.

“Sence?” instant feedback platform

In 2022 Tofaş launched its “Sence?” instant feedback platform, which makes it possible for employees to immediately express their opinions about employee-experience activities and to submit their views and suggestions about processes. This platform is currently under development.

Zekky HR Chatbot

Commissioned in 2022, Zekky Chatbot is a smartphone app that gives Tofaş employees immediate 24/7 access to information about numerous company human resources processes wherever they may be and whenever they wish.

HUMAN RESOURCES

TOFAŞ ACADEMY

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

Conducting its operations with 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.

During 2022, 568 field personnel were provided with digital literacy training in line with Tofaş’s efforts to expand employee digital competencies throughout the company. The training program received an average 4.9 out of 5-point satisfaction rating from participants and elicited 58 digital-transformation suggestions.

In order to foster change adoption among them, Tofaş provides its employees with a variety of agility-coach, scrum-master, and product-owner role training resources. The company has set itself the goal of increasing the number of its certified product owners from 9 to 47 and of its certified scrum masters from 66 to 110 in 2023. In 2022 Tofaş’s “Agility Coach” development program and “Ask Someone Who Knows” mentoring program both won awards in the year’s round of Stevie Awards For Great Employers, the first in the

“Certifications Programs” category and the second in the “Coaching & Mentoring” category. The Ask Someone Who Knows program has also been awarded European Mentoring and Coaching Council accreditation.

SOCIAL ACTIVITIES

Tofaş employees have formed 22 clubs and 16 sports teams, membership in all of which is voluntary. Many functions and events that had been suspended owing to pandemic-related restrictions resumed in 2022. Among these activities, the 23 April Children’s Day Festival and series of summer-evening concerts were especially well attended. During “Tofaş Day”, an event held at the Bursa plant for company employees and their families, more than 18 thousand guests took part in such enjoyable proceedings as organized tours of the factory and staged events for kids, teens, and adults. Concerts rounded out the day.

Located at the Tofaş Bursa plant is an employee rec center that contains a restaurant, a cafe, and indoor and outdoor playgrounds that may be used by all Tofaş personnel and their families. Located within the Mustafa V. Koç Sports Complex at the Bursa plant are a fitness center, basketball courts, and a table tennis area for the use of those who enjoy sports. 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.

PARTICIPANT	REPORT HEADING	VALUE
Monthly salaries	Total number of participants	12,642 people
	Ratio of digital training	76%
	Average training time/person	25.2 hours
Hourly wages	Total number of participants	15,052 people
	Ratio of digital training	31%
	Average training time/person	12.4 hours
Business partners	Number of supplier firms	137 firms
	Number of supplier personnel taking part in training	263 people
	Total training time	2,376 hours
Dealership personnel	Total number of participants (virtual face-to-face training)	6,924 people
	Ratio of digital training	62%
	Average training time/person	6.8 hours

OCCUPATIONAL HEALTH & SAFETY

Occupational health and safety (OHS) ranks the first among the elements of Tofaş's, since it is the most important one. It is also an area in many aspects of which the Tofaş plant serves as a reference model within the Stellantis community. The plant is visited by firms wishing to observe Tofaş's OHS operations and practices in action. Adhering to a proactive and lean 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 processes;
- Soliciting the opinions of all personnel about OHS practices and ensuring participation in them;
- Reducing OHS risks by eliminating OHS threats;
- Continually improving OHS targets.

Tofaş makes use of an OHS Management System in order to achieve zero work-related accident and illness rates. Since the beginning of the company's campaign to continuously improve workplace safety performance, the Lost Time Accident Rate has decreased by 90%. 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 2022 4,517 employees received a total of 36,948 hours of OHS training.

MESS WORK SAFETY STARS AWARD

In the year's round of "Work Safety Stars" awards given out by the Turkish Employers' Association of Metal Industries (MESS), Tofaş's "VR Forklift Simulator" project earned its Bursa plant a place among the top three contenders in the "Innovation In Communication" category. A trainee forklift operator wearing a VR headset in conjunction with the simulator can experiment with potential near miss incidents and get a clearer and more immediate understanding of the risks involved in driving a forklift in the real world.

LOST DAY ACCIDENT RATE



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

ENVIRONMENT AND CLIMATE CHANGE¹



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.



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

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.

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

¹ Published as a section of Tofaş's 2022 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 2022 and ending on 31 December 2022. 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, 2022 data had not yet been independently verified at the time this report was still in preparation. All prior-year data has been verified however.

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 2022 with no instances of non-compliance. No environment-related penalties were incurred; no environment-related or similar violations occurred.

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.

WASTE RECOVERY & REUSE AT TOFAŞ

Insofar as is possible, packaging such as wood, cardboard, plastic sheeting etc associated with materials that Tofaş uses in its production operations is not discarded as waste but recovered and reused both to minimize the environmental impact of such operations and to save on costs. Cardboard for example is put to use in shipments of exported spare parts. Wooden palettes, boards, and slats are used in a variety of ways such as for building planters. A total of 756 such planters made from scrap wood were installed in various places around the factory where they were needed during 2022. Scrap wood was also used to build an office furniture set, two doghouses for the employee recreation center, and ten stray-animal feeders for installation in the vicinity of the Tofaş Museum of Cars and Anatolian Carriages in Bursa. This recycling prevented the harvesting of 150 trees and the emission of 3.5 tons of CO₂.

ENVIRONMENT AND CLIMATE CHANGE



SUSTAINABLE MANUFACTURING ATTITUDES

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

As a result of a comprehensive assessment carried out at Borsa İstanbul in 2022 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. Tofaş also 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	2022	2023 (T)	2024 (T)
Energy consumption	GJ/vehicle	3.19	2.75	3.31
Greenhouse gas emissions	kg/CO ₂ (eq)/vehicle	249	262	227
VOC emissions	gr/m ²	28.29	32.61	32.75
Fresh water consumption	m ³ /vehicle	2.74	3.04	1.7
Total waste generated	kg/vehicle	26.84	29.5	22.5
% waste disposed in landfill	%	0	0	0

ENERGY CONSUMPTION



As a result of efforts to improve its constant-power consumption performance in line with the company’s carbon emissions-reduction targets, Tofaş consumed 3.19 GJ of energy for each vehicle it produced in 2022. Last year Tofaş also commissioned a number of renewable energy investments, by means of which the company has set itself the goal of reducing its production-operations’ greenhouse gas emissions by 22.6% as of 2026.

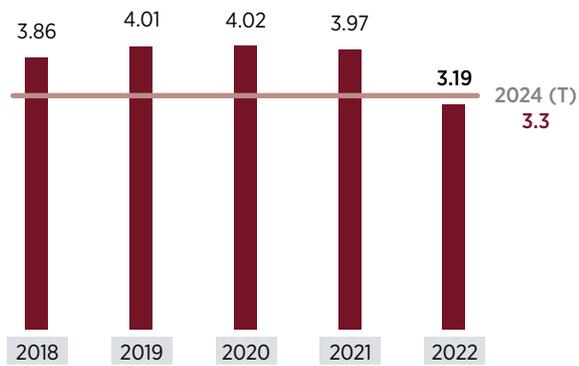
INTELLIGENT ENERGY-MANAGEMENT

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 m³ of natural gas a year thereby also preventing the release of 1,060 tCO₂e 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.

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

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

ENERGY CONSUMPTION (GJ/VEHICLE)

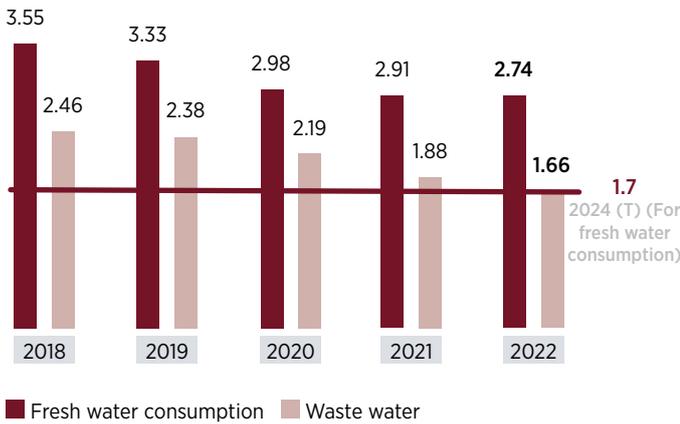


As a result of efforts to decrease fixed-energy consumption in line with its overall goal of reducing carbon emissions, 3.19 GJ/vehicle energy-consumption performance that Tofaş achieved in 2022 was better than the target that had been set for the year.

	2018	2019	2020	2021	2022
Total energy consumption (GJ)	1,165,961	1,042,245	993,438	906,678	841,801
Direct energy consumption - natural gas (GJ)	676,304	593,241	578,984	519,016	463,607
Indirect energy consumption (GJ)	489,657	449,004	414,454	387,662	378,194
Energy consumption/manufactured vehicle (GJ)	3.86	4.01	4.02	3.97	3.19

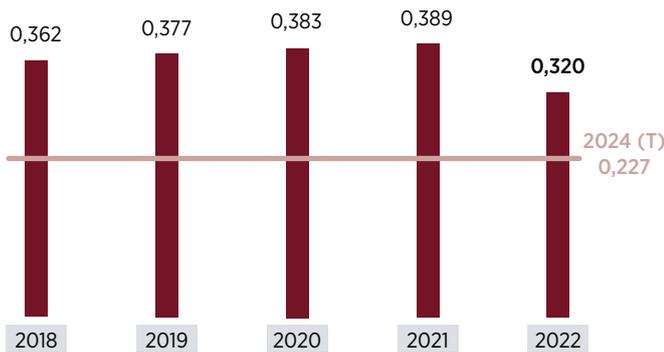
ENVIRONMENT AND CLIMATE CHANGE

FRESH WATER CONSUMPTION (M³/VEHICLE)



Tofaş makes use of groundwater at its plant. In 2021, an average of 2.91 m³ of fresh water was consumed for every vehicle that was made at the plant; in 2022 this figure was 2.74 m³/vehicle. The company has set itself the goal of further reducing its fresh-water consumption to 1.7 m³/vehicle by 2024 with the assistance of water-recycling projects. A recirculation system installed at the Tofaş plant made it possible for 60 million m³ of water to be reused in 2022.

GHG DENSITY EMISSIONS (TONS CO₂EQ /VEHICLE)



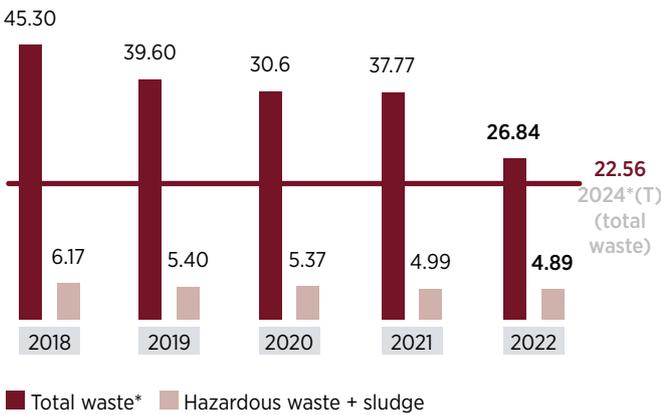
During 2022 Tofaş engaged in efforts to reduce its energy consumption and CO₂ emissions as specified by the World Class Manufacturing methodology to which it adheres. 194 energy-efficiency projects have been initiated as part of these efforts, thanks to which 99,224 GJ of energy have been conserved and, in this way, 8,751 tons of CO₂ emissions have been prevented

* 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)

	2018	2019	2020	2021	2022
Direct greenhouse gas emissions (Scope 1) (tCO ₂ e)	50,062	46,266	45,653	42,790	36,621
Indirect greenhouse gas emissions (Scope 2) (tCO ₂ e)	59,253	53,247	50,303	46,180	45,491

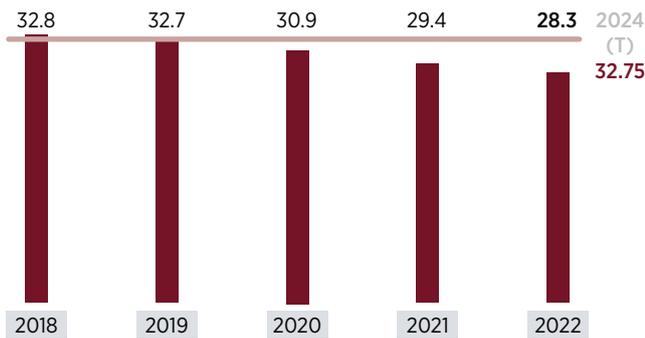
INDUSTRIAL WASTE (KG/VEHICLE)



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

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.

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



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.

ECO-FRIENDLY MATERIALS

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

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

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

ENVIRONMENTAL AWARENESS

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

Giving great importance to creating awareness about environmental issues, Tofaş promotes environmental awareness and incentivizes environmentally-conscious 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, 6,889 employees were provided with a total of 10,757 hours of training in the form of Tofaş Academy training modules as well as through digital platforms during 2022.
- 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.
- Tofaş employees and their families take part in company-organized observances of World Environment Day on June 5th every year.
- Under a project conducted together with the Bursa Federation of Disabled Persons' Associations, receptacles for the disposal of plastic bottle and container caps were installed in twenty locations around the factory. These caps are collected by the federation, which uses the proceeds from their recycling for the benefit of people with disabilities.

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 2022 found no instances of standards noncompliance in either system. At the time this report was in preparation, no Tofaş operations or other activities had been included in any carbon pricing system, no carbon credits had been purchased, and no

carbon-pricing mechanisms were being implemented within the company.

SUPPORTING THE LOW-CARBON ECONOMY TRANSITION

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

Tofaş keeps a close watch on the progress of the European Green Deal in order to integrate EGD policies and practices into its own strategies for combating climate change. Tofaş is currently engaged in efforts to make itself a 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. In January 2023 Tofaş also joined the Science Based Targets initiative. The hundreds of energy efficiency projects which the company has undertaken are steadily reducing the energy density of its operations. When new investments are to be undertaken or changes are to be made in machinery and equipment, environmental-impact and energy-efficiency procedures are standardized both by initiating a Kanban (lean/just-in-time manufacturing) process and by adhering to best-available-technology (BAT) practices.

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

QUALITY MANAGEMENT



Tofaş received the second highest score in the 2022 round of the Stellantis Group’s annual assessment of its factories’ performance on the sustainable-quality front.

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

In line with its customer satisfaction-centric sustainable quality approach, Tofaş strives to improve its quality indicators consistently every year. As a result of its efforts in this direction, Tofaş received the second highest score in the 2022 round of the Stellantis Group’s annual assessment of its factories’ performance on the sustainable-quality front.

For the 2022 survey and review, Stellantis published a new standard in which customer-assessment criteria were made uniform throughout the entire group. As a result of the huge improvement in its customer-assessed quality metric last year, Tofaş emerged from the year’s evaluation as one of the top performers across the entire Stellantis ecosystem.

Under a new testing standard introduced in 2022, upon leaving the factory all vehicles are subjected to short-track testing under conditions that mimic average-customer use. By ensuring that only defect-free vehicles are supplied to customers, this practice increases customer satisfaction. According to the results of independently-conducted new car buyer surveys, in 2022 the Fiat Egea’s sedan and wagon models ranked in the top quartile with the highest quality scores.

A 2022 upgrade to the highest currently-available level in the next-generation Statistical Process Control (SPC) system used at the plant has significantly speeded up measurement processes and resulted in a doubling of the frequency with which vehicle bodies are measured. Measurements by multiple coordinate measurement machines (CMM) now require only a single SPC unit. The ability to examine body-scan results in real time also increases diagnostic capabilities.



In 2022 Tofaş underwent and successfully passed the second interim review audits of its integrated ISO 9001:2015, ISO 14001:2015, and ISO 45001:2018 standard certifications without any instances of nonconformity being reported.

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

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

Successfully undergoing and passing the conformity of production audit conducted by the Italian transportation ministry in 2022, Tofaş's certificate of conformity has been renewed for another three years. Ministry representatives conducting the audit said they were impressed by how the notion of quality from an end-user's perspective had been incorporated into all of the plants processes and options.

In 2022 Tofaş's quality department organized six on-campus meetings under the company's university-industry collaboration program. During these meetings, students and newly-hired employees were provided with information about Tofaş's automotive industry, worklife, quality, digitalization, and industrialization processes, knowledge, and experience.

SUPPLY CHAIN MANAGEMENT



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

Ever since the day it was founded, Tofaş has always given great importance to increasing localization and to reducing import-dependency in the Turkish automotive industry. In order to contribute to the growth and development of a domestic automotive components-manufacturing sector, the company procures an average of 75% of its inputs other than engines and gearboxes from suppliers based in Turkey. Tofaş is exploring ways to increase that figure to 90% by 2030.

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

Tofaş's procurements fall under three main headings: Direct Materials, Spare Parts, Services & Manufacturing. In 2022 Tofaş's total procurements budget amounted to EUR 3 billion in value. Working with over 3,000 suppliers in the conduct of its procurements processes, Tofaş purchases its direct materials from 152 suppliers located in 14 cities around Turkey.

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.

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 formulated 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 twelve firms which together account for 45% of all the waste created, 39% of all the water used, and 34% 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, more than 100 actions for improving environmental-impact and energy-efficiency performance were identified. As of 2022, 80% of these actions had been completed and improvements of up to 50%—especially in environmental performance—had been achieved.

ROBOTIC PROCESS AUTOMATION

The Procurements and Supply Chain Departments continue their efforts to increase competitiveness by simplifying business processes using up-to-date methods and through their digitalization. In line with this, 32 Robotic Process Automation (RPA) projects related to Tofaş's operational processes were commissioned in 2022.

MATERIALS PROCUREMENT PROCESS AUTOMATION (CONTROL TOWER)

In 2022 Tofaş commissioned a new supply chain management system that makes it possible for materials procurements and associated decision-making processes to be fully automated through the deployment of algorithmic control. Called "Control Tower", this new system's digital simulation and optimization algorithms make it possible to view all logistical movements and to make decisions about what to do if unplanned events occur. Control Tower accesses information contained in different databases using such tools as RPA, Python, and SQL. Besides improving efficiency, Control Tower also ensures process continuity in the event of uncertainties or emergencies. The Control Tower system's scope will continue to be expanded in 2023.

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.

SUPPLY CHAIN MANAGEMENT

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-2022, Tofaş was working with a total of thirty-three suppliers who were conducting their operations subject to all WCM rules and procedures and ten 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.

GOTECH TECHNOLOGY SUMMIT

The fifth in the series of annual GoTECH technology summits that have been held since 2018 to support suppliers' efforts to improve their technological capabilities took place in 2022. Conducted with the aim of creating synergies among suppliers on the one hand and public agencies and organizations, domestic technology-suppliers, and innovative startups on the other, the summit was convened under the auspices of Tofaş Academy. Recently commissioned digitalization project winners were also announced during the summit. Also shown off was a new model for incentivizing project partnerships on which Tofaş and the Small and Medium Enterprises Development Organization worked together and which facilitates supplier incentive and rebate processes.

CONNECTED SUPPLIER

"Connected Supplier" is Tofaş's name for a process that brings suppliers, startups, and technology-providers together in an ecosystem that develops digital projects capable of supporting Tofaş suppliers. Improvements made in the Connected Supplier process last year resulted in 250 new ideas being put forth and the commissioning of 85 projects that had been identified as being feasible.

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 2022, solutions were developed at three different suppliers for three different processes. Expansion of twelve of the projects that were undertaken in 2021 improved part defect-detection and intervention performance.

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. The digital-maturity levels of 34 Tofaş suppliers had been measured as of end-2022.

ETHICAL BEHAVIOR & ANTICORRUPTION



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

The Tofaş Board of Ethics is responsible for the implementation of the Tofaş Code of Ethics and for overseeing compliance with its rules. Tofaş adheres to a no-tolerance approach when dealing with matters involving bribery and corruption. The company is committed to undertaking its activities fairly and honestly in line with legal and ethical guidelines. In all of the policies and procedures that it formulates, Tofaş strives to be in full compliance with the requirements of laws and regulations, with ethical and professional standards, and with universally-recognized principles. Within this scope, risks of bribery and corruption

are identified and actions are taken to reduce them. Compliance with company ethical guidelines is supported by means of in-house group training sessions, regular ethical guideline announcements, and online training resources.

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

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



TOFAŞ'S CODE
OF ETHICS, ANTI-
CORRUPTION POLICY

CORPORATE SOCIAL RESPONSIBILITY PROJECTS



Tofaş Museum of Cars and Anatolian Carriages

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

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.

SOCIAL INVESTMENTS

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

generations, promote inclusiveness and diversity, and protect the cultural heritage.

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

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

Tofaş regards employee voluntarism as an essential element of its CSR attitudes and approaches. 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'S DONATIONS & SPONSORSHIPS POLICY



TOFAŞ SPORTS CLUB WEBSITE

INVESTING IN FUTURE GENERATIONS

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

TOFAŞ SPORTS CLUB

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

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

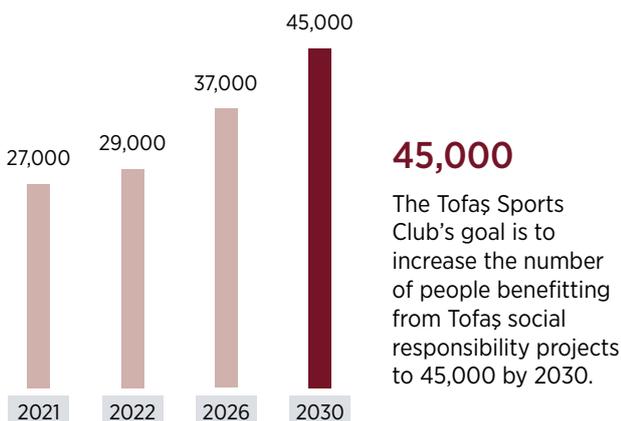
Infrastructure

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.

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 2022, about 745 athletes have played on the Tofaş Men's Basketball A Team. During the 2022-2023 season, the team is competing in Basketball Super League and Basketball Champions League games.

NUMBER OF PEOPLE REACHED BY TOFAŞ SPORTS CLUB SOCIAL RESPONSIBILITY PROJECTS



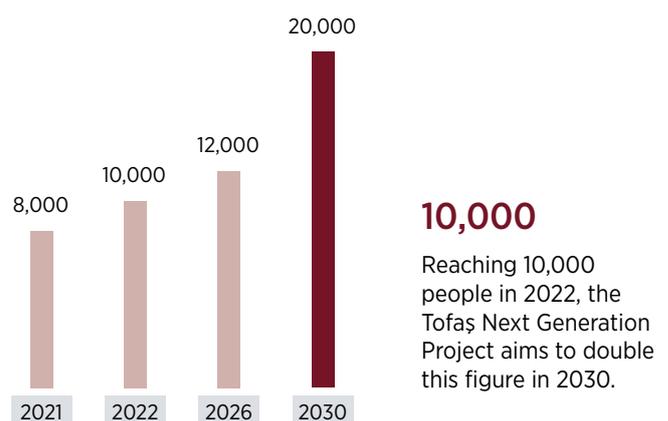
Promoting equality of opportunity in sport and sport culture

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.

Twenty-two Tofaş Basketball Schools that have been set up in ten cities contribute to their local communities. As of 2022, a total of 4,500 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 2022, e-learning system training videos had been viewed a total of 250 thousand times and 6,500 children and 5,000 parents had been reached through 15 basketball schools located in Bursa province townships.

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



CORPORATE SOCIAL RESPONSIBILITY PROJECTS



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 2022, 46 of these pitches had been created in the city and are being provided with seasonal upkeep and maintenance services.

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

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

PROTECTING THE CULTURAL HERITAGE

TOFAŞ MUSEUM OF CARS AND ANATOLIAN CARRIAGES AND TOFAŞ ART GALLERY

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

The museum opened its doors in 2002 and has received about one million visitors since then.

Located within the same grounds as the museum is the Tofaş Art Gallery housed in the Umurbey Hammam, the original construction of which dates to 1430. To date the gallery has hosted six exhibitions, the most recent of which is "The Poise Of The Steelyard: Scales, Weights & Measuring Instruments", a show with past and present-day examples of such equipment.

The museum's cafeteria, Fayton Cafe, is open to museum visitors as well as to the public. The museum's gardens are planted with more than 50 different species and serve as a venue for concerts and culture & art events throughout the year.

For the International Ceramics Festival organized in Bursa by the Turkish Ceramics Society with the support of NPO Durma Sanat in 2022, the Tofaş Museum of Cars and Anatolian Carriages hosted an exhibition of works from Hacettepe University's "Macsabab" collection.

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



TOFAŞ MUSEUM OF
CARS AND ANATOLIAN
CARRIAGES WEBSITE

PAMUKKALE HIERAPOLIS ARCHAEOLOGICAL EXCAVATIONS

Since 2005 Tofaş has been supporting archaeological excavations at Hierapolis, the extensive ruins of one of the five biggest ancient cities in 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, is 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 unearthed in Hierapolis remains that have been unearthed are two necropolises, baths, a basilica, a martyrium, the Frontinus Gate, a gymnasium, an Apollo temple, and the so-called Pluto's Gate (Plutonium), a shrine sacred to the ancient god of the underworld, Pluto.



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 2022 the scope of the Fiat Unhindered Movement program was expanded by making changes in and adding features to the websites of the Fiat and Fiat Professional brands 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.

SOCIAL GENDER EQUALITY

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

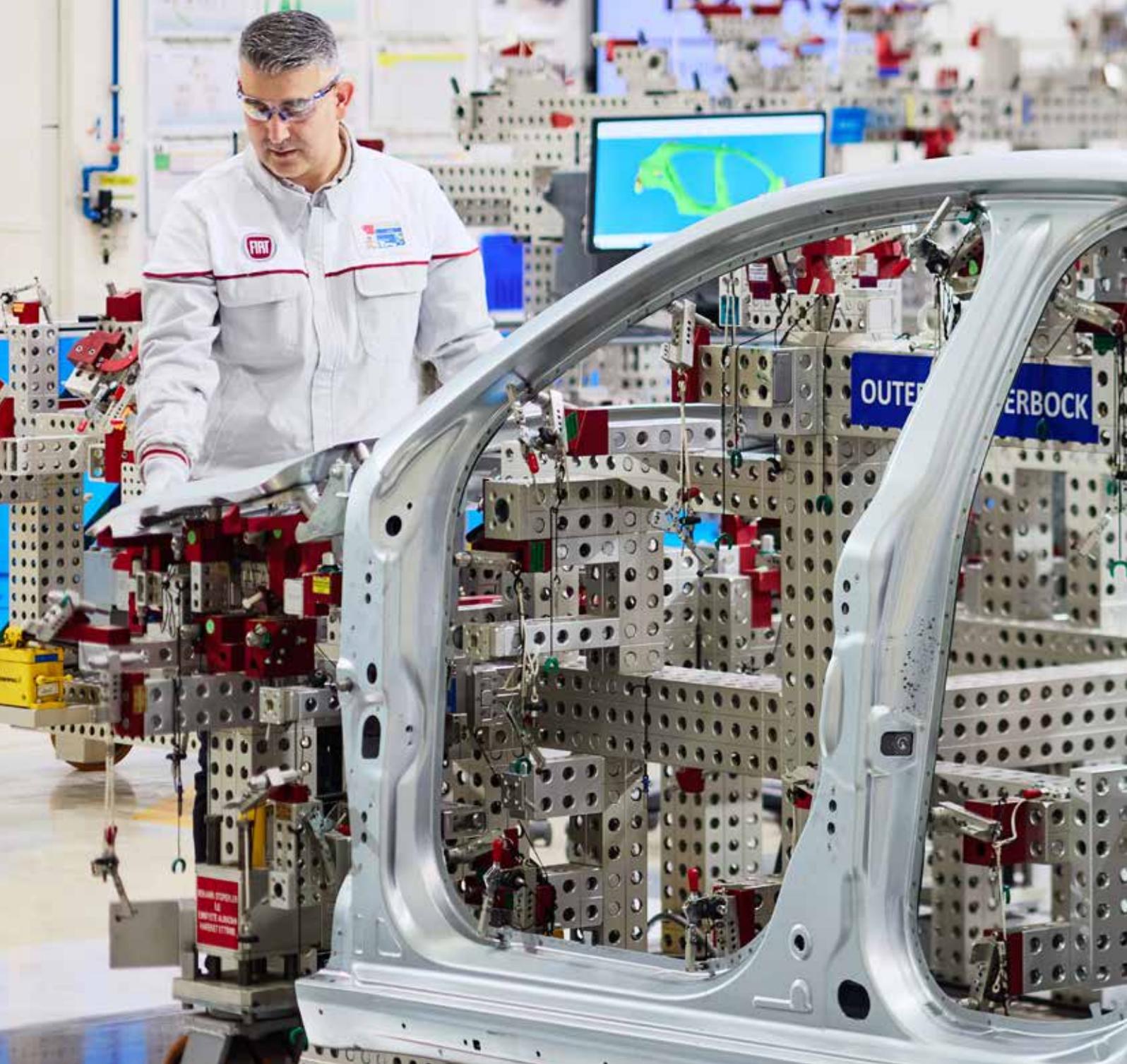
In line with the Gender Equality Forum's global acceleration plan to achieve gender equality through the Technology and Innovation for Gender Equality Action Coalition, Tofaş will contribute towards efforts to increase the number of girls studying science, technology, engineering, and mathematics subjects 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.



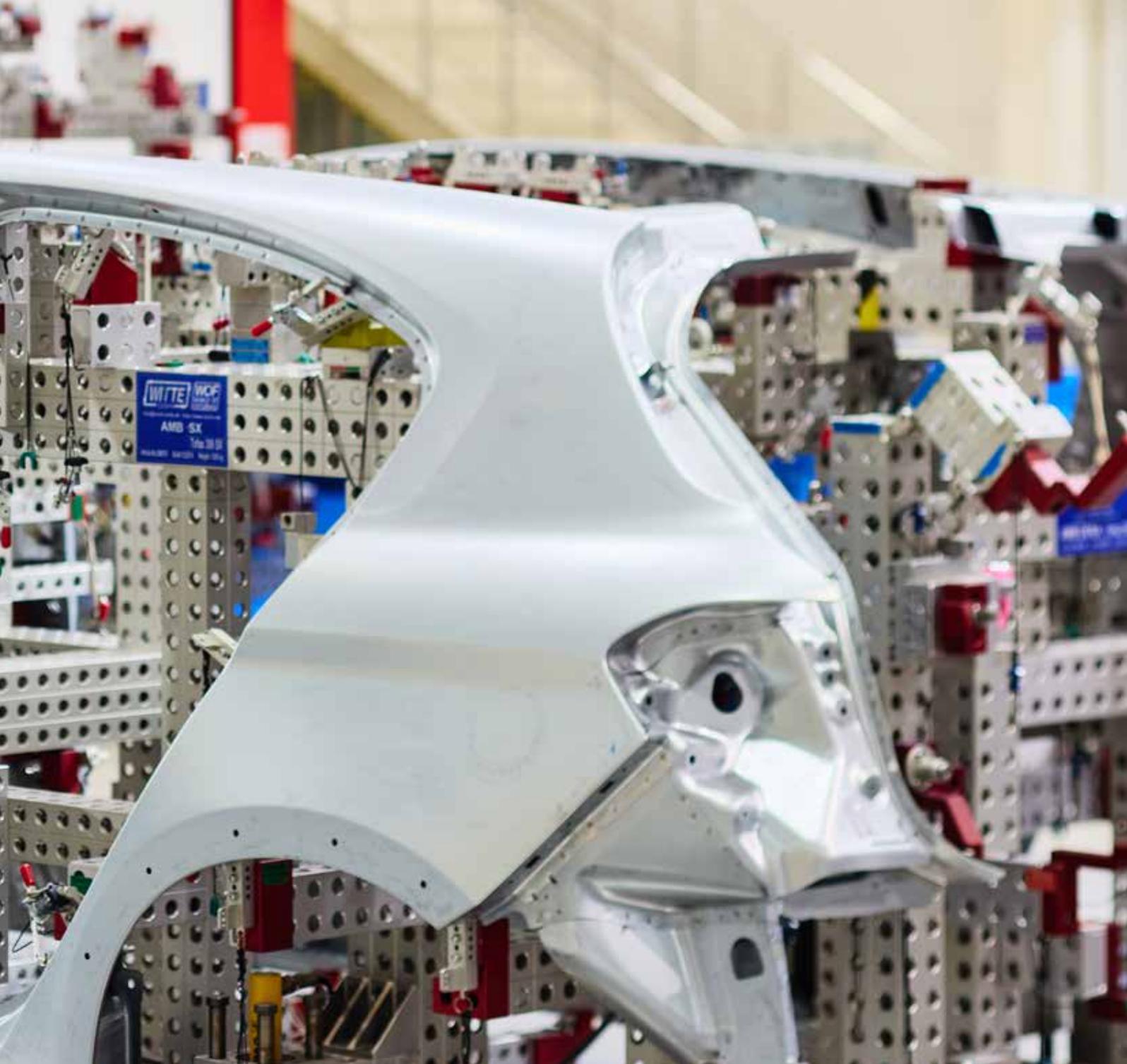
HIERAPOLIS
PROMOTION FILM



FIAT BARRIER-FREE
MOVEMENT WEBSITE



RESPONSIBLE CORPORATE GOVERNANCE



TOFAŞ LEADS THE SECTOR WITH ITS TRANSPARENT, ACCOUNTABLE, FAIR AND AN APPROACH FOCUSED ON RESPONSIBLE CORPORATE GOVERNANCE AND CONTINUOUS DEVELOPMENT.

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 2022, 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

Share Information

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

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

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

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

There was no change in the Company's capital and shareholding structure in the period 1 January 2022 - 31 December 2022. 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 2022, there was no capital increase. Information on Capital increases since the foundation of our company can be found on the website www.tofas.com.tr.

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

Each shareholder has one voting right at the General Assembly Meetings and there is no privileged vote. However, Board Members and Auditors are elected among the nominees who will be nominated by Group A and D Privileged Shareholders. (Article 10 of the Company Articles of Association) As per the Company's shareholding structure and as specified in Company's Articles of Association, only A and D Group shareholders have the privilege of nominating the Members of the Board of Directors and Members of Auditing Board and one of the nominees for each of these committees should meet the requirements for independence as set forth by the regulations by Capital Markets Board.

There is no privilege regarding allocation of dividends (as per Article 18 of Articles of Association). Detailed information and explanations relating to these matters are contained in more detail in the Corporate Governance Principles Compliance Report within the annual report.

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

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

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

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

Amendments to the Articles of Association During the Reporting Period

None.

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

Dividends Distributed in the Last Three Years and Ratios:

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

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

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 2022, our Company holds a share of:

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

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

At its Extraordinary General Assembly meeting held on 29 September 2022, Temel Ticaret ve Yatırım A.Ş., a direct or indirect shareholder in our company, resolved to transfer all of its shares in Koç Holding A.Ş. to Family Danışmanlık Gayrimenkul ve Ticaret A.Ş., which it wholly owns, by way of partial demerger.

As a result of the said partial demerger transaction, there has been no change in the shares directly or indirectly owned by Temel Ticaret ve Yatırım A.Ş. However, the share of Family Danışmanlık Gayrimenkul ve Ticaret A.Ş. in our Company has changed from 0% to 16.41%.

CV'S OF BOARD OF DIRECTORS

ÖMER M. KOÇ

Chair of the Board of Directors

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

SAMİR CHERFAN

Vice Chair of the Board of Directors

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

CENGİZ EROLDU

Member of the Board of Directors – CEO

Cengiz Eroldu graduated from the Business Administration Faculty of İstanbul University in 1988 and completed the MBA program at LUISS University (Italy) from 1993 to 1995. He began his career as an Audit Specialist at Koç Holding in 1989. He was appointed to the position of Assistant Accounting and Industrial Governance Manager for Tofaş in 1995. He worked as the Accounting and Industrial Governance Manager and the Budget and Governance Manager from 2001 to

2008, and as the Finance Director between 2008 until 2015. Since January 2015, Eroldu has been serving as Member of the Tofaş Board of Directors and CEO. As of 2022, Cengiz Eroldu will also serve as the Automotive Industry Association's (OSD) Chair.

TEMEL KAMİL ATAY

Member of the Board of Directors

A graduate of Mechanical Engineering from İstanbul 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. Since April 1994, Temel Kamil Atay has been serving as Member of the Tofaş Board of Directors.

KENAN YILMAZ

Member of the Board of Directors

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

ISABELLE VÉRONIQUE LERAT

Member of The Board of Directors

Isabelle Véronique Lerat graduated from University of Lyon, Department of Management Control and Audit. Lerat, started her career at GEFECO Group in 2000, has worked in various positions in finance, purchasing and logistics project management. Joining the PSA Group in 2012, Lerat worked in the finance department. Isabelle Veronique Lerat joined MEA PSA as CFO in 2019 and then Stellantis in 2020.

MELİH POYRAZ**Member of the Board of Directors**

Melih Poyraz graduated from Boğaziçi University with Business degree and completed his Economic Law master's degree at Galatasaray University and MBA at MIT Sloan School of Management. He then received Juris Doctor degree from Northwestern Law School. Poyraz began his professional career as a Consultant at Ernst Young in 2001. He joined Arçelik as Corporate Risk Director in 2014-2015. Between 2015-2021, he worked at Koç Holding as Coordinator at CEO Office. Melih Poyraz has been serving as Koç Holding Strategy and Business Development Director at Koç Holding since January 2021. Melih Poyraz has been serving as the Member of Board of Directors at Tofaş, Yapı Kredi and other Koç Group companies. He also is a Member of the Outbound Investments Business Council of DEİK (Foreign Economic Relations Board of Turkey). Melih Poyraz has been serving as the Member of Tofaş Board of Directors since March 2021.

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

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

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

Mr. Duca graduated with honors in Economics and Business from Bocconi University in Milan. As a certified chartered accountant and auditor, he acquired broad experience through the PricewaterhouseCoopers network as the external auditor of a number of significant Italian companies. From 1997 to 2007, Mr. Duca was the Chair of PricewaterhouseCoopers S.p.A. In addition, he has previously served as Chair of the Board of Auditors of the Silvio Tronchetti Provera Foundation, Chair of the Board of Auditors of the Compagnia di San Paolo until May 2016, member of the Edison Foundation's Advisory Board and the University Bocconi in Milan's Development Committee, as well as Chair of the Bocconi's Alumni Association's Board of Auditors and a member of the Board of

Auditors of the ANDAF (Italian Association of Chief Financial Officers). Mr. Duca has previously served as Chair of the Board of Directors of Orizzonte SGR S.p.A. from 2008 until 2016, Chair of the Board of Statutory Auditors of Exor S.p.A. until May 2015, Chair of the Board of Statutory Auditors of GTech until April 2015, Chair of the Board of Statutory Auditors of Tosetti Value SIM and an Independent Director of Sella Gestione SGR until April 2010. Sergio Duca is the Chair of the Board of Statutory Auditors of Enel S.p.A. since April 2010. He also serves as Chair of the Board of Auditors of Compagnia di San Paolo School Foundation and ISPI (Italian Institute for International Political Studies) and Member of the Board of Auditors of Intesa San Paolo Onlus Foundation, a member of the board of directors of Nedcommunity, and an independent board member of OSAI Automation System S.p.A. Sergio Duca has been serving as Independent Member of the Tofaş Board of Directors since March 2018.

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

Having graduated with a high degree from the Economics and Political Science department of Rutgers University in 1981, Neslihan Tonbul completed her post-graduate study on International Finances and Economic Development at The Fletcher School of Law and Diplomacy - Tufts University. Appointed to the senior executive positions at New York, London and Istanbul agencies of various international finance institutions (The Irving Trust Company, The Bank of New York and BNY Mellon) from 1983 to 2008, she was appointed as regional manager overseeing a region that includes the Middle East, Africa, Eastern Europe and 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 Investing and Sustainability" at the Faculty of Economics and Administrative Sciences of Koç University since 2017. Neslihan Tonbul has been serving as Independent Member of the Tofaş Board of Directors since March 2018.

CV'S OF SENIOR MANAGEMENT

CENGİZ EROLDU

Board Member & CEO

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

FABRIZIO RENZI

Financial Director (CFO)

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

ZEKİ ERDAL ŞİMŞEK

R&D Director

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

GIUSEPPE MASCIOTTO

R&D Director

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

ALTAN AYTAÇ

Fiat Business Unit Director

Altan Aytaç graduated from the Industrial Engineering Department of Boğaziçi University in 1992. He began his professional career at Tofaş Auto Trading where he was involved in setting up the first logistics department in the area of commerce. He completed the EMBA program at Koç University in 1997. The same year, he became Manager of the CBU Logistics Department. Mr. Aytaç was appointed Commercial Projects Coordinator in 2003, Fiat Brand Manager in 2004, and Business Unit Director 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.

HASAN ERDOĞAN**Mobility Solutions Director**

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

MAHMUT KARACAN**Sales Director**

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

DOĞU ÖZDEN**Financial Planning and Control Director**

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

YÜKSEL ÖZTÜRK**Purchasing Director**

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

SABRİ ERKAN POLAT**Vehicle Engineering Director**

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

CV'S OF SENIOR MANAGEMENT

ORÇUN SARICA

Human Resources and Industrial Relations Director

Orçun Sarica completed his bachelor's degree in 2002 and his master's degree in 2005 at Dokuz Eylül University, Electrical & Electronics Engineering Department. Orçun Sarica 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 Sarica 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 Doğu 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 Doğu Auto Marketing. Appointed Alfa Romeo Brand Manager at Tofaş in 2005, she continued as Business Unit Director of Alfa Romeo and Lancia in 2008. Since 2012, Arzu Yazgan has served as Corporate Communications Director at Tofaş.

İSMET KAĞAN YILDIRIM **External Relations Director**

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

SİNAN YILDIRIM **Quality Director**

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

DECLARATION OF CORPORATE GOVERNANCE PRINCIPLES AND COMPLIANCE REPORT

SECTION I: DECLARATION OF COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES

In 2022, 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 2022, 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 15 March 2022 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 2022 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 2022 upon review of 2021 operations, our rating score was declared as 9.27 (92.69). The rating report can be reviewed on our Company website.

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

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

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

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

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

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

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

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

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

2022 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.

Along this line, as of 2020, 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.

DECLARATION OF CORPORATE GOVERNANCE PRINCIPLES AND COMPLIANCE REPORT

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 2022, and was presented to the Board of Directors as of 02 February 2022 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 204 meetings were held, including 72 corporate investor and 1,320 financial analyst meetings.

During the year, eleven video conferences were attended. In addition, 57 meetings were held with analysts and investors via teleconference.

As of the end of 2022, 22.4% of the Company's publicly-floated shares were being held by foreign investors. The General Assembly meeting, which was organized during the reporting period within the frame of shareholder relations, was convened as per the legislation in force via Electronic General Meeting System (e-GEM). The meeting, announcements and records regarding the meeting were organized in conformity with the capital market regulations, the Company's Articles of Association and other internal regulations.

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

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

During the reporting period, 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 2022, 155 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, 2022 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 2022 Annual Report has also been prepared and reviewed in accordance with applicable laws and regulations.

SECTION IV- STAKEHOLDERS

4.1. Keeping Stakeholders Informed

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

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

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

DECLARATION OF CORPORATE GOVERNANCE PRINCIPLES AND COMPLIANCE REPORT

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 2022 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.

DECLARATION OF CORPORATE GOVERNANCE PRINCIPLES AND COMPLIANCE REPORT

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'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 2022, as in previous years.

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

SECTION V – BOARD OF DIRECTORS

5.1. Board of Directors’ Structure and Formation

The task and duties of the Chair of the Board of Directors and the CEO are assumed by different persons. Company CEO is

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

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

The number of independent member candidates presented to the Corporate Governance Committee for 2022 was two. ID information, statement of candidacy and résumés of these persons were evaluated at the Corporate Governance Committee meeting held on 11 January 2022 and at the Board of Directors meeting no. 2022/01 held on 11 January 2022, 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 15 March 2022.

As of 2022 operating period, there were no situations that would prejudice independency.

DECLARATION OF CORPORATE GOVERNANCE PRINCIPLES AND COMPLIANCE REPORT

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

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

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

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

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

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

d) I am considered a resident in 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,

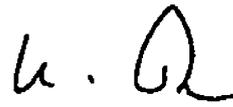
d) I do have the strong ethical standards, professional standing and experience that will help me positively contribute to the activities of Company and remain neutral in conflicts of interests between Company shareholders, and that will help me take decisions freely by taking the rights of the stakeholders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

DECLARATION OF CORPORATE GOVERNANCE PRINCIPLES AND COMPLIANCE REPORT

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

NAME SURNAME	POSITION	CURRENT POSITIONS HELD OUTSIDE THE PARTNERSHIP	INDEPENDENT/NON-INDEPENDENT	COMMITTEES AND POSITION
ÖMER M. KOÇ	Chair	Chair of the Board of Directors in Koç Holding A.Ş.	Non-independent	None
SAMIR CHERFAN	Vice Chair	Stellantis Chief Operating Officer Middle East and Africa and Member of the Global Executive Committee.	Non-independent	None
CENGİZ EROLDU	Executive Member	None	Non-independent	None
TEMEL KAMİL ATAY	Member	None	Non-independent	None
KENAN YILMAZ	Member	Koç Holding A.Ş. Strategy and Business Development Director	Independent	None
ISABELLE VERONIQUE LERAT	Member	Stellantis MENA Financial Director	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 - Chair & Risk Early Detection and Management Committee - Chair - & Corporate Governance Committee - Member
SERGIO DUCA	Independent Member	Chair of the Board of Statutory Auditors at Enel S.P.A	Independent	Corporate Governance Committee - Chair & Audit Committee - Member & Risk Early Detection and Management Committee - Member

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

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

5.2. Functioning of the Board of Directors

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

The Board of Directors has made 28 decisions in 2022 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.

DECLARATION OF CORPORATE GOVERNANCE PRINCIPLES AND COMPLIANCE REPORT

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

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

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

The Audit Committee has been reconstituted by the Board of Directors decision no. 2022/11 dated 25 April 2022. As at the end of the reporting period, Ms. Neslihan Tonbul (Chair - independent Board member) and Mr. Sergio Duca (Member - independent Board member) were serving on the Committee.

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. 2022/12 dated 14 October 2022. As per the said decision, the Committee was formed of Mr. Sergio Duca (Chair - independent Board

member), Ms. Neslihan Tonbul (Member - independent Board member), Mr. Melih Poyraz (Member - Board member), Ms. Isabelle Veronique Lerat (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. 2022/11 dated 25 April 2022. As at the end of the reporting period, the Committee was formed of Ms. Neslihan Tonbul (Chair - Independent Board Member), Mr. Sergio Duca (Member - Independent Board Member), Mr. Melih Poyraz (Member - Board Member) and Mr. Giorgio Fossati (Member - Board Member).

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

Audit Committee, Corporate Governance Committee and Early Detection of Risk and Risk Management Committee hold periodic and other meetings as required by the legislation. In accordance with the rules of procedures, meetings with a certain agenda can be held other than periodic meetings. In this context, Audit Committee, Early Detection of Risk, Risk Management Committee and Corporate Governance Committee have held 4 meetings each in 2022.

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 2022, 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.

DECLARATION OF CORPORATE GOVERNANCE PRINCIPLES AND COMPLIANCE REPORT

5.5. Strategic Targets of the Company

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

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

Vision, mission and values along with designation and implementation of Company's strategic objectives will be completed by the Company top-level management, submitted to the Board of Directors and followed-up. Strategic decisions of our Company were implemented in 2022 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 15 March 2022. Subsequently, the policy was put into practice after the General Assembly. No revisions were made to the said policy during 2022.

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 2022 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 2022, 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					Explanation
	Yes	Partial	No	Exempted	Not Applicable	
Corporate Governance Compliance Report						
1.1. FACILITATING THE EXERCISE OF SHAREHOLDER RIGHTS						
1.1.2- Up-to-date information and disclosures which may affect the exercise of shareholder rights are available to investors at the corporate website.	X					
1.2. RIGHT TO OBTAIN AND REVIEW INFORMATION						
1.2.1 - Management did not enter into any transaction that would complicate the conduct of special audit.	X					
1.3. GENERAL ASSEMBLY						
1.3.2 - The company ensures the clarity of the General Assembly agenda, and that an item on the agenda does not cover multiple topics.	X					
1.3.7- Insiders with privileged information have informed the board of directors about transactions conducted on their behalf within the scope of the company's activities in order for these transactions to be presented at the General Shareholders' Meeting.					X	There has been no such transaction notification.
1.3.8 - Members of the board of directors who are concerned with specific agenda items, auditors, and other related persons, as well as the officers who are responsible for the preparation of the financial statements were present at the General Shareholders' Meeting.	X					
1.3.10 - The agenda of the General Shareholders' Meeting included a separate item detailing the amounts and beneficiaries of all donations and contributions.		X				For donations, a separate agenda item was included in the general assembly agenda, and the details of donations with highest amount were explained in the general assembly information document. The balance, not detailed in the information document, consists of various donations to various institutions and organizations, which do not constitute an important information for investors. Donations below this amount are not followed by our investors, and it is planned to continue making announcements with this materiality limit in the following years.
1.3.11 - The General Shareholders' Meeting was held open to the public, including the stakeholders, without having the right to speak.		X				Priority shareholders were accepted as per the pandemic rules.

DECLARATION OF CORPORATE GOVERNANCE PRINCIPLES AND COMPLIANCE REPORT

	Compliance Status					Explanation
	Yes	Partial	No	Exempted	Not Applicable	
1.4. VOTING RIGHTS						
1.4.1 - There is no restriction preventing shareholders from exercising their shareholder rights.	X					
1.4.2 - The company does not have shares that carry privileged voting rights.			X			At the General Assembly, there is one right to vote for each share, but there are no privileges in right to vote. Shareholders attending the General Assembly meeting use their rights to vote in proportion to the nominal value of the total shares. However, Members of the Board of Directors must be elected from among the candidates who will be nominated by the Privileged Shareholders of Group A and D. (10 th Article of the Articles of Association). This issue is legally confirmed due to the fact that our Company's status is a "business partnership" (joint venture) composed of "two juridical persons" who "equally control the management with an agreement".
1.4.3-The company withholds from exercising its voting rights at the General Shareholders' Meeting of any company with which it has cross-ownership, in case such cross-ownership provides management control.					X	Tofaş does not have a mutual affiliate relationship that brings along a dominance relationship.
1.5. MINORITY RIGHTS						
1.5.1 - The company pays maximum diligence to the exercise of minority rights.	X					
1.5.2 - The Articles of Association extend the use of minority rights to those who own less than one twentieth of the outstanding shares, and expand the scope of the minority rights.			X			Minority rights are not granted to those who have a share of less than one-twentieth of the capital in line with the articles of association. In line with general practices, minority rights have been granted within the framework of general provisions in regulations. No request has been received from investors in this regard, and general best practice examples are followed, and no changes are foreseen in this regard in the near future.
1.6. DIVIDEND RIGHT						
1.6.1 - The dividend policy approved by the General Shareholders' Meeting is posted on the company website.	X					

	Compliance Status					Explanation
	Yes	Partial	No	Exempted	Not Applicable	
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					
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.

DECLARATION OF CORPORATE GOVERNANCE PRINCIPLES AND COMPLIANCE REPORT

	Compliance Status					Explanation
	Yes	Partial	No	Exempted	Not Applicable	
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					
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					

	Compliance Status					Explanation
	Yes	Partial	No	Exempted	Not Applicable	
3.3.7 - Measures (procedures, trainings, raising awareness, goals, monitoring, complaint mechanisms) have been taken to prevent discrimination, and to protect employees against any physical, mental, and emotional mistreatment.	X					
3.3.8 - The company ensures freedom of association and supports the right for collective bargaining.	X					
3.3.9 - A safe working environment for employees is maintained.	X					
3.4. RELATIONS WITH CUSTOMERS AND SUPPLIERS						
3.4.1-The company measured its customer satisfaction, and operated to ensure full customer satisfaction.	X					
3.4.2 - Customers are notified of any delays in handling their requests.	X					
3.4.3 - The company complied with the quality standards with respect to its products and services.	X					
3.4.4 - The company has in place adequate controls to protect the confidentiality of sensitive information and business secrets of its customers and suppliers.	X					
3.5. ETHICAL RULES AND SOCIAL RESPONSIBILITY						
3.5.1 - The board of the corporation has adopted a code of ethics, disclosed on the corporate website.	X					
3.5.2-The company has been mindful of its social responsibility and has adopted measures to prevent corruption and bribery.	X					
4.1. ROLE OF THE BOARD OF DIRECTORS						
4.1.1 - The board of directors has ensured strategy and risks do not threaten the long-term interests of the company, and that effective risk management is in place.	X					
4.1.2 - The agenda and minutes of board meetings indicate that the board of directors discussed and approved strategy, ensured resources were adequately allocated, and monitored company and management performance.	X					

DECLARATION OF CORPORATE GOVERNANCE PRINCIPLES AND COMPLIANCE REPORT

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

	Compliance Status					Explanation
	Yes	Partial	No	Exempted	Not Applicable	
4.4. BOARD MEETING PROCEDURES						
4.4.1-Each board member attended the majority of the board meetings in person.		X				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

DECLARATION OF CORPORATE GOVERNANCE PRINCIPLES AND COMPLIANCE REPORT

	Compliance Status					Explanation
	Yes	Partial	No	Exempted	Not Applicable	
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					
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					
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 2022.
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/1002928
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/1002936
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/1011190
The number of the provisions of the articles of association that discuss the participation of stakeholders to the General Shareholders' Meeting	Article 14 of the Articles of Association
Identified stakeholder groups that participated in the General Shareholders' Meeting, if any	General Assembly 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 Shareholders Meeting minutes, and also indicates for each resolution the voting levels for or against	Specify the name of the page of the corporate website that contains all questions asked in the general assembly meeting and all responses to them	The number of the relevant item or paragraph of General Shareholders' Meeting minutes in relation to related party transactions	The number of declarations by insiders received by the board of directors	The link to the related PDP general shareholder meeting notification
15.03.2022	0	86.40%	0%	75.80%	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

CORPORATE GOVERNANCE INFORMATION FORM

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
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	38
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 Chair 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	10
Specify the name of the section or page number of the annual report that provides the summary of the review of the effectiveness of internal controls	Activities of the Early Detection of Risk and Risk Management Committee” section, segment “C
Name of the Chair	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%

Composition of Board of Directors

CORPORATE GOVERNANCE INFORMATION FORM

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
KENAN YILMAZ	Non-executive	Not independent director	15.03.2022	-	Not considered	No	Yes
ISABELLE VERONIQUE LERAT	Non-executive	Not independent director	14.10.2022	-	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/tr/Bildirim/1002928	Considered	No	Yes
SERGIO DUCA	Non-executive	Independent director	15.03.2018	https://www.kap.org.tr/tr/Bildirim/1002928	Considered	No	Yes
MELİH POYRAZ	Non-executive	Independent director	16.03.2021	-	Not considered	No	Yes

4. BOARD OF DIRECTORS-II	
4.4. Meeting Procedures of the Board of Directors	
Number of physical board meetings in the reporting period (meetings in person)	In line with the Turkish Commercial Law and the related clauses of our Articles of Association, our Board of Directors convene physically when there is a necessity regarding the Company's operations. During the reporting period, no physical meeting was held due to Covid-19, while the decisions could be taken in accordance with the procedure determined in the Turkish Commercial Code Article 390 - Subclause 4.
Director average attendance rate at board meetings	100%
Whether the board uses an electronic portal to support its work or not	No
Number of minimum days ahead of the board meeting to provide information to directors, as per the board charter	There is no description on the subject. The timing is based on subjects and continuum of the items on the agenda.
The name of the section on the corporate website that demonstrates information about the board charter	In the Articles of Association which can be found in Company Web Site - Investor Relations - Corporate governance policies
Number of maximum external commitments for board members as per the policy covering the number of external duties held by directors	None
4.5. Board Committees	
Page numbers or section names of the annual report where information about the board committees are presented	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	-	ISABELLE VERONIQUE LERAT	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 “Chair’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	8
Committee of Early Detection of Risk	-	100%	50%	4	7

SUSTAINABILITY PRINCIPLES COMPLIANCE STATEMENT

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

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

- In order to enhance the reliability of the data that it publishes, such data is independently verified and the scope of such verification is expanded every year by increasing the number of parameters by which it is measured. Both verified data and any unverified data (together with the reasons for non-verification) are publicly disclosed in the appropriate sections of the report. Environmental-performance indicators are regularly subjected to independent verification. As of this writing, Tofaş's water, greenhouse gas emissions, and energy-consumption performance in 2022 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 2022 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/2021/en/>)
- The most recent versions of Tofaş's personal data protection and data security policies are always available on the company's corporate website at tofas.com.tr.
- The Tofaş Human Rights Policy, the Tofaş Anti-Bribery & Anti-Corruption Policy, and the Tofaş Supply Chain Policy are being updated and will be published separately once they have been approved by the Tofaş Board of Directors. (<https://www.tofas.com.tr/en/Sustainability/Policies>)

SUSTAINABILITY PRINCIPLES COMPLIANCE REPORT

	PRINCIPLE	COMPLIANCE				EXPLANATION	RELATED REPORT/LINK
		YES	NO	PARTIAL	N/A		
	A. General Principles						
	A1. Strategy, Policy and Targets						
A1.1	The Board of Directors determines material environmental, social and governance (ESG) issues, risks and opportunities.	x				At Tofaş, the Board of Directors is responsible for risk management processes. Tofaş takes a comprehensive approach to risk management entailing economic, environmental and social aspects, and carries out its activities in line with the principles of “protecting company assets and values”, “ensuring commercial, financial and operational trust”, and “sustainability in enterprise risk management”.	http://irsustainability.tofas.com.tr/2021/en/m-4-3.html Sustainability 64, 65
	The Board of Directors establishes relevant ESG policies (e.g. Environmental Policy, Energy Policy, Human Rights and Employee Policy, etc.) and they are publicly disclosed.	x				Sustainability-related policies put into implementation by Tofaş can be found on the company website.	https://www.tofas.com.tr/en/Sustainability/Policies
A1.2	Publicly discloses short- and long-term goals set according to ESG policies.	x				Making its environmental and sustainability targets available for the information of all its stakeholders, Tofaş transparently reports the results from its activities in these areas on its corporate website and in its sustainability reports.	Annual Report sustainability section
	A2. Implementation/ Monitoring						
A2.1	Determines and discloses the committees/units responsible for the execution of ESG policies, and the highest level positions in charge of ESG issues at the Company and their duties.	x				Sustainability approach and practices are addressed as a whole, incorporating all stakeholders of Tofaş. The CEO and the Company’s senior management are responsible for; <ul style="list-style-type: none"> • determining and managing strategic trends, • ensuring the operation of risk management, early warning and control systems, • setting corporate targets, • achieving compliance with corporate governance principles and executing the efforts for capturing the anticipated performance and outcomes in this area. 	Annual Report sustainability section
	The responsible committee and/or unit reports the activities carried out as per the policies during the year at least once a year to the Board of Directors.	x				Tofaş Corporate Sustainability Policy is followed up at the Board of Directors level, and related matters are evaluated and reported by the committees under the Board of Directors. A regular Sustainability Report is published annually.	Annual Report sustainability section

	PRINCIPLE	COMPLIANCE				EXPLANATION	RELATED REPORT/LINK
		YES	NO	PARTIAL	N/A		
A2.2	Creates and discloses implementation and action plans aligned with ESG targets	x				Tofaş transparently discloses its corporate sustainability strategy and associated implementations which guarantee the continuity of its operations, and the performance values resulting from the actions taken by the Company to the public and stakeholders. Climate targets, diversity and inclusion targets, and all other ESG action plans are publicly disclosed.	Annual Report sustainability section
A2.3	Discloses ESG Key Performance Indicators (KPI) and the degree of their achievement by years.	x				Tofaş has been monitoring ESG key performance indicators since 2013. They are reported in a format showing the past 5 years' trends on the corporate website, in the annual report and sustainability report.	Annual Report sustainability section
A2.4	Discloses efforts for improving sustainability performance with respect to work processes or products and services.	x				Tofaş achieves full compliance with national and international legal requirements in all its activities, constantly strives to mitigate the impacts of its manufacturing, products and services by employing improvement tools and appropriate technologies, and implements actions that will better its performance. The outcomes of the Company's activities in these departments are published transparently.	Annual Report sustainability section
A3. Reporting							
A3.1	Discloses sustainability performance, targets and actions in an intelligible, accurate and adequate manner in annual reports.	x					Annual Report sustainability section
A3.2	Provides information about which of the United Nations (UN) 2030 Sustainable Development Goals its activities relate to.	x				Provided in detail in the table titled SDGs and What does Tofaş do about it?	Annual Report page 67
A3.3	Makes disclosures regarding the lawsuits filed and/or concluded against the company on account of ESG issues, which are material with respect to ESG policies and/or have material impact on operations.	x				No lawsuits, including those on account of environmental, social and governance matters, of a nature to impact the Company's financial position and activities have been brought against the Company; nor are there any administrative or financial sanctions imposed against the Company or the governing body on account of any practices contrary to the provisions of the legislation.	Annual Report page 97

SUSTAINABILITY PRINCIPLES COMPLIANCE REPORT

	PRINCIPLE	COMPLIANCE				EXPLANATION	RELATED REPORT/LINK
		YES	NO	PARTIAL	N/A		
	A4. Verification						
A4.1	ESG Key Performance measurements are verified by an independent third party and publicly disclosed.			x		Verification is obtained for Scope 1 and 2 emissions data, and the certificate is published in the sustainability report. Work is ongoing for having other environmental indicators and social performance values verified.	Tofaş Sustainability Report
	B. Environmental Principles						
B1	Publicly discloses its environmental management policy and practices, action plans, environmental management systems (known by ISO 14001 standard) and programs	x				Having initiated activities related to environmental management system in 1997, Tofaş has been the first plant to obtain ISO 14001 Environmental Management System certification in the automotive industry in 1998. Tofaş has been employing ISO 14064-1 GHG Management System and annual GHG reporting verification since 2010, and ISO 50001 Energy Management System since 2013. Independent audits conducted on the said management systems in 2022 demonstrated “Zero Non-compliance”.	Annual Report page 83
B2	Publicly discloses the limitations over the reporting scope, reporting period, reporting date, reporting conditions of the environmental reports to be prepared for providing environmental management information	x				Environment data disclosed in Tofaş 2022 Annual Report covers all the operations of Tofaş Türk Otomobil Fabrikası A.Ş. between 01 January 2022 and 31 December 2022. Unless otherwise stated, the reports do not cover environmental performance of Fer Mas Oto Ticaret A.Ş. and Koç Fiat Kredi Finansman A.Ş., two of Tofaş’s subsidiaries, and the environmental performance pertaining to dealers. For the same reason, 2022 data have not been verified by a third party organization on the date of the writing of the report; past data for the previous years have been verified.	Annual Report page 76
B.3	Provided in A2.1.						

	PRINCIPLE	COMPLIANCE				EXPLANATION	RELATED REPORT/LINK
		YES	NO	PARTIAL	N/A		
B4	Discloses the environmental targets included in rewarding criteria within the scope of performance incentive systems on the basis of stakeholders (board members, executives, employees and so on).	x				Tofaş uses the OKR (Objectives and Key Results) methods whereby employees set objectives and key results aligned with the Company targets and strategies and objectives are dynamically revised according to priorities that change during the year. Environment targets are included in the OKRs of Tofaş CEO, Plant Manager, Sustainability Committee members and employees. Environmental management is also a part of annual target deployment and performance evaluation system.	Annual Report page 76
B5	Explains how environmental issues identified to be material are integrated into business goals and strategies.	x				In line with AA1000 Stakeholder Engagement Standard, Tofaş classified its material issues in the area of sustainability as issues with low, medium, and high materiality according to the results from the survey participated by both internal and external stakeholders.	Annual Report page 66
B6	Provided in A2.4.						
B7	Explains how it manages environmental issues throughout the Company's value chain including suppliers and customers so as to cover the operation process as well and how they are integrated into its business goals and strategies.	x				Within the frame of its sustainability approach, Tofaş holistically highlights environmental, social and economic values for its employees and all its stakeholders in its sphere of influence. The Company focuses on taking under control indirect environmental impacts throughout its value chain, as well as its direct impacts on the environment, and on minimizing them at the highest extent possible.	Annual Report sustainability section
B8	Discloses whether it is involved in policy-making processes on environmental issues of relevant institutions and non-governmental organizations and its collaborations with these institutions and organizations, if any.	x				Cooperation is established with civil society organizations, associations and governmental agencies to develop environmental policies and to mitigate environmental impacts. OSD (Automotive Manufacturers Association) membership and memberships on TUSIAD (Turkish Business and Industry Association) working groups, alongside collaborations with universities and partnerships with associations and chambers are intended to contribute to the value chain.	Annual Report page 83

SUSTAINABILITY PRINCIPLES COMPLIANCE REPORT

	PRINCIPLE	COMPLIANCE				EXPLANATION	RELATED REPORT/LINK
		YES	NO	PARTIAL	N/A		
B9	Periodically reports information about its environmental impacts comparatively in the light of environmental indicators; GHG emissions Scope-1 (Direct), Scope-2 (Indirect from purchased energy), Scope-3 (Other indirect), air quality, energy management, water and wastewater management, waste management, biodiversity implications).	x				Within the scope of sustainability activities, Scope 1 and Scope 2 GHG emissions are regularly calculated, verified by an independent third party pursuant to ISO 14064-1, and publicly disclosed. Similarly, environmental indicators such as energy consumption, water and waste are also regularly monitored and reported.	Annual Report page 79-81
B10	Discloses the standard, protocol, methodology and baseline year details used to collect and calculate its data.	x				Detailed information is provided in the explanation for each indicator on relevant pages of the annual report.	Annual Report page 79-81
B11	Publicly discloses the status of environmental indicators for the reporting year (increase or decrease) in comparison with previous years.	x				5 year-data are disclosed.	Annual Report page 79-81
B12	Sets short and long-term goals to reduce its environmental impact and discloses these goals and the progress, if any, as compared to the targets set in previous years.	x				Short-, medium- and long-term targets and the actual situation are disclosed.	Annual Report page 79-81
B13	Discloses its strategy and actions to combat the climate crisis.	x				Tofaş targets to put its renewable energy investments into use from 2022 and to reduce its GHG emissions resulting from manufacturing by 22.6% by 2026 solely with the support of these investments.	Annual Report page 78

	PRINCIPLE	COMPLIANCE				EXPLANATION	RELATED REPORT/LINK
		YES	NO	PARTIAL	N/A		
B14	Explains its programs or procedures to prevent or minimize the potential negative impacts of the products and/or services it offers.	x				Tofaş considers its products and services with a lifetime perspective and manages the positive or negative impacts created. While the Company works to mitigate the environmental impact resulting from the manufacturing and usage of its vehicles, it continuously develops projects to make its vehicles more environment-friendly.	Annual Report page 82-83
	Takes and explains its actions for driving reduction of GHG emission quantities of third parties (e.g. suppliers, sub-contractors, dealers, etc.).	x				At the heart of Tofaş's green procurement activities lie spreading the sustainability culture across its supply chain and the philosophy of highlighting products and services with reduced environmental impact. With the green purchasing initiative, Tofaş aims at the reduction of its suppliers' environmental impacts resulting from their production processes and the services they produce, improvement of their overall environmental performances, and mitigating environmental risks.	Annual Report page 87
B15	Discloses the total number of actions taken, projects carried out and initiatives undertaken to mitigate its environmental impacts, along with the benefits/revenues and cost savings they provide.	x					Annual Report page 76-83
B16	Reports energy consumption data (gas, diesel oil, fuel oil, LPG, coal, electricity, heating, cooling, etc.) and discloses its energy consumption as Scope-1 and Scope-2.	x				Within the scope of sustainability activities, Scope 1 and Scope 2 GHG emissions are regularly calculated, verified by an independent third party pursuant to ISO 14064-1, and publicly disclosed. Similarly, energy consumption data are also reported broken down into "renewables/non-renewables" to correspond to the expectations of international sustainability indices.	Annual Report page 79
B17	Discloses information about the electricity, heat, steam and cooling generated during the reporting year.	x					Annual Report page 79
B18	Conducts and discloses studies on increasing the use of renewable energy, transition to zero or low carbon electricity.	x				Tofaş carries on with its efforts and projects to be a carbon-neutral facility. Thanks to hundreds of energy efficiency projects carried out, Tofaş, sustains its energy intensity reduction trend.	Annual Report page 83

SUSTAINABILITY PRINCIPLES COMPLIANCE REPORT

	PRINCIPLE	COMPLIANCE				EXPLANATION	RELATED REPORT/LINK
		YES	NO	PARTIAL	N/A		
B19	Discloses data on its renewable energy generation and consumption.	x					Annual Report page 83
B20	Develops energy efficiency projects and discloses the quantity reduced in energy consumption and emission enabled by these efforts.	x				During 2022, Tofaş carried out activities identified using the World Class Manufacturing-Energy methodology, which are targeted at reducing energy consumption and CO ₂ emissions. Within the scope of these activities, the Company implemented 194 energy efficiency projects, which helped save 99.224 GJ energy in total, and in turn, avoided 8,751 tonnes of CO ₂ emissions.	Annual Report page 80
B21	Reports the amount of underground or overground water withdrawn, recycled and discharged, the resources and procedures.	x					Annual Report page 80
B22	Discloses whether its operations or activities are included in any carbon pricing system (Emission Trading System, Cap & Trade or Carbon Tax).	x				As of the date of this writing, Tofaş operations and other activities were not included in any carbon pricing system, nor any carbon credits were purchased. The Company does not implement a carbon pricing mechanism in its organization.	Annual Report page 83
B23	Discloses the carbon credits saved or purchased during the reporting period.	x				As of the date of this writing, Tofaş operations and other activities were not included in any carbon pricing system, nor any carbon credits were purchased. The Company does not implement a carbon pricing mechanism in its organization.	Annual Report page 83
B24	Discloses the details if carbon pricing is applied within the Company	x				As of the date of this writing, Tofaş operations and other activities were not included in any carbon pricing system, nor any carbon credits were purchased. The Company does not implement a carbon pricing mechanism in its organization.	Annual Report page 83
B25	Discloses the platforms that it reports its environmental information to.	x				Making its environmental and sustainability targets available for the information of all its stakeholders, Tofaş transparently reports the results from its activities in these areas on its corporate website and in its sustainability reports.	Annual Report page 78

	PRINCIPLE	COMPLIANCE				EXPLANATION	RELATED REPORT/LINK
		YES	NO	PARTIAL	N/A		
	C. Social Principles						
	C1. Human Rights and Employee Rights						
C1.1	Develops a Company Human Rights and Employee Rights Policy, which pledges full compliance with the Universal Declaration of Human Rights, ILO Conventions ratified by Türkiye and other applicable legislation. Discloses the policy and the roles and responsibilities associated for its implementation.	x					https://www.tofas.com.tr/en/Sustainability/Policies
C1.2	Incorporates equitable workforce, improvement of working standards, women's employment and inclusion (not discriminating on the basis of gender, race, religion, language, marital status, ethnicity, sexual orientation, gender identity, family responsibilities, union activities, political affiliation, disabilities, social and cultural differences, etc.) in its policy concerning employee rights, while looking out for the effects of supply and value chain.	x					https://www.tofas.com.tr/en/Sustainability/Policies
C1.3	Discloses the measures taken throughout the value chain for protecting the rights of groups sensitive to certain economic, environmental, social factors (low-income groups, women, etc.) or for securing minority rights/equal opportunity.	x					Annual Report page 72
C1.4	Reports on progress in relation to actions for preventing and remedying discrimination, inequality, human rights violations, forced labor and child labor.	x					https://www.tofas.com.tr/en/Sustainability/Policies and Annual Report page 72

SUSTAINABILITY PRINCIPLES COMPLIANCE REPORT

	PRINCIPLE	COMPLIANCE				EXPLANATION	RELATED REPORT/LINK
		YES	NO	PARTIAL	N/A		
C1.5	Incorporates investments in employees (training, development policies), employee compensation, fringe benefits granted, the right to unionize, work/life balance solutions and talent management in its policies concerning employee rights.	x					Annual Report page 71-74
	Determines the mechanisms for resolution of employee complaints and labor disputes, and establishes conflict resolution processes.	x					Annual Report page 75
	Discloses the activities for ensuring employee satisfaction during the reporting period.	x					Annual Report page 71-74
C1.6	Establishes and discloses occupational health and safety policies.	x					https://www.tofas.com.tr/en/Sustainability/Policies
	Discloses the measures adopted for preventing workplace accidents and for protecting occupational health along with statistical data on accidents.	x					Annual Report page 75
C1.7	Establishes and discloses personal data protection and data security policies.	x					Annual Report page 135
C1.8	Establishes and discloses a code of ethics.	x					Annual Report page 89
C1.9							
C1.10	Organizes information meetings and training programs on ESG policies and practices for employees.	x					Annual Report page 64-65

	PRINCIPLE	COMPLIANCE				EXPLANATION	RELATED REPORT/LINK
		YES	NO	PARTIAL	N/A		
	C2. Stakeholders, International Standards and Initiatives						
C2.1	Establishes and discloses a customer satisfaction policy for handling and resolving customer complaints.	x					Annual Report page 84
C2.3	Discloses information about the communication maintained with stakeholders (which stakeholders, topics and frequency).	x					Annual Report page 68
C2.3	Discloses the international reporting standards embraced in its reporting.	x					Annual Report sustainability section
C2.4	Discloses the principles embraced in relation to sustainability, international organizations, committees and principles that it is a signatory or member of.	x					Annual Report sustainability section
C2.5	Makes improvements and concrete efforts to qualify for inclusion in sustainability indices of Borsa İstanbul and/or international index providers.	x				The Company works to qualify for, and improve its performance on, nationally or internationally leading sustainability indices including Borsa İstanbul, and reports the indices that it is a constituent of.	Annual Report sustainability section
	D. Corporate Governance Principles						
D.1	Seeks stakeholders' opinions when determining the measures and strategies in relation to sustainability.	x				In line with AA1000 Stakeholder Engagement Standard, Tofaş classified its material issues in the area of sustainability as issues with low, medium, and high materiality according to the results from the survey participated by both internal and external stakeholders.	Annual Report page 66
D.2	Works on raising awareness of sustainability and its importance through social responsibility projects, awareness activities and training programs.	x					Annual Report page 90

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, 2022 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 149.7 thousand in 2022, up 20.1% year-over-year. Egea Sedan model retained leadership in its own segment with a market share of 46.5%.

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 and Egea line revamp facelift project. Revenues and cash flows of these models and projects are covered under the guarantee of export agreements. Other financial debts apart from project loans are those of Koç Fiat Kredi Tüketici Finansmanı A.Ş. FX and interest rate risks were minimized through swap and derivative transactions.

Financial Indicators

(TL million)	2021	2020
Total Net Sales	65,545	29,684
Net Profit	8,562	3,281
Total Assets	40,376	23,473
Ratios		
Current Ratio	1.3	1.2
Profit After Tax/Net Sales	13%	11%
Profit After Tax/Total Assets	21%	14%
Profit After Tax/Equity	75%	57%
Total Debt/Equity	61%	135%

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 2022, 6 meetings were held under the Chairship 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 2022, 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 2022, 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 uninterrupted 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 17 February 2023, 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 2022; we have concluded that; (i) reasonable return was provided on each transaction according to the circumstances at the time of making the transaction or at the time of taking/not taking measure, and (ii) there were no measures taken/not taken against any transactions that could cause loss for the Company, and (iii) there were no transactions or measures that would require settlement within this framework."

INDEPENDENT AUDITOR'S REPORT ON THE EARLY IDENTIFICATION OF THE RISK COMMITTEE AND SYSTEM (CONVENIENCE TRANSLATION OF A REPORT ORIGINALLY ISSUED IN TURKISH)

To the Board of Directors of TOFAŞ Türk Otomobil Fabrikası Anonim Şirketi,

We have audited the Early Identification of the Risk System and Committee established by TOFAŞ Türk Otomobil Fabrikası Anonim Şirketi.

Responsibility of the Board of Directors

Pursuant to paragraph 1 of Article 378 of the Turkish Commercial Code 6102 ("TCC"), the board of directors is obliged to establish a committee of experts and operate and improve the system for the purposes of: early identification of factors posing a threat on the company's existence, development and continuation; implementation of necessary measures and solutions in this regard; and management of the risk.

Responsibility of the independent auditor

Our responsibility is to express a conclusion on the Early Identification of the Risk System and Committee based on our audit. Our audit was conducted in accordance with TCC and the "Principles on the Independent Auditor's Report on Early Identification of the Risk System and Committee" and ethical requirements as announced by Public Oversight Accounting and Auditing Standards Authority ("POA") of Turkey. These principles require us to determine whether the early identification of the risk system and committee has been established, and if established, to evaluate whether the system and committee operate in accordance with Article 378 of TCC. Our audit does not involve auditing the appropriateness of the solutions on the risks identified by the Early Identification of the Risk System and Committee and the practices performed by the management against the risks.

Information Regarding the Early Identification of the Risk System and Committee

The Company established the Early Identification of the Risk System and Committee which consists of 4 members. For the period between January 1 – December 31, 2022, the committee has met for the purposes of early identification of factors posing a threat on the company's existence and development, implementation of necessary measures and solutions in this regard and the management of the risk; and has submitted the reports it has prepared to the Board of Directors.

Conclusion

Based on our audit, we have reached the conclusion that the early identification of the risk system and committee of TOFAŞ Türk Otomobil Fabrikası Anonim Şirketi is, in all material respects, in compliance with article 378 of the TCC.

The Early Identification of the Risk Committees have to submit their report to the Board of Directors at least bimonthly in accordance with Article 378 of TCC. The Early Identification of the Risk Committee of the Company has submitted their report 6 times during the year to the Board of Directors.

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



Mehmet Can Akıntaş, SMMM
Partner

Istanbul, February 2, 2023

TOFAŞ TÜRK OTOMOBİL FABRİKASI ANONİM ŞİRKETİ
CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED
FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2022
TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

(Originally issued in Turkish)

INDEPENDENT AUDITOR'S REPORT



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

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

To the General Assembly of TOFAŞ Türk Otomobil Fabrikası Anonim Şirketi;

A) Report on the Audit of the Consolidated Financial Statements

1) Opinion

We have audited the consolidated financial statements of TOFAŞ Türk Otomobil Fabrikası Anonim Şirketi ("the Company") and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at December 31, 2022, 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, 2022, 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
<p>Revenue recognition related to contracts</p> <p>Revenue is recognized in the financial statements based on the transaction price in accordance with TFRS 15 "Revenue from Customer Contracts". The transaction price is the amount that the entity expects to be entitled to in exchange for transferring the goods promised to the customer, excluding amounts collected on behalf of third parties. The Company recognized revenue in financial statements when control of the goods or services is transferred to the customers.</p> <p>Revenue is the most important indicator in evaluating the performance of the Group. Revenue is significant for evaluating the results of strategies implemented during the year and monitoring performance and has been determined as a key audit matter in the audit due to its importance as the most important financial statement item in terms of net income or loss and comprehensive income statement for the period ending on December 31, 2022.</p> <p>The details of the Group's revenue from contracts with customers are disclosed in Note 19 and 2.3 of the financial statements.</p>	<p>The following procedures have been implemented in the audit of revenue:</p> <ul style="list-style-type: none"> – Understanding the sales processes and evaluating the design of controls related to the processes, – Evaluating the conformity of the accounting policies applied by the Company management for revenue recognition with TMS, – Applying analytical procedures to determine whether the revenue recorded in the financial statements is at the expected levels, – Testing the accuracy of sales invoices through sampling and matching them with delivery notes, – Testing the transfer of the control of products on selected invoices by sampling to verify that they have been transferred to the customer, – Testing the completeness of revenue by matching the sample selected from shipping documents with accounting records and relevant invoices, – Obtaining confirmation letters from customers for sample selected trade receivables balances and controlling the conformity of the received replies with accounting records.

INDEPENDENT AUDITOR’S REPORT

<p>Warranty provision</p>	
<p>As of December 31, 2022, in Note 15, warranty provision on consolidated financial statements is amounting to TL 671,541 thousand. Assessment of appropriate provision includes sensitive assumptions because calculation of warranty provisions recognized at consolidated financial statements is based on estimation for future part costs after the sale of product, estimates of labor expenses and warranty usage rates in prior periods.</p>	<p>As part of our audit procedures, calculation of warranty provision has been provided from the Group management. Information regarding to the realization of warranty provisions within the last three years in the calculation have been controlled with the amounts in the accounting records. The sales prices and unit prices of spare parts used in the calculation have been also checked. In addition, the assumptions used by the Group management on labor costs, which are part of the cost of sales, have been evaluated.</p> <p>Compliance of warranty provision calculated by Entity Resource Planning (ERP) with the Group’s policy has been examined. Profit estimation adjustment on ERP calculation and the rationale of the adjustments to the profit estimation have been discussed with the management.</p> <p>Furthermore, we assessed the appropriateness of the disclosures in the financial statements in Note 15, provision, contingent assets and contingent liabilities, in terms of TAS 37.</p>
<p>Receivable from financial sector operations</p>	
<p>As of December 31, 2022, in Note 9, provisions for the receivables related to the financial sector operations amounting to TL 4,808,586 thousand is significant for our audit, since the assessments of the Group management during the calculation of the amount of provision are detailed and depend on management’s estimations and assumptions.</p> <p>We have an audit risk due to the risk that receivables from financial sector operations may impair and therefore the carrying amount of financial sector operations might be higher than the estimated recoverable amount.</p>	<p>As a part of our audit procedures, internal controls in process of issuance, recognizing, monitoring and payment of the loans have been tested and evaluated to assess operational efficiency of key controls designed to determine impairment in receivables of financial sector receivables and required provision.</p> <p>In addition, based on our professional judgment, sample selection has been made over receivables from financial sector operations and the existence of objective evidence of impairment within the receivables of financial sector operations has been assessed.</p> <p>Furthermore, we assessed the appropriateness of the disclosures in the financial statements in Note 9, receivables from financial sector operations, in terms of TFRS.</p>

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 2 February 2023.
- 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 2022 and financial statements are not in compliance with laws and provisions of the Company’s articles of association in relation to financial reporting.
- 3) In accordance with paragraph 4 of Article 402 of the TCC, the Board of Directors submitted to us the necessary explanations and provided required documents within the context of audit.

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

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

Mehmet Can Altıntaş, SMMM
Partner

2 February 2023
Istanbul, Turkey

CONTENTS

	PAGE
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	156
CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	158
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY	169
CONSOLIDATED STATEMENTS OF CASH FLOWS	162
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS	153-207
NOTE 1 GROUP'S ORGANISATION AND NATURE OF OPERATIONS	163
NOTE 2 BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS	163
NOTE 3 SEGMENT REPORTING	177
NOTE 4 CASH AND CASH EQUIVALENTS	177
NOTE 5 FINANCIAL ASSETS	178
NOTE 6 FINANCIAL LIABILITIES	178
NOTE 7 TRADE RECEIVABLES AND PAYABLES	180
NOTE 8 OTHER RECEIVABLES	181
NOTE 9 RECEIVABLES FROM FINANCE SECTOR OPERATIONS	181
NOTE 10 INVENTORIES	182
NOTE 11 INVESTMENT PROPERTIES	183
NOTE 12 PROPERTY, PLANT AND EQUIPMENT	184
NOTE 13 INTANGIBLE ASSETS	186
NOTE 14 GOVERNMENT INCENTIVES	187
NOTE 15 PROVISIONS, CONTINGENT ASSETS AND LIABILITIES	187
NOTE 16 EMPLOYEE BENEFITS	189
NOTE 17 PREPAID EXPENSES, DEFERRED INCOME, OTHER ASSETS AND LIABILITIES	190
NOTE 18 SHAREHOLDER'S EQUITY	190
NOTE 19 REVENUE AND COST OF SALES	191
NOTE 20 RESEARCH AND DEVELOPMENT EXPENSES, MARKETING EXPENSES AND GENERAL ADMINISTRATIVE EXPENSES	193
NOTE 21 EXPENSES BY NATURE	193
NOTE 22 OTHER INCOME AND EXPENSES FROM OPERATING ACTIVITIES	194
NOTE 23 INCOME FROM INVESTMENT ACTIVITIES	194
NOTE 24 FINANCIAL INCOME AND EXPENSES	194
NOTE 25 TAX ASSETS AND LIABILITIES	195
NOTE 26 EARNINGS PER SHARE	197
NOTE 27 TRANSACTIONS AND BALANCES WITH RELATED PARTIES	197
NOTE 28 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT	199
NOTE 29 FINANCIAL INSTRUMENTS (FAIR VALUE EXPLANATIONS AND DISCLOSURES WITHIN THE FRAMEWORK OF HEDGE ACCOUNTING)	206
NOTE 30 FEES FOR SERVICES RECEIVED FROM INDEPENDENT AUDITOR/INDEPENDENT AUDIT FIRMS	207
NOTE 31 SUBSEQUENT EVENTS	207

TOFAŞ TÜRK OTOMOBİL FABRİKASI ANONİM ŞİRKETİ
CONSOLIDATED STATEMENT OF
FINANCIAL POSITION AT 31 DECEMBER 2022 AND 2021

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

(Convenience translation of consolidated financial statements originally issued in Turkish)

	Notes	<i>Audited</i> 31 December 2022	<i>Audited</i> 31 December 2021
ASSETS			
Current assets:			
Cash and cash equivalents	4	12,019,197	4,214,726
Financial assets	5	-	240
Trade receivables			
- <i>Related parties</i>	27	10,493,480	5,660,932
- <i>Third parties</i>	7	4,462,272	1,481,414
Receivables from finance sector operations	9	3,033,002	2,146,646
Other receivables	8	285	690
Inventories	10	3,260,010	2,379,087
Prepaid expenses	17	84,501	72,223
Other current assets	17	32,456	213,590
Total current assets		33,385,203	16,169,548
Non-current assets:			
Receivables from finance sector operations	9	1,775,584	2,235,883
Other receivables	8	460	332
Investment properties	11	98,095	69,285
Property, plant and equipment	12	1,740,643	1,903,864
Right of use assets		15,938	5,088
Intangible assets	13	1,512,970	1,920,856
Prepaid expenses	17	28,377	22,682
Deferred tax assets	25	1,818,545	1,145,803
Total non-current assets		6,990,612	7,303,793
Total assets		40,375,815	23,473,341

These consolidated financial statements as of and for the year ended 31 December 2022 have been approved for issue by the Board of Directors on 2 February 2023. Therefore mentioned consolidated financial statements will be finalized after the approval in General Assembly.

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

TOFAŞ TÜRK OTOMOBİL FABRİKASI ANONİM ŞİRKETİ

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2022 AND 2021

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

(Convenience translation of consolidated financial statements originally issued in Turkish)

	Notes	<i>Audited</i>	<i>Audited</i>
		31 December 2022	31 December 2021
LIABILITIES			
Current liabilities:			
Short-term financial liabilities	6	585,000	150,000
Short-term portion of long-term financial liabilities	6	4,485,816	3,988,262
Trade payables			
- <i>Related parties</i>	27	10,545,143	5,083,471
- <i>Third parties</i>	7	8,456,589	3,684,915
Employee benefit liabilities	16	283,222	173,105
Other payables	8	57,031	22,921
Contract liabilities	17	53,416	44,205
Government incentives and grants	14	1,067	4,516
Deferred income	17	105,673	94,784
Profit and tax liability for the period	25	437,667	50,594
Short-term provisions	15	807,450	454,575
Other current liabilities		157,582	6,441
Other financial liabilities		93,818	-
Total current liabilities		26,069,474	13,757,789
Non-current liabilities:			
Long-term financial liabilities	6	1,888,939	3,620,796
Derivative instruments	29	-	2,124
Government incentives and grants	14	1,067	2,135
Long-term provisions			
- <i>Provisions for employment termination benefits</i>	16	1,102,695	347,106
Total non-current liabilities		2,992,701	3,972,161
Total liabilities		29,062,175	17,729,950
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			
- <i>Actuarial loss on employment termination benefit obligation</i>		(700,303)	(149,799)
Other comprehensive losses to be reclassified under profit or losses			
- <i>Cumulative losses on hedging</i>		(1,135,543)	(1,894,105)
Restricted reserves		715,678	398,178
Retained earnings		3,023,235	3,259,419
Net profit for the year		8,562,191	3,281,316
Total equity		11,313,640	5,743,391
Total liabilities and equity		40,375,815	23,473,341

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 2022 AND 2021

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

(Convenience translation of consolidated financial statements originally issued in Turkish)

		<i>Audited</i>	<i>Audited</i>
	Notes	1 January - 31 December 2022	1 January - 31 December 2021
Revenue	19	65,545,354	29,684,305
Cost of sales (-)	19	(53,536,714)	(24,065,233)
Gross profit from operations		12,008,640	5,619,072
Revenue from finance sector operations		1,247,529	828,704
Expenses from finance sector operations (-)		(937,114)	(619,313)
Gross profit from finance sector operations		310,415	209,391
Gross profit		12,319,055	5,828,463
General administrative expenses (-)	20	(813,298)	(510,139)
Marketing, selling and distribution expenses (-)	20	(1,386,214)	(596,791)
Research and development expenses (-)	20	(368,513)	(126,527)
Other income from main operations	22	5,567,413	2,918,260
Other expense from main operations (-)	22	(6,388,577)	(3,417,547)
Operating profit before financial income		8,929,866	4,095,719
Income from investing activities	23	84,346	38,455
Operating profit before financial income		9,014,212	4,134,174
Financial income	24	3,544,616	3,331,176
Financial expenses (-)	24	(3,996,597)	(3,953,134)
Profit before tax from continuing operations		8,562,231	3,512,216
Tax income/(loss) for the period		(40)	(230,900)
- Taxes on income	25	(761,698)	(113,178)
- Deferred tax income/(expense)	25	761,658	(117,722)
Net profit for the year		8,562,191	3,281,316
Net profit attributable to:			
Non-controlling interests		-	-
Equity holders of the parent		8,562,191	3,281,316
Earnings per share (Kr)	26	17.12	6.56

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 2022 AND 2021

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

(Convenience translation of consolidated financial statements originally issued in Turkish)

		<i>Audited</i>	<i>Audited</i>
	Notes	1 January - 31 December 2022	1 January - 31 December 2021
Net profit for the year		8,562,191	3,281,316
Other comprehensive income:			
Other comprehensive income not to be reclassified under profit and loss			
- Actuarial gain/(loss) on employment termination benefit obligation	16	(688,130)	(85,181)
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	137,626	17,326
Other comprehensive income to be reclassified under profit and loss			
- Gaining/(losses) on hedging	2	985,104	(585,153)
Taxes relating to other comprehensive income to be reclassified under profit and loss			
- Losses on hedging, tax effect	25	(226,542)	146,472
Other comprehensive income/(loss)		208,058	(506,536)
Total comprehensive income		8,770,249	2,774,780
Total comprehensive income attributable to:			
Non-controlling interests		-	-
Parent company interests		8,770,249	2,774,780

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 2022 AND 2021

(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 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)
Balances at 1 January 2022	500,000	348,382	(149,799)
Transfers	-	-	-
Total comprehensive income	-	-	(550,504)
Dividends paid	-	-	-
Balances at 31 December 2022	500,000	348,382	(700,303)

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	Total equity	
(1,455,424)	369,326	3,004,101	1,784,170	4,468,611	
-	136,714	1,647,456	(1,784,170)	-	
(438,681)	-	-	3,281,316	2,774,780	
-	(107,862)	(1,392,138)	-	(1,500,000)	
(1,894,105)	398,178	3,259,419	3,281,316	5,743,391	
(1,894,105)	398,178	3,259,419	3,281,316	5,743,391	
-	317,500	2,963,816	(3,281,316)	-	
758,562	-	-	8,562,191	8,770,249	
-	-	(3,200,000)	-	(3,200,000)	
(1,135,543)	715,678	3,023,235	8,562,191	11,313,640	

TOFAŞ TÜRK OTOMOBİL FABRİKASI ANONİM ŞİRKETİ

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED 31 DECEMBER 2022 AND 2021

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

(Convenience translation of consolidated financial statements originally issued in Turkish)

	Notes	<i>Audited</i> 1 January 31 December 2022	<i>Audited</i> 1 January 31 December 2021
A. Cash flows from operating activities:		12,151,544	2,679,899
Net profit for the year		8,562,191	3,281,316
Adjustments to reconcile profit for the period		2,551,060	2,329,659
- Depreciation and amortization	21	1,518,821	1,199,120
- Income from revaluation of investment properties	11, 23	(28,810)	(285)
- Adjustments related to doubtful receivables	7,9	6,342	12,333
- Adjustments related to interest income	24	(776,899)	(297,041)
- Adjustments related to provision for inventories	10	98,457	(4,676)
- Gain on sale of property, plant and equipment	23	(55,536)	(38,170)
- Provision for employment termination benefits	16	145,189	51,303
- Adjustments for reversal of lawsuit and/or penalty provisions	15	1,534	3,289
- Adjustments related to warranty provisions	15, 20	503,201	245,584
- Adjustments related to other provisions	15	50,972	20,353
- Adjustments related to interest expense	24	99,804	112,006
- Adjustments for tax loss/(income)	25	40	230,900
- Deferred financial expenses from credit purchases/sales, net	22	(133,603)	(27,573)
- Adjustments related to unrealized gain on foreign currency differences		2,176,662	1,613,731
- Adjustments related to exchange differences of cash and cash equivalents		(1,055,114)	(791,215)
Changes in net working capital		1,693,482	(2,700,119)
- Change in inventories		(979,380)	(850,445)
- Change in receivables from third parties		(23,392)	513,943
- Change in receivables from related parties		(4,832,548)	(1,611,593)
- Change in other receivables from operating activities		277	(687)
- Change in trade payables due to third parties		4,771,674	212,799
- Change in trade payables due to related parties		2,637,304	547,351
- Adjustments for increase (decrease) in contact liabilities arising from customer contracts		9,211	7,908
- Change in receivables from finance sector operations		(431,994)	(1,534,964)
- Change in prepaid expenses		(17,973)	25,624
- Change in deferred revenue		10,889	49,995
- Change in government incentives and grants		(4,517)	(4,516)
- Change in other assets from operating activities		166,766	(87,130)
- Change in other liabilities from operating activities		389,189	36,748
- Change in fair value gains on derivative financial instruments		(2,124)	(5,152)
Net cash generated from operating activities		12,806,733	2,910,856
- Income taxes paid		(374,627)	(59,047)
- Payments related to employment termination benefits	16	(77,730)	(39,021)
- Other cash outflows	15	(202,832)	(132,889)
B. Cash flows from investing activities		(153,871)	(760,779)
- Purchases of tangible assets	12	(421,802)	(379,788)
- Purchases of intangible assets		73,810	59,809
- Proceeds from sale of tangible and intangible assets		(540,668)	(742,403)
- Change in financial assets	5	240	762
- Interest received		734,549	300,841
C. Cash flows from financing activities		(5,377,231)	(2,741,618)
- Proceeds from financial liabilities		4,458,275	2,913,480
- Bank loans paid	6	(6,445,098)	(4,037,524)
- Payment of lease liabilities	6	(6,698)	(7,101)
- Dividend paid		(3,200,000)	(1,500,000)
- Interest paid		(97,144)	(110,473)
- Other cash inflows (outflows)/(change in restricted deposits)		(86,566)	-
Net (decrease)/increase in cash and cash equivalents before currency translation differences		6,620,442	(822,498)
D. Effects of currency translation differences on cash and cash equivalents		1,055,114	791,215
Net change in cash and cash equivalents		7,675,556	(31,283)
E. Cash and cash equivalents at the beginning of the year		4,195,952	4,227,235
Cash and cash equivalents at the end of the year	4	11,871,508	4,195,952

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 2022

(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 2022 and 2021 which are subject to consolidation are as follows:

Name of the company	Operating area	Rate of ownership of the Company (%)	
		31 December 2022	31 December 2021
Koç Fiat Kredi Finansman A.Ş. ("KFK")	Consumer financing	100	100
Fer Mas Oto Ticaret A.Ş.	Trading of automobile and spare parts	100	100
Koç Fiat Sigorta Aracılık Hizmetleri A.Ş.	Insurance Services	100	-

For the purpose of the consolidated financial statements, Tofaş and its consolidated subsidiaries are referred to as the "Group".

The average number of personnel in accordance with the Group's categories is as follows:

	Average		Period end	
	1 January - 31 December 2022	1 January - 31 December 2021	31 December 2022	31 December 2021
Hourly-rated	4,637	5,083	4,498	4,955
Monthly-rated	1,492	1,502	1,514	1,527
	6,129	6,585	6,012	6,482

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

2.1 Basis of presentation

2.1.1 Financial reporting standards

The accompanying consolidated financial statements are prepared in accordance with the Communiqué Serial II, No:14.1, "Principles of Financial Reporting in Capital Markets" ("the Communiqué") published in the Official Gazette numbered 28676 on 13 June 2013. According to the article 5 of the Communiqué, consolidated financial statements are prepared in accordance with Turkish Financial Reporting Standards ("TFRS") and its addendum and interpretations ("IFRIC") issued by Public Oversight Accounting and Auditing Standards Authority ("POA") Turkish Accounting Standards Boards. The consolidated financial statements of the Group are prepared as per the CMB announcement of 4 October 2022 relating to financial statements presentations.

The Company and its subsidiaries operating in Turkey, maintains its accounting records and prepares its statutory financial statements in accordance with the Turkish Commercial Code (the "TCC"), tax legislation and the uniform chart of accounts issued by the Ministry of Finance. These consolidated financial statements are based on the statutory records, 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.

TAS 29 Financial Reporting in Hyperinflation Economies requires entities whose functional currency is that of a hyperinflationary economy to prepare their financial statements in terms of the measuring unit current at the end of the reporting period. TAS 29 describes characteristics that may indicate that an economy is hyperinflationary, and it requires all entities that report in the currency of the same hyperinflationary economy apply this Standard from the same date. Therefore, it is expected that TAS 29 will start to be applied simultaneously by all entities with the announcement of Public Oversight Accounting and Auditing Standards Authority to ensure consistency of the application required by TAS 29 throughout the country. However, the Authority has not published any announcement that determines entities would restate their financial statements for the accounting period ending on 31 December 2022 in accordance with TAS 29. In this context, TMS 29 is not applied and inflation adjustment has not been reflected in the financial statements as of December 31, 2022.

Going Concern

The Group has prepared its consolidated financial statements in accordance with the going concern principle.

TOFAŞ TÜRK OTOMOBİL FABRİKASI ANONİM ŞİRKETİ NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

(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)

2.1.2 Comparatives and adjustment of prior periods' consolidated financial statements

In order to allow for the determination of the financial situation and performance trends the Group's consolidated financial statements have been presented comparatively with the previous year. Where necessary, comparative figures have been reclassified to conform to the changes in presentation in the current period.

2.1.3 Functional and reporting currency

The Group's functional and reporting currency is Turkish Lira ("TL"). Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation are recognized in the consolidated statement of income.

2.1.4 Basis of consolidation

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group and deconsolidated from the date that control ceases. Inter-group transactions, balances and unrealized gains on transactions between Group companies are eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

2.1.5 Significant accounting judgments, estimates and assumptions

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

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

- 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 2022, the amount of guarantee expense is TL 503,201 (31 December 2021: TL 245,584) (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 2022, general provisions for finance loans amounted to TL 32,580 (31 December 2021: TL 31,019) 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) Investment properties are accounted for using the fair value model at the financial statements. Fair values are determined based on an annual valuation performed by an accredited and licensed by CMB external independent valuer.
- g) Group management has made assumptions based on the experience of the technical staff in determining the useful life of tangible and intangible assets.
- 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, 2022 and 2021 since the assumptions used regarding that the Company has taxable profit in following periods

TOFAŞ TÜRK OTOMOBİL FABRİKASI ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

(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)

- i) The Group, recognised development expenditures on an individual project as an intangible asset when the Group can demonstrate below:
- existence of the technical feasibility of completing the intangible asset so that it will be available for use or sale,
 - existence of the intention to complete the intangible asset and use or sell it,
 - existence of the ability to use or sell the intangible asset,
 - reliability of how the intangible asset will generate probable future economic benefits,
 - the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset,
 - existence of the ability to measure reliably the expenditure attributable to the intangible asset during its development.

Other development expenditures are recognized as an expense when they are incurred. Development costs previously recognized as an expense are not capitalized as an asset in a subsequent period.

The Group capitalizes ongoing development expenditures and assesses whether the related asset has an impact on the assets that will increase or decrease the cost of the Company during the useful life of the asset in the subsequent periods and whether there is an impairment of the year. As of 31 December 2022 and 31 December 2021, no impairment has been identified for capitalized development expenses (Note 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 of December 31, 2022 are consistent with those of the previous financial year, except for the adoption of new and amended TFRS and TFRS interpretations effective as of January 1, 2022 and thereafter. The effects of these standards and interpretations on the Group's financial position and performance have been disclosed in the related paragraphs.

i) The new standards, amendments and interpretations which are effective as of January 1, 2022 are as follows:

Amendments to TFRS 3 - Reference to the Conceptual Framework

In July 2020, POA issued amendments to TFRS 3 Business combinations. The amendments are intended to replace 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 must be applied prospectively.

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

Amendments to TAS 16 - Proceeds before intended use

In July 2020, 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 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.

The amendments did not have a significant impact on the 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 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).

The amendments did not have a significant impact on the 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 2022

(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 FINANCIAL STATEMENTS (Continued)

2.2 Amendments in Turkish Financial Reporting Standards (Continued)

i) The new standards, amendments and interpretations which are effective as of January 1, 2022 are as follows: (Continued)

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 to 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.

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

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

Standards, interpretations and amendments to existing standards that are issued but not yet effective up to the date of issuance of the consolidated financial statements are as follows. The Group will make the necessary changes if not indicated otherwise, which will be affecting the consolidated financial statements and disclosures, when the new standards and interpretations become effective.

Amendments to TFRS 10 and TAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

In December 2017, POA postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. Early application of the amendments is still permitted.

The Group will wait until the final amendment to assess the impacts of the changes.

TFRS 17 - The new Standard for insurance contracts

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

In January 2020 and January 2023, POA issued amendments to TAS 1 to specify the requirements for classifying liabilities as current or non-current. According to the amendments made in January 2023 if an entity's right to defer settlement of a liability is subject to the entity complying with the required covenants at a date subsequent to the reporting period ("future covenants"), the entity has a right to defer settlement of the liability even if it does not comply with those covenants at the end of the reporting period. In addition, January 2023 amendments require an entity to provide disclosure when a liability arising from a loan agreement is classified as non-current and the entity's right to defer settlement is contingent on compliance with future covenants within twelve months. This disclosure must include information about the covenants and the related liabilities. The amendments clarified that the classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability for at least twelve months after the reporting period. The amendments are effective for periods beginning on or after 1 January 2024. The amendments must be applied retrospectively in accordance with TAS 8. Early application is permitted. However, an entity that applies the 2020 amendments early is also required to apply the 2023 amendments, and vice versa.

TOFAŞ TÜRK OTOMOBİL FABRİKASI ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

(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 FINANCIAL STATEMENTS (Continued)

2.2 Amendments in Turkish Financial Reporting Standards (Continued)

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

Amendments to TAS 8 - Definition of Accounting Estimates

In August 2021, POA issued amendments to TAS 8, in which it introduces a new definition of 'accounting estimates'. The amendments 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.

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

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.

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

In August 2021, POA issued amendments to TAS 12, which narrow the scope of the initial recognition exception under TAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences. The amendments 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.

Amendments to IFRS 16 - Lease Liability in a Sale and Leaseback

In January 2023, POA issued amendments to IFRS 16. The amendments specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. In applying requirements of IFRS 16 under "Subsequent measurement of the lease liability" heading after the commencement date in a sale and leaseback transaction, the seller lessee determines 'lease payments' or 'revised lease payments' in such a way that the seller-lessee would not recognise any amount of the gain or loss that relates to the right of use retained by the seller-lessee. The amendments do not prescribe specific measurement requirements for lease liabilities arising from a leaseback. The initial measurement of the lease liability arising from a leaseback may result in a seller-lessee determining 'lease payments' that are different from the general definition of lease payments in IFRS 16. The seller-lessee will need to develop and apply an accounting policy that results in information that is relevant and reliable in accordance with TAS 8. A seller-lessee applies the amendments to annual reporting periods beginning on or after 1 January 2024. Earlier application is permitted. A seller-lessee applies the amendments retrospectively in accordance with TAS 8 to sale and leaseback transactions entered into after the date of initial application of IFRS 16.

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 2022

(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 FINANCIAL STATEMENTS (Continued)

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.

"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.

TOFAŞ TÜRK OTOMOBİL FABRİKASI ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

(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)

2.3 Summary of significant accounting policies (Continued)

Receivables from finance sector operations

Receivables from finance sector operations are carried at amortized cost in the consolidated balance sheet of the Group.

Provision for impairment of receivables from finance sector operations

The Group recognize provisions for the receivables from finance sector operations for the impairment of consumer finance loans based on a credit review of the receivables portfolio. Provision amount is determined based on the Group's credit risk policies, composition and financial performance of the credit portfolio and economical environment and reflected as "Doubtful Loans" after deducting the related fair value of the guarantee amounts. Changes in the provision amount are accounted for under period income/loss. When a loan is deemed uncollectible, it is written off against the related provision for impairment. The loan is written off after all necessary legal proceedings have been completed and the amount of the loan loss is finally determined. Subsequent recoveries are credited to the profit or loss if previously written off.

The allowances for impairment of receivables from finance sector operations are established based on a credit review of the Group's receivables from finance sector operations portfolio.

The Group can also recognize specific provision even if the overdue days are less than the days stated above, or receivables are not overdue at all, by taking into account all the existing data regarding the creditor and based on the principals of reliability and prudence.

Group also recognizes a general provision for the receivables which is not related to a specific transaction that can be recognized for the losses arising from the principal or interest of consumer finance loans that are not overdue or overdue less than 90 days but the amount of loss is not certain. Group sets a general provision for consumer finance loans that have not been considered as doubtful yet.

Trade receivables

Trade receivables that are created as a result of providing products or services to the buyer are recognized at amortized cost using the effective interest method. Short-term receivables with no stated interest rate are measured at the original invoice amount unless the effect of imputing interest is significant. A simplified approach (is applied for the impairment of trade receivables, which are recognized at amortized cost in the financial statements and which do not include a significant financing component (less than one year). In cases where the trade receivables are not impaired due to certain reasons (except for the realized impairment losses), the provisions for losses related to trade receivables are measured by an amount equal to the expected credit losses. In case of collecting all or part of the receivable amount that is impaired following the provision for impairment, the collected amount is deducted from the main activities to other income by deducting the amount deducted from the provision for impairment. Income/expense related to commercial transactions and foreign exchange gains/losses are accounted for under the other operating income/expenses in the consolidated statement of profit or loss.

Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

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

Inventories

Inventories are valued at the lower of cost or net realizable value. Costs incurred in bringing each product to its present location and condition are accounted for as follows: Raw materials - purchase cost on a monthly average basis; finished goods and work-in-process - cost includes the applicable allocation of fixed and variable overhead costs on the basis of monthly average basis. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sale. The scrap inventory is written off when identified (Note 10).

Derivative financial instruments

Derivative financial instruments, including foreign exchange contracts with maturities, are initially measured at fair value and are remeasured at their fair values subsequently. The classification of gains or losses arising from derivative financial instruments changes depending on the classification of the derivative financial instruments. Even though derivative financial instruments are used as part of the Group's risk management, they do not meet the criteria for hedge accounting therefore they are measured at fair value including expenses at the time of inception and are remeasured at fair value in subsequent periods. Gains or losses arising from the change in the fair value of such instruments are accounted for in the consolidated statement of income.

TOFAŞ TÜRK OTOMOBİL FABRİKASI ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

(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)

2.3 Summary of significant accounting policies (Continued)

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation, including property under construction for such purposes. Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value (Note 11). An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from disposal.

Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognized.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment loss. When assets are sold or retired, their costs and accumulated depreciation are eliminated from the accounts and any gain or loss resulting from their disposal is included in the consolidated statement of income.

The initial cost of property, plant and equipment comprises its purchase price, including import duties and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the property, plant and equipment have been put into the operation, such as repairs and maintenance and overhaul costs are normally charged to income in the period the costs are incurred. Expenditures are added to cost of assets if the expenditures provide economic added value for the future use of the related property, plant and equipment.

Depreciation is computed on a straight-line basis over the estimated useful lives (Note 12). The useful lives and depreciation methods are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from items of property, plant and equipment.

The depreciation terms are as follows;

	Years
Land improvements	33
Buildings	33
Machinery and equipment	12-33
Motor vehicles	4-10
Furniture and fixtures	8-14
Leasehold improvements	5-30

In case of any indication of the impairment in the carrying value of property, plant and equipment, the recoverable amount is reassessed and provision for impairment is reflected in the consolidated financial statements.

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

Gains and losses on sale of property, plant and equipment are included in other income and expense from investment activities.

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).

TOFAŞ TÜRK OTOMOBİL FABRİKASI ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

(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)

2.3 Summary of significant accounting policies (Continued)

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use assets includes the following:

- the amount of the initial measurement of the lease liability,
- any lease payments made at or before the commencement date, less any lease incentives received,
- any initial direct costs incurred by the Group, and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease (unless those costs are incurred to produce inventories)

Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

Right-of-use assets are subject to impairment.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable.

The lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

- Fixed payments, less any lease incentives receivable,
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be paid under residual value guarantees
- exercise price of a purchase option reasonably certain to be exercised by the Group
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

After the commencement date, Group measures the lease liability by:

- increasing the carrying amount to reflect interest on the lease liability,
- reducing the carrying amount to reflect the lease payments made.

In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

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).

TOFAŞ TÜRK OTOMOBİL FABRİKASI ANONİM ŞİRKETİ NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

(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)

2.3 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.

Revenue from contracts with customers

In accordance with TFRS 15 "Revenue from Customer Contracts", the Group has started to use the five-step model below to recognize revenue.

- Identification of customer contracts
- Identification of performance obligations
- Determination of the transaction price in the contracts
- Allocation of transaction price to the performance obligations
- Recognition of revenue when the performance obligations are satisfied

Group evaluates each contracted obligation separately and respective obligations, committed to deliver the distinct goods or perform services, are determined as separate performance obligations.

According to this model, firstly, the goods or services in the contract with the customers are assessed and each commitment for transferring the goods or services is determined as a separate performance obligation. Then it is assessed whether the performance obligations will be fulfilled at a point in time or over time. When the Group transfers control of a good or service over time, and therefore fulfills a performance obligation over time, then the revenue is recognised over time by measuring the progress of completion. Revenue is recognized when control of the goods or services is transferred to the customers.

Following indicators are considered while evaluating the transfer of control of the goods and services:

- a) presence of Group's collection right of the consideration for the goods or services,
- b) customer's ownership of the legal title on goods or services,
- c) physical transfer of the goods or services,
- d) customer's ownership of significant risks and rewards related to the goods or services,
- e) customer's acceptance of goods or services.

Performance obligations

Automotive sector operations:

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenues are stated net of discounts, value added and sales taxes. Revenue is recognized when the transfer of control of the goods have passed to the buyer and the amount of revenue can be measured reliably. Net sales are invoiced amounts of delivered goods excluding sales returns.

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.

TOFAŞ TÜRK OTOMOBİL FABRİKASI ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

(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)

2.3 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 from loan customers. The Group recognizes insurance premium income as deferred revenue under other liabilities initially and subsequently recognizes it as income over the payment plan of loans using a systematic method.

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

Borrowings

Borrowings are initially recognized at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognized in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a prepayment for liquidity services and amortized over the period of the facility to which it relates (Note 6).

Borrowing Costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized during the period of time that is required to complete and prepare the asset for its intended use or sale. Such borrowing costs are capitalized as part of the cost of the asset when it is probable that they will result in future economic benefits to the entity and the costs can be measured reliably. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization. Other borrowing costs are expensed in the period in which they are incurred.

For the year ended 31 December 2022, the Group has no capitalized borrowing costs (31 December 2021: 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.

TOFAŞ TÜRK OTOMOBİL FABRİKASI ANONİM ŞİRKETİ NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

(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)

2.3 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.

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.

TOFAŞ TÜRK OTOMOBİL FABRİKASI ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

(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)

2.3 Summary of significant accounting policies (Continued)

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 2022, gains on cash flow hedging accounted for under the statement of other comprehensive gain is TL 985,104 (31 December 2021: loss amounting to TL 585,153).

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognized when the forecast transaction is ultimately recognized in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the current year income statement.

There is an effective cash flow hedge relationship between foreign currency originated long term loans and the realized and forecasted sales (items subject to be hedged) of light commercial vehicles (New Doblo, Doblo FL and Doblo US) and commercial vehicles (Egea, Stationwagon, Hatchback). According to the agreements made between the Group and Stellantis, the long-term loan liabilities will be covered by the planned sales of New Doblo, Doblo FL and Doblo US to Stellantis starting from 2009 until December 2022. Furthermore, according to the agreement made between Stellantis and the Group, long term loan liabilities will be covered through a portion of sales of Egea and Stationwagon/ Hatchback to Stellantis starting from 2021 until December 2024.

The hedge effectiveness is assessed on an ongoing basis and determined actually to have been highly effective throughout the financial reporting periods for which the hedge was designated, and effectiveness of the hedge consistent with the documented risk management strategy.

TOFAŞ TÜRK OTOMOBİL FABRİKASI ANONİM ŞİRKETİ NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

(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)

2.3 Summary of significant accounting policies (Continued)

Related parties

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

- (i) has control or joint control over the reporting entity;
 - (ii) has significant influence over the reporting entity; or
 - (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.
- (b) An entity is related to a reporting entity if any of the following conditions applies:
- (i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment defined benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
 - (vi) The entity is controlled or jointly controlled by a person identified in (a).
 - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Investment, research and development incentives

Government grants are recognized at fair value where there is reasonable assurance that the grant will be received, and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognized as income over the period necessary to match the grant on a systemic basis to the costs that it is intended to compensate. Where the grant relates to an asset, it is recorded as deferred income. Government grants relating to costs are deferred and recognized in the income statement over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to the income statement on a straight- line basis over the expected lives of the related assets. Investment and research and development incentives are recognized when incentive applications of the Group are approved by fiscal authorities (Note 14).

TOFAŞ TÜRK OTOMOBİL FABRİKASI ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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

(Convenience translation of consolidated financial statements originally issued in Turkish)

NOTE 3 - SEGMENT REPORTING

The reportable operational segments for segment reporting as of 31 December 2022 and 2021 are as follows:

2022	Trading of spare parts and automobile	Consumer financing	Total
Revenue	65,545,353	1,247,529	66,792,882
Gross profit	12,008,639	310,415	12,319,054
Operating expenses (-)	(2,509,268)	(58,757)	(2,568,025)
Other income from main operations	5,564,699	2,714	5,567,413
Other expenses from main operations (-)	(6,389,011)	434	(6,388,577)
Operating profit	8,675,059	254,806	8,929,865
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

As of 31 December 2022, the distribution of assets and liabilities of consumer financing segment is followed by TL 3,509,172 in current asset, TL 1,786,403 in non-current asset as receivables from finance sector operations and TL 4,007,853 in current liabilities, TL 769,677 in non-current liabilities as financial liabilities.

A significant portion of revenue consists of sales to related party's ratio to 64% (31 December 2021: 67%) (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

	2022	2021
Cash on hand	16	11
Due from banks		
- time deposits	11,693,259	4,122,844
- demand deposits	239,356	91,871
- blocked demand deposits	86,566	-
	12,019,197	4,214,726

TOFAŞ TÜRK OTOMOBİL FABRİKASI ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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

(Convenience translation of consolidated financial statements originally issued in Turkish)

NOTE 4 - CASH AND CASH EQUIVALENTS (Continued)

As of 31 December 2022 and 2021, the details of time deposits are as follows:

	2022		2021	
	Amount	Effective interest rate per annum (%)	Amount	Effective interest rate per annum (%)
EUR	3,421,493	0.35-2.75	534,916	0.03-0.25
TL	8,271,766	12.00-29.00	3,587,928	15.50-24.75
	11,693,259		4,122,844	

As of 31 December 2022, the maturities of time deposits vary between 3 and 38 days (31 December 2021: between 3 and 38 days).

As of 31 December 2022, the cash at banks comprise time and demand deposits amounting to TL 2,802,778 (31 December 2021: TL 1,939,244) which are deposited at a bank which is a related party of the Group (Note 27).

As of 31 December 2022 and 2021, the reserves of cash and cash equivalent in cash flow statement;

	2022	2021
Cash and cash equivalents	12,019,197	4,214,726
Less: interest accruals	(61,123)	(18,774)
Less: blocked deposits	(86,566)	-
	11,871,508	4,195,952

As of 31 December 2022, the company has TL 86,566 worth of blocked deposits. TL 86,556 of this amount is emerging from the required reserve requirement of the Central Bank of the Republic of Türkiye, the remaining 10 TL is the guaranty fund of Istanbul Settlement and Custody Bank Inc. - Takasbank.

NOTE 5 - FINANCIAL ASSETS

a) Financial assets to fair value through profit or loss

As of 31 December 2022, the Group has no available- a) financial assets to fair value through profit or loss. (31 December 2021: TL 240).

NOTE 6 - FINANCIAL LIABILITIES

a) Short-term financial liabilities

	2022			2021		
	Original amount (thousand)	TL equivalent	Interest rate per annum (%)	Original amount (thousand)	TL equivalent	Interest rate per annum (%)
Borrowings in TL (*)	-	585,000	16.54-33.86	-	150,000	20.48
		585,000			150,000	

TOFAŞ TÜRK OTOMOBİL FABRİKASI ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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

(Convenience translation of consolidated financial statements originally issued in Turkish)

NOTE 6 - FINANCIAL LIABILITIES (Continued)

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

	2022			2021		
	Original amount (thousand)	TL equivalent	Interest rate per annum (%)	Original amount (thousand)	TL equivalent	Interest rate per annum (%)
Borrowings in TL ⁽¹⁾	-	2,774,216	16.64-34.50	-	1,467,743	10.92-22.94
Borrowings in EUR	58,403	1,164,257	2.00	142,754	2,095,952	Euribor + 0.55% Euribor + 2.50%
Bonds ^(1,2,3,4)	-	538,617	20.35-34.50	-	420,815	17.9-20.80
Borrowings in lease liability	-	8,726	-	-	3,752	-
		4,485,816			3,988,262	

b) Long-term financial liabilities

	2022			2021		
	Original amount (thousand)	TL equivalent	Interest rate per annum (%)	Original amount (thousand)	TL equivalent	Interest rate per annum (%)
Borrowings in EUR	55,924	1,114,834	2.00	112,044	1,645,065	2.00
Borrowings in TL ⁽¹⁾	-	760,550	16.64-34.50	-	1,898,956	17.33-26.25
Bonds ^(1,2,3,4)	-	-	-	-	70,094	20.35
Borrowings in lease liability	-	13,555	-	-	6,681	-
		1,888,939			3,620,796	

⁽¹⁾ The whole short-term and long-term bank borrowings amounting to TL 4,119,766 (31 December 2021: TL 3,516,699) which are denominated in TL comprise bank borrowings obtained by KFK, consolidated subsidiary, to finance consumer financing loans as of 31 December 2022 and 2021.

⁽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 18-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 Yatırım Menkul Değerler A.Ş.

⁽³⁾ 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 12-months maturity bonds on 26 January 2022, with a nominal amount of TL 140,000 and at an interest rate by 24.50%. The bonds have been sold to qualified investors by the closed issuance method through the agency of İş Yatırım Menkul Kıymetler A.Ş.

⁽⁴⁾ In accordance with the minutes of Board of Directors meeting held on 8 April 2022, based on the required authorization of the Capital Markets Law, the Group issued 13-months maturity bonds on 22 June 2022, with a nominal amount of TL 140,000 and at an interest rate by 32.50%. The bonds have been sold to qualified investors by the closed issuance method through the agency of Yapı Kredi Yatırım Menkul Değerler A.Ş.

⁽⁵⁾ In accordance with the minutes of Board of Directors meeting held on 8 April 2022, based on the required authorization of the Capital Markets Law, the Group issued 13-months maturity bonds on 20 July 2022, with a nominal amount of TL 110,000 and at an interest rate by 34.50%. The bonds have been sold to qualified investors by the closed issuance method through the agency of Yapı Kredi Yatırım Menkul Kıymetler A.Ş..

TOFAŞ TÜRK OTOMOBİL FABRİKASI ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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

(Convenience translation of consolidated financial statements originally issued in Turkish)

NOTE 6 - FINANCIAL LIABILITIES (Continued)

As of 31 December 2022, interest rates are fixed for all Turkish Lira and Euro loans.

As of 31 December 2022, TL 506,263 (31 December 2021: TL 627,966) 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 2022 and 2021 is as follows:

	2022	2021
1-2 years	1,875,384	2,298,478
2-3 years	-	1,315,637
		-
Total	1,875,384	3,614,115

The movement of financial liabilities as of 31 December 2022 and 2021 is as follows:

	2022	2021
1 January	7,759,058	6,689,785
Effect of cash flows	(1,986,823)	(1,124,044)
Unrealized foreign exchange differences	1,191,558	2,198,885
Changes in TFRS 16 - lease liabilities	(6,698)	(7,101)
Change in accrual of interest	2,660	1,533
31 December	6,959,755	7,759,058

The Group signed the loan agreement amounting to EUR 130,000 thousand with Akbank AG for MCA investment as of 16 March 2020. Yearly total cost will be 4 years Euribor + 2.00%. As of 31 December 2022, the remaining amount is TRY 1,481,208 (the equivalent of EUR 74,302 thousand) (31 December 2021: TRY 1,636,433 (equivalent of EUR 111,458)).

The Group signed the loan agreement amounting to EUR 70,000 thousand with TEB for MCA investment as of 12 May 2020. Yearly total cost will be 4 years Euribor + 2%. As of 31 December 2022, the remaining amount is TRY 797,883 (the equivalent of EUR 40,025 thousand) (31 December 2021: TRY 881,612 (equivalent of EUR 60,045)).

NOTE 7 - TRADE RECEIVABLES AND PAYABLES

a) Trade receivables

	2022	2021
Trade receivables	4,801,503	1,536,121
Doubtful trade receivables	15,504	14,504
Less: provision for doubtful receivables	(12,913)	(12,508)
Less: unearned credit finance income	(341,822)	(56,703)
	4,462,272	1,481,414

Movement of the provision for doubtful receivables is as follows:

	2022	2021
1 January	12,508	12,478
Changes in current period, net	405	30
31 December	12,913	12,508

TOFAŞ TÜRK OTOMOBİL FABRİKASI ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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

(Convenience translation of consolidated financial statements originally issued in Turkish)

NOTE 7 - TRADE RECEIVABLES AND PAYABLES (Continued)

a) Trade receivables (Continued)

Collateral received related with trade receivables

As of 31 December 2022, the letter of guarantees amounting to TL 469,000 guarantee, 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 3,998,067 respectively (31 December 2021: letter of guarantees amounting to TL 284,112 guarantee notes amounting to TL 2,224 mortgages amounting to TL 41,973 and direct debit system limit amounting to TL 1,687,550).

b) Trade payables

	2022	2021
Trade payables	8,920,141	3,777,652
Less: not accrued credit finance expense	(463,552)	(92,737)
	8,456,589	3,684,915

NOTE 8 - OTHER RECEIVABLES

a) Other receivables

As of 31 December 2022 other receivables included in current and non current assets consist of deposits and guarantees given, personnel advances amounting to TL 745 (31 December 2021: TL 1,022).

b) Other payables

	2022	2021
Taxes and payables	47,909	15,659
Other	9,122	7,262
	57,031	22,921

NOTE 9 - RECEIVABLES FROM FINANCE SECTOR OPERATIONS

	2022	2021
Short-term consumer financing loans	3,046,586	2,152,380
Non-performing loans	61,854	69,859
	3,108,440	2,222,239
Provision for specific loan impairment	(55,626)	(60,483)
Provision for general loan impairment	(19,812)	(15,110)
	3,033,002	2,146,646
Long-term consumer financing loans	1,788,352	2,251,792
Provision for general loan impairment	(12,768)	(15,909)
	1,775,584	2,235,883

As of 31 December 2022, TL denominated loans originated by the Group, bear interest rates ranging between 0.01% and 4.12% per month (2021: between 0.01% and 3.09% per month).

TOFAŞ TÜRK OTOMOBİL FABRİKASI ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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

(Convenience translation of consolidated financial statements originally issued in Turkish)

NOTE 9 - RECEIVABLES FROM FINANCE SECTOR OPERATIONS (Continued)

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

Years	2022	2021
1 to 2 years	1,388,189	1,334,676
2 to 3 years	329,736	756,038
3 to 4 years	57,659	145,139
4 years and more	-	30
	1,775,584	2,235,883

Movements in the allowance for loan impairment are as follows:

	2022	2021
1 January	91,502	88,156
Current year provision	5,937	12,303
Collections during the year (-)	(9,233)	(8,957)
31 December	88,206	91,502

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 2022, the fair value of guarantees obtained for the consumer loans amount to TL 6,183,738 (31 December 2021: TL 5,558,899). 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 8,844 (31 December 2021: TL 11,101 TL) as of 31 December 2022.

NOTE 10 - INVENTORIES

	2022	2021
Raw materials	1,542,548	851,840
Goods in transit	478,128	744,732
Work-in-progress	566,770	382,552
Finished goods	491,129	287,951
Spare parts	268,001	147,730
Imported vehicles	62,047	14,438
Less: provision for impairment on inventories	(148,613)	(50,156)
Total	3,260,010	2,379,087

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

	2022	2021
1 January	50,156	54,832
Current year provision	98,457	(4,676)
31 December	148,613	50,156

TOFAŞ TÜRK OTOMOBİL FABRİKASI ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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

(Convenience translation of consolidated financial statements originally issued in Turkish)

NOTE 11 - INVESTMENT PROPERTIES

For the years ended 31 December 2022 and 2021, the movement of investment properties is as follows:

	2022	2021
1 January, net book value	69,285	69,000
Fair value increase ^(*)	28,810	285
31 December, net fair value	98,095	69,285

^(*) As of 31 December 2022, the fair value of the property has been determined as TL 98,095 (31 December 2021: TL 69,285), by using benchmarking method. As a result of the revaluation of the investment property, revaluation gains amounting to TL 28,210 (31 December 2021: TL 285) 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.

As of December 31, 2022 and 2021, the Group's fair value hierarchy of investments property is shown in the table below:

2022	Level 1	Level 2	Level 3
Investment property	-	98,095	-
Total assets	-	98,095	-
2021	Level 1	Level 2	Level 3
Investment property	-	69,285	-
Total assets	-	69,285	-

TOFAŞ TÜRK OTOMOBİL FABRİKASI ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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

(Convenience translation of consolidated financial statements originally issued in Turkish)

NOTE 12 - PROPERTY, PLANT AND EQUIPMENT

The movement of property, plant and equipment and the accumulated depreciation as of 31 December 2022 is as follows:

	Land, land improvements and buildings	Machinery and equipments	Furniture and fixtures	Vehicles	Leasehold improvements	Construction in progress	Total
1 January, net book value							
Cost	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)
Net book value	250,716	1,341,650	206,294	52,922	5,058	47,224	1,903,864
1 January 2022, net book value							
Additions	-	2,577	5,419	8,563	11,328	393,915	421,802
Disposals	-	(6,955)	(3,914)	(28,646)	-	-	(39,515)
Disposal - Depreciation	-	6,866	3,443	10,932	-	-	21,241
Transfers	31,375	144,355	87,425	146,796	121	(410,072)	-
Depreciation charge for the year	(11,715)	(447,991)	(72,943)	(32,655)	(1,445)	-	(566,749)
31 December 2022, net book value	270,376	1,040,502	225,724	157,912	15,062	31,067	1,740,643
As of 31 December 2022							
Cost	567,401	6,075,208	885,492	248,569	27,087	31,067	7,834,824
Accumulated depreciation	(297,025)	(5,034,706)	(659,768)	(90,657)	(12,025)	-	(6,094,181)
31 December 2022, net book value	270,376	1,040,502	225,724	157,912	15,062	31,067	1,740,643

As of 31 December 2022, there are no pledges or collaterals on property, plant and equipment.

TOFAŞ TÜRK OTOMOBİL FABRİKASI ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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

(Convenience translation of consolidated financial statements originally issued in Turkish)

NOTE 12 - PROPERTY, PLANT AND EQUIPMENT (Continued)

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.

TOFAŞ TÜRK OTOMOBİL FABRİKASI ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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

(Convenience translation of consolidated financial statements originally issued in Turkish)

NOTE 13 - INTANGIBLE ASSETS

The movement of intangible assets is as follows:

	Development costs ^(*)	Licenses and Other	Total
1 January 2022			
Cost	5,406,334	182,529	5,588,863
Accumulated amortization	(3,538,073)	(129,934)	(3,668,007)
Net book value	1,868,261	52,595	1,920,856
1 January 2022, net book value			
Additions	513,502	41,400	554,902
Amortization charge for the year	(947,188)	(15,600)	(962,788)
31 December 2022, net book value	1,434,575	78,395	1,512,970
As of 31 December 2022			
Cost	5,919,836	223,929	6,143,765
Accumulated amortization	(4,485,261)	(145,534)	(4,630,795)
31 December 2022, net book value	1,434,575	78,395	1,512,970
	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			
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

^(*) 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.

TOFAŞ TÜRK OTOMOBİL FABRİKASI ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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

(Convenience translation of consolidated financial statements originally issued in Turkish)

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:

- 100% exemption from customs duty and 100% VAT exception on machinery and equipment to be imported
- 100% VAT exception on local capital expenditures
- Deducted corporate tax implementation

As a result of the evaluation, the Group has concluded that within the framework of Article 32/A of the Corporate Tax Law No. 5520, temporary differences arising from the reduced corporate tax can be foreseen and that the reduced corporate tax right can be used within the framework of tax laws, it is concluded that TL 644,808 (31 December 2021: TL 1,887,183) A deferred tax asset amounting to TL 242.295 (31 December 2021: TL 866,423) has been recognized for reduced corporate tax (Note 25).

Research and development incentive rate which will be calculated over the research and development expenditures, is raised to 100% from 40% with the amendment made to the 10th article of the Tax Law numbered 5520 as a result of the amendment in the 35th article of the Law 5746 related to the Support of Research and Development Operations. The aforementioned law has been enacted as of 1 April 2008. Accordingly, in 2008, income tax-payers can deduct 100% of the expenditures which are related to research and development related to new technology and information developments.

The total amount of R&D expenditures of the Group in 2022 is 791,175 TL, from these expenditures 119,775 TL, which cannot be subject to corporate tax R&D deduction, and 10,478 TL total TEYDEB and European project supports collected during the year are deducted from corporate tax R&D deduction. (As of 31 December 2021, the Group's total R&D expenditure is 727,622 TL, after deducting 228,226 TL, which cannot be subject to corporate tax R&D deduction, and TEYDEB and European project supports, which were collected during the year, 10,812 TL. Then, the amount subject to corporate tax R&D deduction becomes 488,584 TL).

As of 31 December 2022, government incentives of the Group amounting to TL 1,067 (31 December 2021: TL 4,516) short-term, amounting to TL 1,067 (31 December 2021: TL 2,135) long-term and total TL 2,134 (31 December 2021: TL 6,649) 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

	2022	2021
Provision for warranty claims	671,541	371,172
Provision for legal cases	19,701	18,167
Other	116,208	65,236
	807,450	454,575

Movement of the provision for warranty is as follows:

	2022	2021
1 January	371,172	258,478
Paid during the year	(202,832)	(132,890)
Increase in provision during the year	503,201	245,584
31 December	671,541	371,172

TOFAŞ TÜRK OTOMOBİL FABRİKASI ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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

(Convenience translation of consolidated financial statements originally issued in Turkish)

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

Movement of the provision for legal cases is as follows:

	2022	2021
1 January	18,167	14,878
Net movement during the year	1,534	3,289
31 December	19,701	18,167

Litigations against the Group

As of 31 December 2022, the total amount of outstanding legal claims brought against the Group is TL 26,987 (31 December 2021: TL 25,165). The Group has reflected a reserve amounting to TL 19,701 (31 December 2021: TL 18,167) in the consolidated financial statements.

Guarantees provided by the Group:

The breakdown of letters of guarantee, guarantee notes given, mortgage and pledges (together referred to as guarantees) by the Group as of 31 December 2022 and 2021 is as follows:

	2022		2021		TL	
	TL equivalent	EUR	TL	TL equivalent		EUR
A. Total amount of guarantees provided by the Company on behalf of itself	664,999	2,000	625,129	171,433	2,000	142,068
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	664,999	2,000	625,129	171,433	2,000	142,068

Other

As of 31 December 2022, the Group has realized USD 2,831,515,000 of export commitments numbered 2021/D1-03216 to be realized until 21 February 2022 in connection with the export incentive certificates amounting to USD 2,600,296,881. The Group has realized USD 1,325,068,795 of export commitments in connection with the export incentive certificates amounting to USD 1,771,268,790.

Furthermore, the Group has realized USD 2,816,142,000 of export commitments numbered 2022/D1-02520 to be realized until 28 February 2023 in connection with the export incentive certificates amounting to USD 2,349,458,168. The Group has realized USD 1,334,886,715 of export commitments in connection with the export incentive certificates amounting to USD 1,795,223,100.

TOFAŞ TÜRK OTOMOBİL FABRİKASI ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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

(Convenience translation of consolidated financial statements originally issued in Turkish)

NOTE 16 - EMPLOYEE BENEFITS

a) Short-term employee benefits:

	2022	2021
Payables to employees	114,783	53,414
Social security premiums	69,575	41,532
Personnel income tax	58,906	56,915
Unused vacation provision	20,923	9,279
Other	19,035	11,965
Total	283,222	173,105

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 15,371.40 (exact TL) for each period of service as of 31 December 2022 (31 December 2021: TL 8,284.51). The maximum severance pay is revised semi-annually, and the maximum amount of 19,982.83 full TL (1 January 2022: 10,848.59 full TL) effective as of 1 January 2023 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:

	2022	2021
Discount rate, net (%)	0.55	4.45
Estimated turnover rate for retirement (%)	96.83	97.48

Movement in reserve for employment termination benefits for the years ended 31 December 2022 and 2021 is as follows:

	2022	2021
1 January	347,106	249,643
Service expenses	67,888	18,823
Interest expenses	77,301	32,480
Payments during the year	(77,730)	(39,021)
Actuarial loss	688,130	85,181
31 December	1,102,695	347,106

The sensitivity analysis of the assumptions which was used for the calculation of provision for employee benefits as of 31 December 2022 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 (%)	0.05	1.05	96.33	96.88
Change in provision for employee benefits	94,634	(85,817)	(27,958)	28,023

TOFAŞ TÜRK OTOMOBİL FABRİKASI ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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

(Convenience translation of consolidated financial statements originally issued in Turkish)

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

a) Other current assets

	2022	2021
Value Added Tax ("VAT")	-	198,669
Other	32,456	14,921
Total	32,456	213,590

b) Short - term prepaid expenses

	2022	2021
Credit commission expenses (*)	16,042	35,078
Advances given	35,871	17,191
Prepaid dealer expenses	560	-
Insurance Expense	16,501	7,087
Other	15,527	12,867
Total	84,501	72,223

(*) Credit commission expenses are composed of the credit insurance fee and credit commissions paid in cash to its dealers as of 31 December 2022 and 2021.

c) Long - term prepaid expenses:

As of 31 December 2022, TL 28,377 (31 December 2021: TL 22,682) of long-term prepaid expenses are composed of advances given for fixed asset purchases amounting to TL 25,501 (31 December 2021: TL 16,435).

d) Short - term deferred income

As of December 31, 2022, TL 105,673 (31 December 2021: TL 94,784) of the deferred income amounting to TL 40,592 (31 December 2021: TL 59,460) consists of the received loan allocation fees in advance of the KFK, consumer receivables amounting to TL 23,087 (31 December 2021: TL 13,601) and advances received amounting to TL 41,994 (31 December 2021: TL 21,723) of Fermas.

e) Contract liabilities

As of 31 December 2022, amounting to TL 53,416 consists of extended warranty under the TFRS 15 (31 December 2021: 44,205).

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 2022 and 2021 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 2022 and 2021, the breakdown of issued share capital of the Company is as follows:

	Share group	2022		2021	
		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.

TOFAŞ TÜRK OTOMOBİL FABRİKASI ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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

(Convenience translation of consolidated financial statements originally issued in Turkish)

NOTE 18 - SHAREHOLDER'S EQUITY Continued)

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 8th Executive Meeting held on 18 February 2022, dividend amounting to TL 3,200,000 (At 2021: 1,500,000) related to the profit of 2021 after deduction of legal liabilities, is distributed from retained earnings to the shareholders. As of 31 December 2022 and 2021, dividend distributed per share is Kurus 6.40 and Kurus 3.00, respectively.

NOTE 19 - REVENUE AND COST OF SALES

a) Revenue

	2022	2021
Domestic sales	34,038,696	14,264,210
Export sales	29,903,470	14,643,275
Other	1,603,188	776,820
	65,545,354	29,684,305

The amount of sales discounts is TL 1,967,652 (31 December 2021: TL 1,179,292).

The distribution of the Group's sales in 2022 and 2021 based on product type is as follows.

	2022	2021
Passenger cars	30,842,379	13,679,017
Commercial vehicles	30,246,136	13,625,246
Spare parts	2,853,651	1,603,222
Other	1,603,188	776,820
	65,545,354	29,684,305

b) Other

	2022	2021
Income from second hand sales	765,490	238,497
Income from research and development	450,532	180,131
Income from scrap sales	131,326	185,108
Income from mould sales	127,393	90,620
Package sales income	62,954	38,365
Revenue from extended warranty sales	17,005	10,353
Other	48,488	33,746
	1,603,188	776,820

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.

TOFAŞ TÜRK OTOMOBİL FABRİKASI ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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

(Convenience translation of consolidated financial statements originally issued in Turkish)

NOTE 19 - REVENUE AND COST OF SALES (Continued)**c) Cost of sales**

	2022	2021
Direct material expense	44,493,630	19,842,600
Cost of merchandise sold	5,246,090	2,207,860
Depreciation and amortization expense	1,438,784	1,140,373
Other production expenses	1,766,889	707,723
Direct labor expense	991,022	412,608
Change in work-in-process	(190,070)	(131,296)
Change in finished goods	(209,764)	(114,953)
Cost of other sales	133	318
	53,536,714	24,065,233

d) Production and sales quantities

	Production		Sales	
	2022	2021	2022	2021
Manufactured vehicles				
Yeni Doblo	85,021	77,520	84,882	77,626
Egea	76,400	65,641	76,558	65,461
Egea Hatchback	47,790	43,359	47,795	43,285
MCV	43,882	34,345	43,935	34,437
Egea Stationwagon	10,654	7,679	10,645	7,638
	263,747	228,544	263,815	228,447

	Import		Sales	
	2022	2021	2022	2021
Imported vehicles				
Ducato	2,381	1,976	2,383	2,243
Jeep	2,346	1,954	2,346	2,906
Alfa Romeo	892	129	880	172
Maserati	314	100	312	101
Scudo	234	-	232	-
Fiat 500	131	313	166	635
Panda Futura	84	146	84	235
Ferrari	43	36	44	35
Ulysse	2	-	2	-
Transit satış	7	12	7	12
	6,434	4,666	6,456	6,339

TOFAŞ TÜRK OTOMOBİL FABRİKASI ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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

(Convenience translation of consolidated financial statements originally issued in Turkish)

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

	2022	2021
Marketing expenses	1,386,214	596,791
General and administrative expenses	813,298	510,139
Research and development expenses	368,513	126,527
	2,568,025	1,233,457

a) Marketing expenses

	2022	2021
Warranty expenses	503,201	245,584
Transportation and insurance expenses	367,594	118,602
Personnel expenses	285,606	132,067
Advertisement expenses	77,159	43,661
Travel expenses	11,920	4,072
Depreciation and amortization expenses	5,456	5,472
Other	135,278	47,333
	1,386,214	596,791

b) General administrative expenses

	2022	2021
Personnel expenses	388,621	197,589
Repair, maintenance and repair expenses	70,584	40,999
Depreciation and amortization expenses	56,271	42,021
Services obtained from third parties	45,972	35,303
Duties, taxes and levies	16,948	11,695
Insurance expenses	20,340	12,560
Travel expenses	11,833	4,386
Other	202,729	110,629
	813,298	510,139

c) Research and development expenses

	2022	2021
Personnel expenses	250,928	67,846
Services obtained from third parties	27,671	19,022
Depreciation and amortization expenses	18,310	11,253
Energy expenses	10,233	2,006
Travel expenses	10,959	4,571
Other	50,412	21,829
	368,513	126,527

NOTE 21 - EXPENSES BY NATURE

Between 1 January - 31 December 2022 Group's personnel and depreciation/amortization expenses are TL 2,832,142 and TL 1,518,821 respectively (between 1 January - 31 December 2021: TL 1,241,339 and TL 1,199,120 respectively).

TOFAŞ TÜRK OTOMOBİL FABRİKASI ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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

(Convenience translation of consolidated financial statements originally issued in Turkish)

NOTE 22 - OTHER INCOME AND EXPENSES FROM OPERATING ACTIVITIES

	2022	2021
Foreign exchange gains on operating activities	2,501,139	2,288,024
Interest income on operating activities	2,957,971	551,714
Other	108,303	78,522
	5,567,413	2,918,260
	2022	2021
Foreign exchange loss on operating activities	(3,254,434)	(2,781,256)
Interest expense on operating activities	(2,824,368)	(524,141)
Other	(309,775)	(112,150)
	(6,388,577)	(3,417,547)

NOTE 23 - INCOME FROM INVESTMENT ACTIVITIES

	2022	2021
Gain on sale of property, plant and equipment	55,536	38,170
Revaluation income of investment property (Note 11)	28,810	285
	84,346	38,455

NOTE 24 - FINANCIAL INCOME AND EXPENSES

	2022	2021
Foreign exchange gain	2,767,717	3,027,206
Interest income	776,899	297,041
Gain on derivative financial instruments	-	6,929
Total financial income	3,544,616	3,331,176
Foreign exchange loss	(3,893,654)	(3,834,253)
Interest expenses	(99,804)	(112,006)
Other	(3,139)	(6,875)
Total financial expenses	(3,996,597)	(3,953,134)
Financial expenses, net	(451,981)	(621,958)

TOFAŞ TÜRK OTOMOBİL FABRİKASI ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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

(Convenience translation of consolidated financial statements originally issued in Turkish)

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 23% over the bases declared in interim periods during the year to be deducted from the corporation tax. (December 31, 2021: 25%)

As of December 31, 2022 and 2021, the tax provision has been set aside under the current tax legislation.

Deferred tax liabilities are recognized for all taxable temporary differences, whereas deferred tax assets resulting from deductible temporary differences are calculated to the extent that it is probable that future taxable profit will be available against which the deductible temporary difference can be utilized.

Deferred tax assets and liabilities are offset against each other if the same country is subject to tax legislation and there is a legally enforceable right to offset current tax assets against current tax liabilities.

Tax assets and liabilities

Corporation tax

The Company and its subsidiaries established in 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 20% (However, it will be applied as 23% for the corporate earnings of the institutions for the 2022 taxation periods.) The corporate tax rate is the addition of the expenses that are not considered to be deductible in accordance with the tax laws to the commercial income of the corporations. is applied to the net corporate income to be found as a result of deducting the exceptions and deductions in the tax laws. Corporate tax is declared until the evening of the thirtieth day of the fourth month following the end of the year in which it relates, and is paid in one installment until the end of the relevant month.

Companies calculate a provisional tax of 23% on their quarterly financial profits (25% for the taxation periods of 2021, 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.

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, 2022 and December 31, 2021 taxes payable is netted off for each subsidiary and are separately classified in the Consolidated.

TOFAŞ TÜRK OTOMOBİL FABRİKASI ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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

(Convenience translation of consolidated financial statements originally issued in Turkish)

NOTE 25 - TAX ASSETS AND LIABILITIES (Continued)

For the years ended 31 December 2022 and 2021, the analysis of the tax expense in the profit or loss is as follows

	2022	2021
Current tax expense	(761,698)	(113,178)
Deferred tax income/(expense)	761,658	(117,722)
Total	(40)	(230,900)
	2022	2021
Current corporate tax	761,698	113,178
Less: prepaid corporate tax	(324,031)	(62,584)
Prepaid income tax	437,667	50,594

The analysis of tax expense accounted for under the statement of profit or loss for the years ended 31 December 2022 and 2021 is as follows:

	2022	2021
Profit before tax	8,562,229	3,512,216
Income tax charge at effective tax rate (23%) (2021: 25%)	(1,969,313)	(878,054)
Disallowable expenses	(1,001)	(25,427)
Deduction of research and development incentive expenditures during the period	152,012	122,146
Effect of investment incentive, net	838,387	809,557
Revaluation recognized in statutory financial statements tax expense to the revaluation fund	53,378	13,254
Used and earned investment incentive	(624,128)	(304,819)
Balance sheet difference due to revaluation of fixed assets	1,089,938	61,530
Other	460,687	(29,087)
	(40)	(230,900)

b) Deferred tax assets and liabilities

The breakdown of temporary differences and the resulting deferred tax assets as of 31 December 2022 and 2021, using the effective tax rates were as follows

	Cumulative temporary differences		Deferred tax assets/(liabilities)	
	2022	2021	2022	2021
Unused investment incentive allowances ^(*)	644,808	1,887,183	242,295	866,423
Warranty provisions	671,541	371,172	134,305	77,163
Provision for employment termination benefits and unused vacation	1,134,647	365,494	226,929	74,580
Property, plant and equipment and intangibles	5,449,693	289,599	1,089,939	61,530
Inventories	203,711	83,610	40,742	19,230
Contract liabilities	53,416	44,205	13,354	11,051
Deferred income	55,280	6,379	(2,298)	(488)
Land valuations	(145,370)	(116,560)	(14,537)	(11,656)
Other	433,047	207,300	87,816	47,970
Deferred tax asset, net	8,500,773	3,138,382	1,818,545	1,145,803

^(*) The Group uses various discounted tax rates in relation to its fixed asset investments.

TOFAŞ TÜRK OTOMOBİL FABRİKASI ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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

NOTE 25 - TAX ASSETS AND LIABILITIES (Continued)

b) Deferred tax assets and liabilities (Continued)

The movement of the deferred tax asset balance during the year is as follows:

	2022	2021
Deferred tax asset at 1 January	1,145,803	1,099,727
Deferred tax income	761,658	(117,722)
Other comprehensive income	(88,916)	163,798
- Actuarial gain/(loss) on employment termination benefit obligation attributable to equity	137,626	17,326
- Net gain on cash flow hedging attributable to equity	(226,542)	146,472
Deferred tax assets at 31 December	1,818,545	1,145,803

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 2022 and 2021, the weighted average number of shares outstanding is 50,000,000,000 and as of 31 December 2022 and 2021 earnings per share is Kurus 17.12 and Kurus 6.56 respectively.

NOTE 27 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Related party balances:

Deposit and financial loan balances from related parties	2022	2021
Yapı ve Kredi Bank A.Ş. (deposit) ⁽¹⁾	2,802,778	1,939,244
Yapı ve Kredi Bank A.Ş. (financial loan) ⁽¹⁾	(506,263)	(627,966)
Trade receivables due from related parties	2022	2021
FCA Italy SPA ⁽²⁾	7,762,735	4,815,594
Otokoç Otomotiv Tic. ve San. A.Ş. ⁽¹⁾	2,715,801	865,653
Other ⁽¹⁾	115,791	5,333
Less: Unearned credit finance expense	(100,847)	(25,648)
	10,493,480	5,660,932
Trade payables due to related parties	2022	2021
FCA Italy SPA ⁽²⁾	10,001,951	4,860,844
Other ⁽¹⁾	564,032	225,468
Less: Unearned credit finance expense	(20,840)	(2,841)
	10,545,143	5,083,471

Related party transactions

Sales	2022	2021
FCA Italy SPA ⁽²⁾	29,244,712	14,844,650
Otokoç Otomotiv Tic. ve San. A.Ş. ⁽¹⁾	12,566,412	5,034,470
Other ⁽¹⁾	453,900	125,111
	42,265,024	20,004,231

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

⁽²⁾ Represents the joint ventures.

TOFAŞ TÜRK OTOMOBİL FABRİKASI ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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

(Convenience translation of consolidated financial statements originally issued in Turkish)

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

Domestic goods and services purchases	2022	2021
Ram Dış Ticaret A.Ş. ⁽¹⁾	1,921,726	585,866
Otokoç Otomotiv Tic. ve San. A.Ş. ⁽¹⁾	670,351	427,485
Zer Merkezi Hiz. ve Tic. A.Ş. ⁽¹⁾	506,622	193,609
Plastiform Plastik San. Tic. A.Ş. ⁽¹⁾	182,745	80,476
Opet Fuchs Madeni Yağ ve San. Tic. A.Ş. ⁽¹⁾	120,768	25,526
Sistemi Comandi Meccanici Otomotiv San. Tic. A.Ş. ⁽¹⁾	114,092	62,901
Koç Holding A.Ş. ^{(2) (*)}	79,496	42,929
Opet Petrolculuk A.Ş. ⁽¹⁾	71,083	20,474
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş. ⁽¹⁾	61,282	26,289
Setur Servis Turistik A.Ş. ⁽¹⁾	31,483	4,630
Ingage Dijital Pazarlama Hizmetleri ⁽¹⁾	28,618	14,155
Akpa Dayanıklı Tüketim Lpg ve Akaryakıt Ürünleri Paz. A.Ş. ⁽¹⁾	21,958	2,658
Ram Sigorta Aracılık ve İletişim A.Ş. ^{(1) (*)}	17,101	13,778
Tanı Pazarlama ve İletişim A.Ş. ⁽¹⁾	8,300	4,664
Koç Digital Çözümleri A.Ş. ⁽¹⁾	713	2,147
Ford Otomotiv ⁽¹⁾	5	16,350
Other ⁽¹⁾	11,707	3,729
	3,848,050	1,527,666
Foreign trade good, material and service purchase	2022	2021
FCA Italy SPA ⁽²⁾	26,050,677	11,690,462
Other ⁽¹⁾	4,413	1,692
	26,055,090	11,692,154

⁽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 2022 is TL 480,975 (31 December 2021: TL 310,364).

Top management of Tofaş are Chair and members of the Board of Directors, general manager and directors directly reporting to the general manager. Salaries and similar benefits paid to the top management of the Group for the year ended 31 December 2022 (30 people) (31 December 2021: 30 people) is TL 128,221 (2021: TL 70,081).

Furthermore, as of 31 December 2022, 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 75,100 (31 December 2021: TL 91,431).

TOFAŞ TÜRK OTOMOBİL FABRİKASI ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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

(Convenience translation of consolidated financial statements originally issued in Turkish)

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;

2022	Trade receivables					Receivables from finance operations
	Related parties	Other parties	Other receivables	Bank deposits	Derivative instruments	
Maximum credit risk exposure as of reporting date (A+B+C+D+E) ⁽¹⁾	10,493,480	4,462,272	745	12,019,181	-	4,808,586
- Maximum risk secured by guarantee ⁽²⁾	33,200	4,218,992	-	-	-	4,808,586
A. Net book value of financial assets neither overdue nor impaired	10,436,721	4,446,365	745	12,019,181	-	4,787,145
- Maximum risk secured by guarantee	33,200	4,218,992	-	-	-	4,787,145
- Provision for general loan impairment	-	-	-	-	-	(32,580)
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	56,759	13,316	-	-	-	15,213
- Maximum risk secured by guarantee	-	-	-	-	-	15,061
D. Net book value of impaired assets	-	2,591	-	-	-	6,228
- Overdue (gross book value)	-	15,504	-	-	-	61,854
- Impairment (-)	-	(12,913)	-	-	-	(55,626)
- Net value under guarantee	-	-	-	-	-	-
- Not overdue (gross book value)	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-
- Net value under guarantee	-	-	-	-	-	8,844
E. Off- balance sheet items having credit risk	-	-	-	-	-	-

TOFAŞ TÜRK OTOMOBİL FABRİKASI ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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

(Convenience translation of consolidated financial statements originally issued in Turkish)

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

2021	Trade receivables					Receivables from finance operations
	Related parties	Other parties	Other receivables	Bank deposits	Derivative instruments	
Maximum credit risk exposure as of reporting date (A+B+C+D+E) ⁽¹⁾	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	-	-	-	4,382,529
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	-	-	-	4,350,817
- Provision for general loan impairment	-	-	-	-	-	(31,019)
B. Net book value of financial assets of which conditions are negotiated, otherwise considered as impaired or overdue	8,224	11,132	-	-	-	22,336
C. Net book value of assets overdue but not impaired	-	-	-	-	-	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	-	-	-	-	-	-

⁽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:

2022	
1 - 30 days past due	18,932
1 - 3 months past due	14,440
3 - 12 months past due	34,218
1 - 5 years past due	17,698
	85,288
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

TOFAŞ TÜRK OTOMOBİL FABRİKASI ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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

(Convenience translation of consolidated financial statements originally issued in Turkish)

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

Amount secured with guarantee

As of 31 December 2022, TL 8,307 of total past due receivables of the Group is due from the Group's related party, FCA Italy SPA (31 December 2021: TL 4,839). As of 31 December 2022, the Group's payables to FCA Italy SPA amounting to TL 10,001,951 (31 December 2021: TL 4,860,844).

Foreign currency risk

The Group is exposed to foreign exchange risk arising from the ownership of foreign currency denominated assets and liabilities with sales or purchase commitments. The policy of the Group is to compare every foreign currency type for the probable sales or purchases in the future.

According to the manufacturing agreements signed by the Group, the repayment obligations related to loans obtained for Egea, Doblo, Mini Cargo are guaranteed by FCA Italy SPA through future purchases. As of 31 December 2022, loans obtained related with Doblo vehicle project have entirely been repaid.

2022	TL equivalent (functional currency)	USD	EUR	Other
1. Trade receivables	7,730,965	7	387,804	-
2a. Monetary financial assets (including cash, bank accounts)	3,451,208	50	173,077	-
2b. Non-monetary financial assets	489,946	-	24,577	-
3. Other	1,691	-	85	-
4. Current assets (1+2+3)	11,673,810	57	585,543	-
5. Trade receivables	-	-	-	-
6a. Monetary financial assets	-	-	-	-
6b. Non-monetary financial assets	29,367	-	1,473	-
7. Other	-	-	-	-
8. Non-current assets (5+6+7)	29,367	-	1,473	-
9. Total assets (4+8)	11,703,177	57	587,016	-
10. Trade payables	(10,072,284)	(1,281)	(504,055)	(2)
11. Financial liabilities	(1,164,257)	-	(58,403)	-
12a. Monetary other liabilities	-	-	-	-
12b. Non-monetary other liabilities	-	-	-	-
13. Current liabilities (10+11+12)	(11,236,541)	(1,281)	(562,458)	(2)
14. Trade payables	-	-	-	-
15. Financial liabilities	(1,114,834)	-	(55,924)	-
16a. Monetary other liabilities	-	-	-	-
16b. Non-monetary other liabilities	-	-	-	-
17. Non-current liabilities (14+15+16)	(1,114,834)	-	(55,924)	-
18. Total liabilities (13+17)	(12,351,375)	(1,281)	(618,382)	(2)
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)	(648,198)	(1,224)	(31,366)	(2)
21. Net foreign currency asset/(liability) position of monetary items(1+2a+3+5+6a-10-11-12a-14-15-16a)	(1,167,511)	(1,224)	(57,416)	(2)
22. Total fair value of financial instruments used for foreign currency hedging	-	-	-	-
23. Export	30,485,676	-	1,733,617	8,315
24. Import	29,184,801	20,646	1,641,054	31,016

⁽¹⁾ 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 2022 is TL 1,109,404.

TOFAŞ TÜRK OTOMOBİL FABRİKASI ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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

(Convenience translation of consolidated financial statements originally issued in Turkish)

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

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. Non-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

⁽¹⁾ 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 2021 is TL 235,338.

TOFAŞ TÜRK OTOMOBİL FABRİKASI ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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

(Convenience translation of consolidated financial statements originally issued in Turkish)

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 2022 and 2021:

Exchange rate sensitivity analysis table

	2022			
	Profit/loss		Equity	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
<i>In case 10% appreciation of USD against TL:</i>				
1- USD net asset/liability	(2,289)	2,289	-	-
2- Amount hedged for USD risk (-)	-	-	-	-
3- USD net effect (1+2)	(2,289)	2,289	-	-
<i>In case 10% appreciation of EUR against TL:</i>				
4- EUR net asset/liability	(114,458)	114,422	(227,828)	227,828
5- Amount hedged for EUR risk (-)	227,828	(227,828)	-	-
6- EUR net effect (4+5)	113,370	(113,370)	(227,828)	227,828
<i>In case 10% appreciation of other exchange rates against TL</i>				
7- Other exchange rates net asset/liability	(4)	4	-	-
8- Amount hedged for other exchange rates risk (-)	-	-	-	-
9- Other exchange rates net effect (7+8)	(4)	4	-	-
Total (3+6+9)	111,077	(111,077)	(227,828)	227,828

TOFAŞ TÜRK OTOMOBİL FABRİKASI ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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

(Convenience translation of consolidated financial statements originally issued in Turkish)

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

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

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 2022, there exist no interest sensitive financial instruments on the balance sheet. (As of 31 December 2021, an interest rate increase of 0.50% effects the earnings before tax TL negative 299).

Liquidity risk

Liquidity risk is the risk that an entity will be unable to meet its net funding requirements. The risk is mitigated by matching the cash in and out flow volume supported by committed lending limits from qualified credit institutions.

The breakdown of financial assets and liabilities according to their maturities is disclosed considering from balance sheet date to due date period. Financial assets and liabilities that have no certain due dates are classified in over one year column.

TOFAŞ TÜRK OTOMOBİL FABRİKASI ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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

(Convenience translation of consolidated financial statements originally issued in Turkish)

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

2022

Expected maturities	Book value	Total cash outflow per agreement (=I+II+III+IV)	Less than 3 months (I)	Between 3-12 months (II)	Between 1 - 5 years (III)	Over 5 years (IV)
Non-derivative financial liabilities						
Bank loans	6,398,857	7,007,071	844,581	4,061,810	2,100,680	-
Lease liabilities	22,281	31,266	2,526	15,185	13,555	-
Trade payables	19,001,732	19,189,567	19,189,563	4	-	-
Bonds	538,617	596,053	259,651	336,402	-	-
Employee benefit liabilities	283,222	283,222	283,222	-	-	-
Other payables	57,031	57,031	57,031	-	-	-
	26,301,740	27,164,210	20,636,574	4,413,401	2,114,235	-

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	-

TOFAŞ TÜRK OTOMOBİL FABRİKASI ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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

(Convenience translation of consolidated financial statements originally issued in Turkish)

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

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 2022.

Consolidated net financial debt/total equity ratio as of 31 December 2022 and 2021 is as follows;

	31 December 2022	31 December 2021
Total borrowing	6,959,755	7,759,058
Cash and cash equivalent	(12,019,197)	(4,214,726)
Net financial debt	(5,059,442)	3,544,332
Equity	11,313,638	5,743,391
Net financial debt/total equity multiplier	(45%)	62%

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 30.11% (31 December 2021: 19.40%).

	2022		2021	
	Carrying value	Fair value	Carrying value	Fair value
Consumer financing loans	4,808,586	3,806,907	4,382,529	3,635,541

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)).

TOFAŞ TÜRK OTOMOBİL FABRİKASI ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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

(Convenience translation of consolidated financial statements originally issued in Turkish)

NOTE 29 - FINANCIAL INSTRUMENTS (FAIR VALUE EXPLANATIONS AND DISCLOSURES WITHIN THE FRAMEWORK OF HEDGE ACCOUNTING) (Continued)

Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

2022

	Level 1	Level 2	Level 3
Derivatives held for trading	-	-	-
Total Liabilities	-	-	-

2021

	Level 1	Level 2	Level 3
Derivatives held for trading	-	2,124	-
Total Liabilities	-	2,124	-

As of 31 December 2022, the Group has not made any transfers between second level and first level, and also between third level and other levels.

NOTE 30 - FEES FOR SERVICES RECEIVED FROM INDEPENDENT AUDITOR/INDEPENDENT AUDIT FIRMS

The Group's explanation regarding the fees for the services received from the independent audit firms, which is based on the letter of POA dated August 19, 2022, the preparation principles of which are based on the Board Decision published in the Official Gazette on March 30, 2021, are as follows:

Independent audit fee for the reporting period	1 January- 31 December 2022	1 January- 31 December 2021
Audit and assurance fee	1,062	390
Fee for other assurance services	30	20
Total	1,092	410

NOTE 31 - SUBSEQUENT EVENTS

None.

Identity

Trade Name	Tofaş Türk Otomobil Fabrikası A.Ş.
Address	Büyükdere Cad. No: 145 Tofaş Han, 34394 Zincirlikuyu, İstanbul
Trade Registry and Number	İstanbul Trade Registry/100324
Central Registration System Number	0846000042200017
Registered Capital Ceiling	TL 1,000,000,000
Paid-in Capital	TL 500,000,000

Communication

Head Office

Büyükdere Cad. No: 145 Tofaş Han,
34394 Zincirlikuyu, İstanbul
T:+90 (212) 275 33 90
F:+90 (212) 275 39 88

Factory

İstanbul Cad. No: 574 16110, Bursa
T:+90 (224) 261 03 50
F:+90 (224) 255 09 47

Disclaimer

The Board of Directors' Report, Auditors' Report, Consolidated Financial Statements and Independent Audit Report regarding the operations and financials of the year 2022, included in this Annual Report ("Report"), are prepared in accordance with the legal requirements for the Ordinary General Assembly, which will be held on 14 March 2023 at Tofaş Headquarters, Büyükdere Cad. No: 145 Tofaş Han, 34394 Zincirlikuyu, İstanbul.

This Report is prepared only to provide information to the shareholders, and it is not intended to form the basis of any investment decision. The opinions and statements regarding estimated figures contained within this Report solely reflect the Company management's

views with respect to certain future events; thus, the actual results and developments may differ from these estimates depending on the variables and assumptions. Accordingly, neither the Koç Group nor its respective advisors, directors or employees shall be liable for any direct, indirect or consequential loss or damage suffered by any person as a result of relying on any statement in, or omission from, this Report, or on any other information or communications in connection with the Report.

All information contained in this Report was believed to be accurate at the time of publication. Koç Holding accepts no responsibility for any spelling or printing errors that may occur during the Report's preparation.

www.tofas.com.tr

100% recycled paper was used in the printing of this annual report.