



2024 Integrated Annual Report

ONE STEP AHEAD IN THE FUTURE OF MOBILITY



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ABOUT THE REPORT

WE SHARE OUR SUSTAINABILITY PERFORMANCE WITH OUR FIRST INTEGRATED ANNUAL REPORT

Karsan Otomotiv Sanayii ve Ticaret A.Ş.'s first Integrated Annual Report provides a comprehensive overview of the company's economic, environmental, and social performance for the period between January 1, 2024, and December 31, 2024.

The environmental, social, and governance (ESG) data presented in this report cover only Karsan's operations in Türkiye, while international operations are excluded from the reporting scope. However, the financial data shared within the report encompass all of Karsan's domestic and international operations.

Prepared in line with corporate policies and business principles, the 2024 Integrated Annual Report transparently shares Karsan's economic, environmental, social, and governance performance, as well as the initiatives undertaken and progress achieved in these areas, with stakeholders and the public.

The Integrated Annual Report has been prepared in accordance with the standards published by the Global Reporting Initiative (GRI), and the performance disclosures are based on the relevant explanations within these standards. Selected indicators that have been subject to a limited assurance process are marked with a  symbol in the Performance Indicators section of the report.

For any questions, feedback, or suggestions regarding Karsan's sustainability performance or the content of the Integrated Annual Report, please contact us at sustainability@karsan.com.tr.



CEO MESSAGE

IN 2024, WE CONTINUED TO GROW
WITH OUR VEHICLES EQUIPPED
WITH ELECTRIC, AUTONOMOUS, AND
HYDROGEN TECHNOLOGIES.

OKAN BAŞ
CEO



Dear Stakeholders,

The year 2024 marked a significant turning point for Karsan. It was a year in which we further solidified our leadership in the field of mobility and took a series of strategic steps to carry our company into the future. Looking back, I take great pride in the many accomplishments we have achieved – each one a valuable milestone for us.

At the start of the year, we reviewed our core values and capabilities. Alongside our deeply rooted principles – Our People, Our Quality, and Our Customers – we added “**Innovation**” as a new value that reflects our forward-thinking mindset and our drive to challenge limits. With this renewed perspective, we began 2024 with strength and continued to grow through our electric, autonomous, and hydrogen-powered vehicle technologies.

In 2024, Karsan ranked 8th in the European electric public transportation market, holding a 4.5% market share. We exported 493 Karsan-branded vehicles globally, primarily to Europe. As a result, our total electric vehicle fleet reached over 1,500 units across 27 countries. Karsan's electric vehicles are now operating in regions ranging from Japan to North America. While Europe remains our main market, we are proud to contribute to Türkiye's economic growth as a homegrown brand on the path to becoming a global player. Notably, 82% of all Turkish-origin electric public transport vehicles registered in Europe over the past six years were produced by Karsan.

In 2024, our total revenue exceeded TRY 10.8 billion, with 51% generated from exports. The share of electric vehicles in our total revenue also continued to rise, reaching 54%, and we achieved electric vehicle sales revenue of TRY 5 billion.

We secured key agreements supporting the electric transformation of urban transportation across Europe. As we strengthened our presence in key markets such as Romania and Italy, we also expanded our reach. At the end of the year, we entered the UK market with our right-hand drive e-JEST model and formalized our partnership with our distributor, EVM UK, to serve both the UK and Ireland.

Our e-JEST and e-ATAK models are the cornerstone of Karsan's success in Europe. In 2024, the Karsan e-JEST maintained its market leadership in the European electric minibus segment, holding a 37% market share – a position it has sustained for five consecutive years. Similarly, the e-ATAK retained its leadership in its own segment for the fifth year running, capturing a 29% market share by year-end.

CEO MESSAGE

51%

SHARE OF EXPORTS IN OUR
2024 REVENUE

We also achieved remarkable success with our Autonomous e-ATAK. Operating in open traffic with fare-paying passengers in Stavanger, Norway since 2022, it recently expanded its route to include a tunnel – becoming the first autonomous vehicle to successfully complete such a challenge. As Europe and North America's first and only Level-4 autonomous bus in open traffic, our Autonomous e-ATAK has carried more than 35,000 passengers and accumulated over 100,000 kilometers of autonomous driving across the U.S., Norway, France, Romania, Finland, and Türkiye.

In 2024, we delivered our e-JEST vehicles to the city of Santa Maria in the United States and made our first deliveries to Japan. Today, Karsan supports public transportation in the Japanese cities of Nasushiobara and Nagano.

This year, we proudly showcased Karsan's vision and advanced technologies at numerous national and international exhibitions, conferences, and forums. We were honored with the Gold Award in the Export Champions awards. We also introduced our first hydrogen-powered vehicle, the e-ATA HYDROGEN, to the Gaziantep Municipality – a major step towards popularizing this technology in Türkiye. Additionally, we delivered our first e-ATA 12 electric buses to the Bursa Municipality.

In line with our commitment to environmental sustainability, we partnered with Enerjisa to ensure that 100% of the electricity used in our production processes comes from renewable sources. Furthermore, we capped off 2024 with a strategic collaboration in hydrogen technology: a partnership with Toyota Motor Europe that strengthens Karsan's position in fuel cell innovation.

Reflecting our commitment to employee satisfaction, we proudly earned the **Great Place to Work** certification. The improvements we've made to our working environment not only strengthened our team spirit but also fostered a more productive and collaborative workplace culture.

With our vision to lead the future of mobility, we continue to grow with determination and purpose. As a brand born on this land and growing on the global stage, I sincerely thank our valued shareholders, employees, customers, business partners, and all stakeholders whose support we feel at every step of our journey.

Sincerely,

Okan Baş
CEO

Karsan Otomotiv Sanayii ve Ticaret A.Ş.

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KARSAN AT A GLANCE

SHAPING THE FUTURE OF MOBILITY

With a legacy spanning 58 years in the automotive industry, Karsan has been a trusted manufacturer of commercial vehicles, producing for both its own brand and some of the world's leading automotive companies. Since 1981, we have solidified our position in the sector through our expertise in commercial vehicle production. Our state-of-the-art Hasanağa plant in Bursa has an annual production capacity of approximately 20,000 vehicles per shift. Designed for maximum flexibility, the facility is capable of manufacturing a diverse range of vehicles, from passenger cars to heavy trucks and from minibuses to buses. Spanning a total area of 203,000 square meters—99,000 square meters of which is covered—the plant is strategically located just 30 km from Bursa's city center.

As the only independent multi-brand vehicle manufacturer in Türkiye, we are committed to shaping the future of mobility. Through close collaboration with our business partners and licensors, we continuously innovate and expand our portfolio to cover all segments of passenger transportation. We operate in the public transportation sector with a

commitment to developing innovative products and services through our idea-to-market approach. Our primary focus is on strengthening our Original Equipment Manufacturer (OEM) business, reinforcing our position as a key player in the industry.

Our Idea-to-Market Journey with "Innovative Products and Services"

We continue our journey of developing innovative products and services in the public transportation sector, from idea creation to market launch. Managing the entire automotive value chain—from R&D and production to marketing, sales, and after-sales services—we are committed to driving industry transformation. Our key focus remains on strengthening our Original Equipment Manufacturer (OEM) business, aiming to secure a strong position in global markets.

Under our own brand, we manufacture Jest and Atak models. In 2018, we introduced e-JEST, followed by e-ATAK in 2019, and in 2021, we launched the world's first Level 4 autonomous bus, Autonomous e-ATAK, developed in collaboration with the Turkish technology company ADASTEC. That same year, we expanded our product lineup with the fully electric e-ATA series, featuring 10m, 12m, and 18m models. In 2022, we further advanced our portfolio with the launch of e-ATA HYDROGEN, making Karsan the first and only company in Europe to offer a fully electric product range from 6 meters to 18 meters.

As of 2022, we expanded our automotive expertise into new segments by manufacturing Megane Sedan vehicles for the Renault brand. By the end of 2023, we proudly became the first European bus manufacturer to enter the Japanese market with our right-hand-drive e-JEST model. We continue to strengthen our presence in markets with right-hand-drive public transportation systems. In November 2024, we officially entered the UK and Irish markets with the launch of our right-hand-drive e-JEST model.

At Karsan we remain committed to shaping the future with innovative and sustainable mobility solutions, continuously advancing our efforts without compromise.

VISION, MISSION, VALUES

Vision

Staying one step ahead in the future of mobility.

Mission

To provide creative, sustainable, and inspiring solutions tailored to customer needs in the global land transportation market.

Values

Innovation

At Karsan, we embrace change, push boundaries, and constantly strive for excellence. We are not afraid to lead the way and experiment with the untested. We encourage diverse perspectives, risk-taking, and continuous learning— driving both our company's growth and individual success while shaping the future.

People

Behind our brand stands our dedicated team—our extended family. The value we place on people and human dignity defines our relationships with colleagues and stakeholders. We work with professionalism, accountability, and a commitment to advancing our expertise, leveraging the latest technologies and methodologies, while also inspiring through our actions.

Customers

Customer satisfaction is at the heart of our business. We take responsibility for earning and maintaining their trust every day, striving to simplify their lives with our solutions.

Quality

Our quality is built on high-performance, innovative, flexible, and sustainable products. We aim for the highest standards in everything we do, constantly pushing for improvement. While maintaining superior quality, we remain environmentally conscious—reducing our carbon footprint and developing innovative solutions to address environmental challenges.



CAPITAL AND SHAREHOLDING STRUCTURE

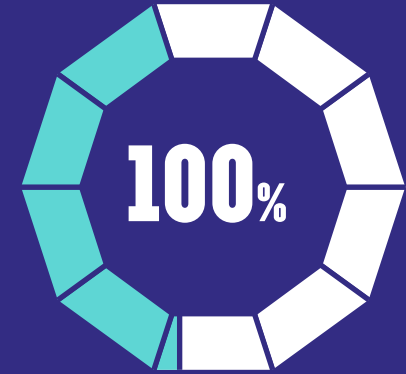
SHAREHOLDING STRUCTURE AND CAPITAL DISTRIBUTION

Registered Capital Ceiling: TRY 1,500,000,000

Issued Capital: TRY 900,000,000 (As of December 31, 2024)

SHAREHOLDING TYPE	SHARE AMOUNT (TRY)	SHARE RATE (%)
Kıraça Holding A.Ş.	526,618,813	58.51
Class A Preferred Shares	64,028,613	7.11
Group B	462,590,200	51.4
Other	373,381,188	41.49
Class A Preferred Shares	1,554,776	0.17
Group B	371,826,412	41.31
TOTAL	900,000,000	100.00

As of the end of 2024, Karsan's actual free float rate is 39.42%, according to the records of Merkezi Kayıt Kuruluşu A.Ş. (Central Securities Depository).



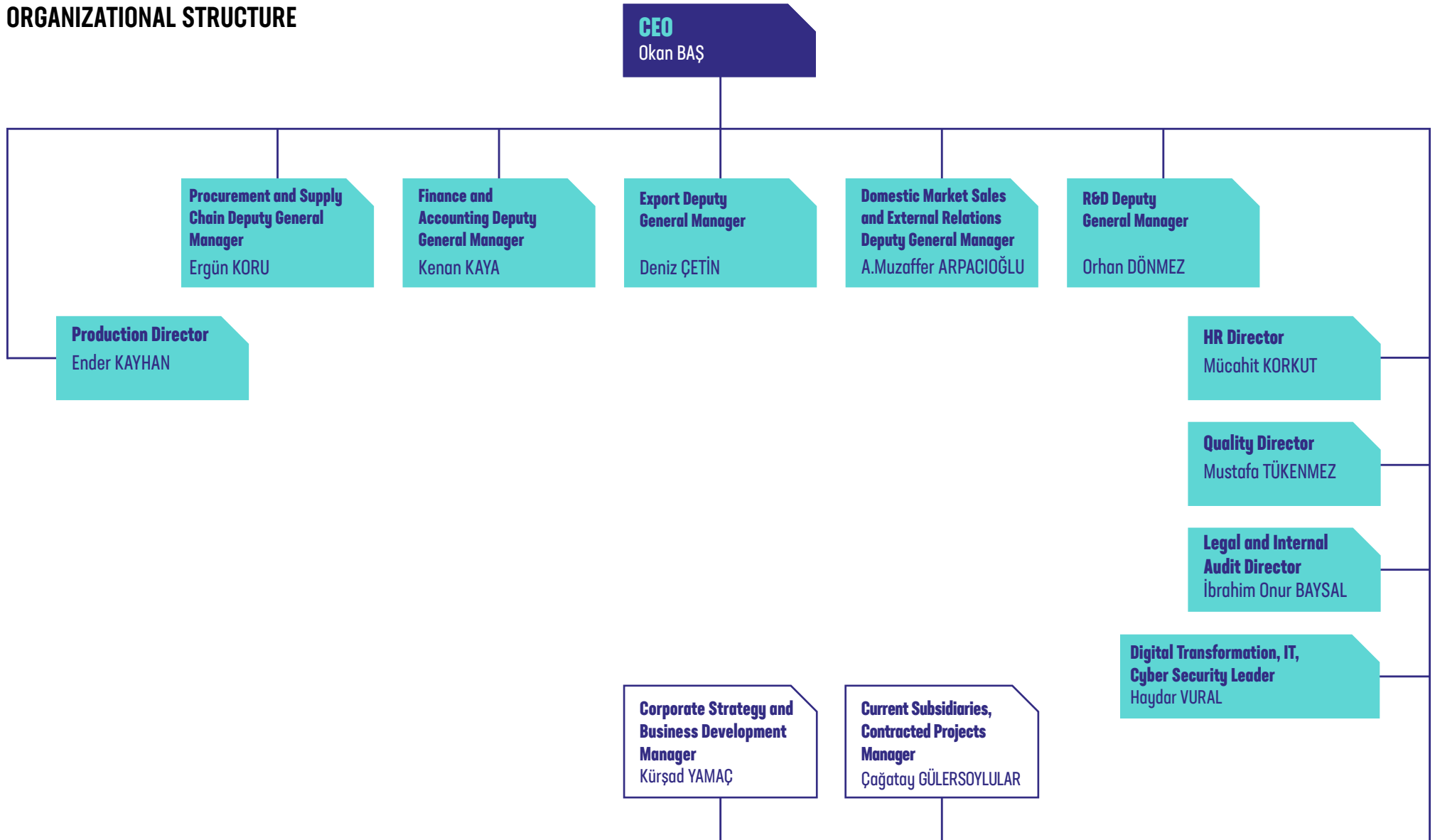
58.51%

KIRAÇA HOLDİNG

41.49%

OTHER

ORGANIZATIONAL STRUCTURE



BOARD OF DIRECTORS



İnan Kiraç
CHAIRMAN

İnan Kiraç began his professional career in 1961 as a sales officer at Ormak A.S., a subsidiary of the Koç Group. With 62 years of experience, Mr. Kiraç was appointed general manager of Otayol, the production company of Fiat trucks and midibuses, in 1966. He then became the general manager of Tofas Oto Ticaret, the sales and distribution company for Fiat automobiles manufactured in Türkiye. Kiraç was later promoted to vice president and president of Koç Holding's Automotive Group. He served as the CEO of Koç Holding until 1998, when he retired. İnan Kiraç closely followed every development in the Turkish automotive sector and put his signature on many large automotive factories.



Giancarlo Boschetti
VICE CHAIRMAN

After graduating from mechanical engineering and economy, Giancarlo Boschetti, started to work in FIAT Group in 1964 where he occupied different positions for nearly 40 years. With 59 years of experience, Mr. Boschetti He served as global CEO of Iveco S.p.A from 1991 to 2001, as global CEO of FIAT Auto between 2002-2003. Giancarlo Boschetti serves as vice chairman to many international companies.



Okan Bas
EXECUTIVE DIRECTOR

Having received his undergraduate and graduate degree from Bogaziçi University, Department of Mechanical Engineering and Clemson University (USA), Department of Mechanical Engineering, respectively, Mr. Bas embarked upon his professional career at TOFAS Bursa Plant in 1987 in Engineering Support Department in the capacity of Mechanical Engineer. He has served at various positions at TOFAS until June 2016. Mr. Bas has 36 years of experience. Mr. Bas has served at TOFAS Bursa Plant as Workshop Production Supervisor, Engine Production Unit Manager, Body Production Unit Manager, Assembly Production Unit Manager and Doblo Product Manager between 1991 and 2002, and has worked at Tofas Head Office Istanbul between 2002 and 2016 in various positions such as After-Sales Director, Mini-Cargo Project Manager, After-Sales Spare Part Director, FIAT Business Unit Director, and Aegea Project and Business Development Director. Mr. Okan Bas, 11n July 2016, Karsan Otomotiv San.ve Tic.A.S. He was appointed CEO.



Mehmet Altan Sungar
BOARD MEMBER

In 1963, Mehmet Altan Sungar started to work as an intern at Royal Lastikler Tevzi A.S, a Koç Holding company, while he was still a student in Academy of Economics and Commercial Sciences. In addition to his post in the accounting department, he also worked as an Assistant Regional Director in the marketing department in the same company, and took part in the establishment of the dealer network while he was serving as a Regional Director in various regions across Türkiye. Mr. Sungar has 60 years of experience. Taking part in the foundation of Otayol Pazarlama in 1975, Sungar worked as a Marketing Manager, Assistant General Manager and Deputy General Manager in the same company. He also served as a General Manager and Board Member in İstanbul Oto A.S., a Tofas Group company, between 1985 and 2001. During the same period, Sungar worked as a member of the automotive professional community of İstanbul Chamber of Commerce and as a court expert. Having served as a General Manager and Board Member in Karsat A.S. between 2001 and 2004, Sungar worked as a shareholder and counsel in TURAVEL (Tourism, Education and Consultancy) between 2004 and 2012.

BOARD OF DIRECTORS



Ahmet Nezih Olcay
INDEPENDENT BOARD MEMBER

Born in 1947, Nezih Olcay graduated from primary education, then Italian High School, and then from Istanbul Academy of Economics and Commercial Sciences with a Business Administration license. Olcay, who started to work at Tofas Türk Automobile Factory A.S in 1971, served as Accounting Manager, Financial Manager, Foreign Relations Group Manager, Accounting, Finance and Control Group Deputy Director and Financial Director, respectively, and retired at the end of 2007. Mr. Olcay has 52 years of experience. During the years worked at Tofas Türk Automobile Factory A.S, he served as a member of the board of directors at various Koç Group subsidiaries. He served as the General Coordinator, Vice Chairman of the Board of Directors and Chairman of the Board of Directors at Plastiform Sanayi ve Ticaret A.S between 2008-2012 and as an independent member of the Board of Directors of Otokar Otomotiv ve Savunma Sanayi A.S. between 2014-2019.



Nevzat Tüfekçioglu
INDEPENDENT BOARD MEMBER

After graduating from Ankara University Faculty of Political Sciences, Nevzat Tüfekçioglu was appointed as Ministry of Finance Junior Accountant in 1963 and Ministry of Finance Senior Accountant in 1966. Mr. Tüfekçioglu has 60 years of experience. He resigned from public service in 1974 and served in Koç Holding Financial Group as Assistant Coordinator, Coordinator, Vice President and President of Audit and Financial Group retiring in 2001. Mr. Tüfekçioglu served as Koç Holding A.S Auditor between 2001-2006, Evyap A.S Board Member between 2005 - 2006 and Kiraç Holding A.S Board Member between 2013 - 2017. Presently continuing to serve as Entek Elektrik Üretimi A.S Board Member, Suna-Inan Kiraç Foundation Board Member and Türkiye Aile Sağlığı ve Planlaması Foundation Board Member, he also works as a Consultant in Vehbi Koç Foundation and auditor in Educational Volunteers Foundation of Türkiye (TEGV) and Geyre Foundations.



Müfit Ataseven
INDEPENDENT BOARD MEMBER

After graduating from The Business Administration Department of the Faculty of Political Sciences of Ankara University, Müfit Ataseven obtained the DEA-PhD Competency Diploma from Paris IX Dauphine University, followed by a Governmental Doctorate study on Automotive Industry in Türkiye, and participated in Fontainebleau INSEAD specialization program.

Mr. Ataseven has 41 years of experience. Ataseven worked as a sub-manager in the Investments and Affiliates Department of OYAK General Directorate and as a member of the Board of Directors and Board of Supervisors at Oyak-Renault, Mais, Omsan, Tukas, Entas, Adana Çimento, Oyak Menkul Değerler between 1982 and 1988. Later on, Ataseven assumed the positions of Commerce Director France (DCF), project officer at the Dealer Organization "Dealer Profile", Central Marketing Director, Marketing Pricing Director, La Havre Branch Director, and special representative of the President of International Operations

(DOI) on Renault SA France in the period between 1988 and 1997. Working as the Deputy Commercial Director General of Renault Mais from 1997 to 2003, and the Commercial Director General of TOFAS from 2003 to 2007, Ataseven also assumed the positions of General Coordinator of OYDER, Director General of Citroen Baylas, Board Member at Baylas and Baytur, Member of Executive Committee at DEIK Turkish and French Business Council, and Board Member and Council Chairman at ODD.

Ataseven also worked as a lecturer at Galatasaray University and still continues his activities at Sabancı University as a strategic partner at the Executive Development Unit, as a part-time lecturer at Bilkent University, and as the Director of MEFA Danışmanlık and Interactifs Türkiye that he established in 2009.

THE SENIOR MANAGEMENT

Okan BAŞ

Executive Board Member & CEO

Okan Baş holds a bachelor's degree in Mechanical Engineering from Boğaziçi University and a master's degree in Mechanical Engineering from Clemson University (USA). He began his professional career in 1987 at Tofaş Bursa Factory's Engineering Support Department as a Mechanical Engineer and held various positions within Tofaş until June 2016. Between 1991 and 2002, he served in multiple roles at the Tofaş Bursa Factory, including Workshop Production Chief, Engine Production Unit Manager, Body Production Unit Manager, Assembly Production Unit Manager, and Doblò Product Manager. From 2002 to 2016, he continued his career at Tofaş's Istanbul Headquarters, taking on responsibilities such as After-Sales Director, Mini Cargo Project Manager, After-Sales Spare Parts Director, Fiat Business Unit Director, and Egea Project & Business Development Director. On July 1, 2016, Okan Baş was appointed as the CEO of Karsan Otomotiv Sanayii ve Ticaret A.Ş.

Kenan KAYA

Deputy General Manager of Finance and Financial Affairs

After completing his undergraduate education in the Department of Public Finance at Marmara University in 2004, Mr. Kaya went on to complete the Executive MBA EDP program at Sabancı University in 2012. He further enhanced his expertise by completing the "Strategic Financial Management" program at BMI & Marmara University in 2018, the "Corporate Risk Analysis and Management" program at Paris Sorbonne Business School & BMI in 2021, and most recently, the "Organizational Leadership" and "Negotiation Mastery" certificate programs at Harvard Business School in 2024. He began his career in 2006 at Döktaş Dökümcülük A.Ş., where he worked in the Finance Department, focusing on treasury and reporting until 2011. Between 2011 and 2013, he assumed various managerial responsibilities in Finance, Budget Planning, Reporting, and Control at Aktaş Holding. From 2013 to 2016, he served as Country Controller and Director of Financial and Administrative Affairs at Sofiteks A.Ş. Joining Karsan on February 1, 2016, Mr. Kaya initially served as Director of Budget Planning and Control while also acting as Interim Director of Accounting from 2016 to 2018. Since January 1, 2019, he has been serving as Deputy General Manager of Finance and Financial Affairs.

Ahmet Muzaffer ARPACIOĞLU

Deputy General Manager of Domestic Sales and External Relations

Ahmet Muzaffer Arpacioğlu holds a bachelor's degree in Business Administration from Marmara University and an MBA from the University of Birmingham. He began his professional career in 1988 as a Sales Coordinator at Kofisa Foreign Trade. Between 1990 and 1997, he worked at Tofaş Oto Ticaret, where he held positions as Regional Manager, Fleet Sales Manager, and Regional Coordinator. In 1997, he joined Karsan Pazarlama A.Ş. as Deputy General Manager. Between 2000 and 2009, Mr. Arpacioğlu served as Sales Director at Automobiles Peugeot, followed by a tenure as General Manager at Karland A.Ş. from 2009 to 2016. From April 2016 to February 2017, he was General Manager at Karsan Pazarlama, and since February 2017, he has served as Executive Board Member at Karland Otomotiv. From February 2017 to December 2020, he successfully held the position of Deputy General Manager of Commercial Affairs at Karsan. Since December 2020, he has continued to contribute to the company's commercial operations as Deputy General Manager of Domestic Sales and External Relations.

Deniz ÇETİN

Deputy General Manager of Export

Deniz Çetin graduated from Yıldız Technical University with a degree in Mechanical Engineering. He then pursued an MBA at Goldey-Beacom College (USA) and later completed a master's degree in Automotive Engineering at Boğaziçi University. He began his professional career in 2004 at Mercedes-Benz Türk A.Ş. as a Design Engineer. Between 2007 and 2011, he worked at Temsa Global A.Ş. as an After-Sales Field Coordinator for international markets. He then served as a Regional Manager of Customer Relations at General Motors Türkiye from 2011 to 2012. Between 2012 and 2020, Mr. Çetin held several key roles at Temsa Ulaşım Araçları A.Ş., including International After-Sales Manager, Spare Parts Sales Manager, and Key Account Sales Manager. In his last four years at the company, he served as Country Manager responsible for North American operations. From 2020 to 2023, he worked at Karsan as Deputy General Manager of Export. In 2023-2024, he was Deputy General Manager of Commercial Affairs at WrightBus UK. As of January 2024, he has resumed his position as Deputy General Manager of Export at Karsan.

Ahmet Özgür DOĞAN

Supply Chain Director

Ahmet Özgür Doğan completed his bachelor's degree in Industrial Engineering at Uludağ University in 2003. Until 2007, he held various positions in project management, sales, and quality departments within the automotive supply industry. Between 2007 and 2010, he joined Tofaş Bursa Factory as Spare Parts Export Manager for the MCV Project. From 2010 to 2017, he held several key positions, including Supply Chain Development Specialist, Supply Chain Design Manager, Transport & Supplier Capacity Development Manager. In 2017, he was appointed as Supply Chain Development Manager and continued in this role until 2021. As of October 1, 2021, Mr. Doğan was appointed Director of Supply Chain at Karsan Otomotiv.

** Mr. Ahmet Özgür Doğan has left his position at Karsan Otomotiv as of January 2025.*

Aslı ÖR

Director of Marketing and Export Operations

Aslı Ör graduated from Marmara University with a degree in German Business Administration and completed the Executive MBA program at Koç University in 2019. She began her professional career in 2006 at Anadolu Isuzu as a Marketing Specialist. In 2007, she joined Tofaş, where she took on managerial roles in CRM, pricing, product management, marketing programs, and campaign management. Between 2014 and 2017, she served as Product Marketing Supervisor and Marketing Business Development Manager, contributing to the company's growth and transformation processes. In September 2017, she joined Karsan as Marketing Manager, a role she held until 2020. Since March 2020, she has been serving as the Director of Marketing and Export Operations, leading the company's global market expansion strategies.

THE SENIOR MANAGEMENT

Barış HULİSİOĞLU

R&D Director

Barış Hulisioğlu earned both his bachelor's (2001) and master's (2006) degrees in Mechanical Engineering from Uludağ University. He began his professional career in 2006 at Hexagon Engineering as a Design Engineer. Between 2009 and 2013, he served as a Team Leader, and from 2013 to 2017, he worked as a Project Leader, taking part in automotive, defense, and maritime industry projects. In 2017, he joined Karsan Otomotiv as Manager of Product and Project Engineering. Since November 2020, he has been serving as Director of R&D, overseeing research and development activities at the company.

Ergün KORU

Vice President of Procurement and Supply Chain

Ergün Kuru graduated from Istanbul Technical University with a degree in Mechanical Engineering in 2001 and pursued an MBA at Uludağ University. As of 2025, he is working on his doctoral thesis in Business Administration. He has also completed prestigious leadership programs, including 'High-Impact Leadership' at Cambridge University (2020), 'Professional Coaching' at Adler Central Europe (2021), and 'Effective Leadership' at Harvard Business School (2024). Kuru began his career in 2002 at Otosima A.Ş. as a Quality Supervisor and later held roles as Production and Quality Manager, Engineering Manager, and Factory Manager. Between 2007 and 2018, he worked at Tofaş Türk Otomobil Fabrikası A.Ş., where he served as Cost Engineer, Supplier Quality and Development Manager, and finally as New Project Procurement and Method Planning Manager. From 2018 to 2021, he worked at Türk Traktör ve Ziraat Makineleri A.Ş. as Cost Improvement and System Development Manager. In July 2021, he joined Karsan Otomotiv A.Ş. as Quality Director. In May 2022, he was appointed Procurement Director, and since June 2024, he has been serving as Vice President of Procurement and Supply Chain.

Mustafa TÜKENMEZ

Director of Quality

Mustafa Tükenmez completed both his bachelor's and master's degrees in Mechanical Engineering at Middle East Technical University. He began his career at Tofaş in 1992 and worked at Tofaş Automobile Factory and Fiat in various roles from 1992 to 2022. Throughout his tenure, he held key positions, including: From 1992 to 1995, he worked as a Methods Engineer at Tofaş, followed by a role as a Production Engineer from 1995 to 2000. In 2000, he became responsible for Mechanical Production Lines, and in 2001, he took on the position of Production Engineering Coordination Lead at Fiat GM Powertrain in Türkiye. Between 2002 and 2003, he served as the Business Excellence System Team Manager at Fiat GM Powertrain in Italy, later assuming responsibility for Transmission Machining Systems from 2003 to 2006. He returned to Tofaş as a Project Coordinator from 2006 to 2008 and then led Product Reliability and Evaluation from 2008 to 2011. From 2013 to 2015, he worked as the Doblò Model Quality Manager, before becoming the Product Quality Manager from 2015 to 2022. Simultaneously, he held the role of Production Quality Manager between 2017 and 2022. In 2022, he joined Karsan Otomotiv as the Director of Quality, where he continues to lead the company's quality operations.

Mücahit KORKUT

Human Resources Director

Mücahit Korkut earned his bachelor's degree in Mechanical Engineering from Middle East Technical University. He started his career in 1989 at Çemtaş Çelik Makina Sanayi ve Ticaret A.Ş. as a Maintenance Investment Engineer. From 1991 to 2018, he worked at Tofaş Türk Otomobil Fabrikası A.Ş. in various roles, including: Methods Engineer, Total Quality Manager, Quality Model Manager, After-Sales Technical Training Manager, Dealer Human Resources Manager, Tofaş Academy Manager, and Human Resources Area Manager. In 2018, he joined Karsan as the Human Resources Manager, and since June 2022, he has been serving as the Director of Human Resources.

Haydar VURAL

Agile Leader of Digital Transformation, Information Technologies, and Cybersecurity

After graduating from Bağaziçi University with a degree in Computer Engineering, he completed his master's degree in Computer Engineering at Bağaziçi University and earned an MBA from Bologna Business School. He started his professional career as a research assistant at Bağaziçi University. From 2003 to 2006, he worked as an Analyst Programmer at Yapı Kredi Bank. Between 2006 and 2008, he managed his own startup. From 2008 to 2018, he held managerial roles at Akbank, Finansbank, Garanti Bank, and AvivaSA Emeklilik ve Hayat. He then spent five years at Tofaş, overseeing IT management for production and commercial operations while leading the company's corporate AI transformation. Since 2023, he has been leading Digital Transformation, Information Technologies, and Cybersecurity at Karsan.

Hazım Kubilay DİNÇER

Director of Spare Parts and Domestic After-Sales Services

Mr. Dinçer completed his undergraduate education in the Mechanical Engineering Department at Middle East Technical University and began his professional career in 1992 as a Mechanical Engineer in the Method Body Department at the Tofaş Bursa Factory. He held various positions within Tofaş until April 2017. Between 1992 and 2006, he worked at the Tofaş Bursa Factory as a Workshop Engineer, Product Process Specialist, Body Production Engineering Specialist, Industrial Product Specialist, Palio-Albea-Doblò Quality Model Manager, and R&D Doblò Platform Quality Manager. From 2006 to 2017, he served as the After-Sales Technical Manager at Tofaş Head Office in Istanbul. On April 1, 2017, Mr. Dinçer was appointed as the After-Sales Services Manager at Karsan Otomotiv Sanayii ve Ticaret A.Ş. Since March 1, 2020, he has been serving as the Director of After-Sales and Spare Parts.

THE SENIOR MANAGEMENT

Çağdaş ADIYEKE

Director of Export

Çağdaş Adıyeke completed his undergraduate studies in Mechanical Engineering at Yıldız Technical University and obtained his master's degree from the University of Surrey. He began his professional career in 2011 as an After-Sales Regional Coordinator and later joined Temsa in 2014, where he served as a Regional Sales Manager for nearly seven years. In addition to holding board membership roles within our group companies, Mr. Adıyeke also served as the International Sales Group Manager at Karsan Otomotiv Sanayii ve Ticaret A.Ş. As of November 2023, he has been working as the International Sales Director at Karsan Otomotiv Sanayi ve Ticaret A.Ş.

İbrahim Onur BAYSAL

Legal and Internal Audit Director

İbrahim Onur Baysal earned his law degree from Ankara University and furthered his education with studies in Philosophy at Galatasaray University, followed by a Master's in Law and Finance at Oxford University. He commenced his career at the Capital Markets Board in 2009 and later transitioned to Karsan Otomotiv Sanayii ve Ticaret A.Ş., where he served as Legal Department Coordinator from 2020 to 2023. After a brief tenure at Erdem & Erdem Law Firm in 2023, he rejoined Karsan Otomotiv Sanayii ve Ticaret A.Ş. as the Legal Director, overseeing the company's legal affairs and compliance strategies.

Ender KAYHAN

Director of Production

Ender Kayhan holds a bachelor's degree in Chemical Engineering from Middle East Technical University. He joined Karsan Otomotiv Sanayii ve Ticaret A.Ş. in 1999 as a Paint Shop Manager. Over the years, he has held various key positions, including Method Manager and Product Manager, before serving as Plant Manager at Akçalar 2. Currently, he leads the company's production operations as the Production Director at Karsan Otomotiv Sanayii ve Ticaret A.Ş.

Kemal Cihan YAYCIOĞLU

After-Sales Export Director

Kemal Cihan Yaycıoğlu holds a bachelor's degree in Electrical and Electronics Engineering from Çukurova University. He began his professional career in 2004 as an R&D Design Engineer at Temsa Skoda Sabancı Ulaşım Araçları A.Ş. Over the years, he has taken on roles such as Americas Regional Coordinator, Country Sales Manager, and International After-Sales Services Manager. As of March 2024, Mr. Yaycıoğlu has been serving as the After-Sales Export Director at Karsan Otomotiv Sanayii ve Ticaret A.Ş., overseeing the company's international after-sales service operations.

Orhan DÖNMEZ

R&D Deputy General Manager

Orhan Dönmez completed his bachelor's and master's degrees in Mechanical Engineering at Istanbul Technical University. He began his career in 2004 as an R&D Engineer at Mercedes-Benz Türk. He then worked in Germany for approximately four years as a Mechanical Engineer at Daimler Buses before taking on the role of Organization Manager in Algeria for Daimler Truck AG as an Expert. Subsequently, he served as the Head of New Products and American Projects at Daimler Buses | EvoBus GmbH. In 2022, he assumed the role of R&D Director. In April 2024, Mr. Dönmez joined Karsan Otomotiv Sanayii ve Ticaret A.Ş. as a Management Consultant, and as of August 2024, he has been appointed as the Deputy General Manager of R&D.

SUBSIDIARIES

STRONGER TOGETHER WITH OUR SUBSIDIARIES

Karsan, with a strong tradition of establishing national and international business partnerships, holds direct and indirect shares in its subsidiaries operating across various sectors.

Trade Name	Company's Field of Activity	Paid/Issued Capital	Company's Share in Capital	Currency	Company's Share in Capital (%)
Karsan Otomotiv Sanayi Mamulleri Pazarlama A.Ş. in Liquidation	Automotive and Spare Parts Marketing	151,090,764	9,712,264	TRY	6.43
Karsan North America LLC	Sales Marketing	0	0	USD	100
Karsan Europe S.r.L	Vehicle Sales and After-Sales Services	700,000	700,000	EURO	100
Karsan İç ve Dış Ticaret A.Ş.	Vehicle and Spare Parts Sales and Marketing	5,000,000	5,000,000	TRY	100
Hervouet Corporate Industry SAS	Automotive and Spare Parts Marketing	1,400,000	700,000	EURO	20
Hervouet Corporate Lease SAS	Financial Leasing	30,000	15,000	EURO	20

KARSAN'S BUSINESS MODEL

GLOBAL, INNOVATIVE AND SUSTAINABLE BUSINESS MODEL

At Karsan, we are dedicated to creating long-term value across all areas of our business, striving to build a safer and more sustainable future for all our stakeholders.

With our innovative product solutions and strong brands, we are shaping a better world for future generations—connecting cities to the future, driving profitability for businesses, and empowering our partners for success across the globe.

With over 58 years of experience, we continue to manufacture for both global brands and under our own Karsan brand while diversifying our portfolio through industrial services.

ESTABLISHING A GLOBAL PRESENCE WITH KARSAN-BRANDED PRODUCTS

e-JEST
e-ATAK
e-ATA

e-ATA HYDROGEN
Autonomous e-ATAK

MANUFACTURING FOR GLOBAL BRANDS

Renault

INDUSTRIAL SERVICES

Tractor Cabins
Spare Part Sales
Garage Management

KARSAN'S BUSINESS MODEL

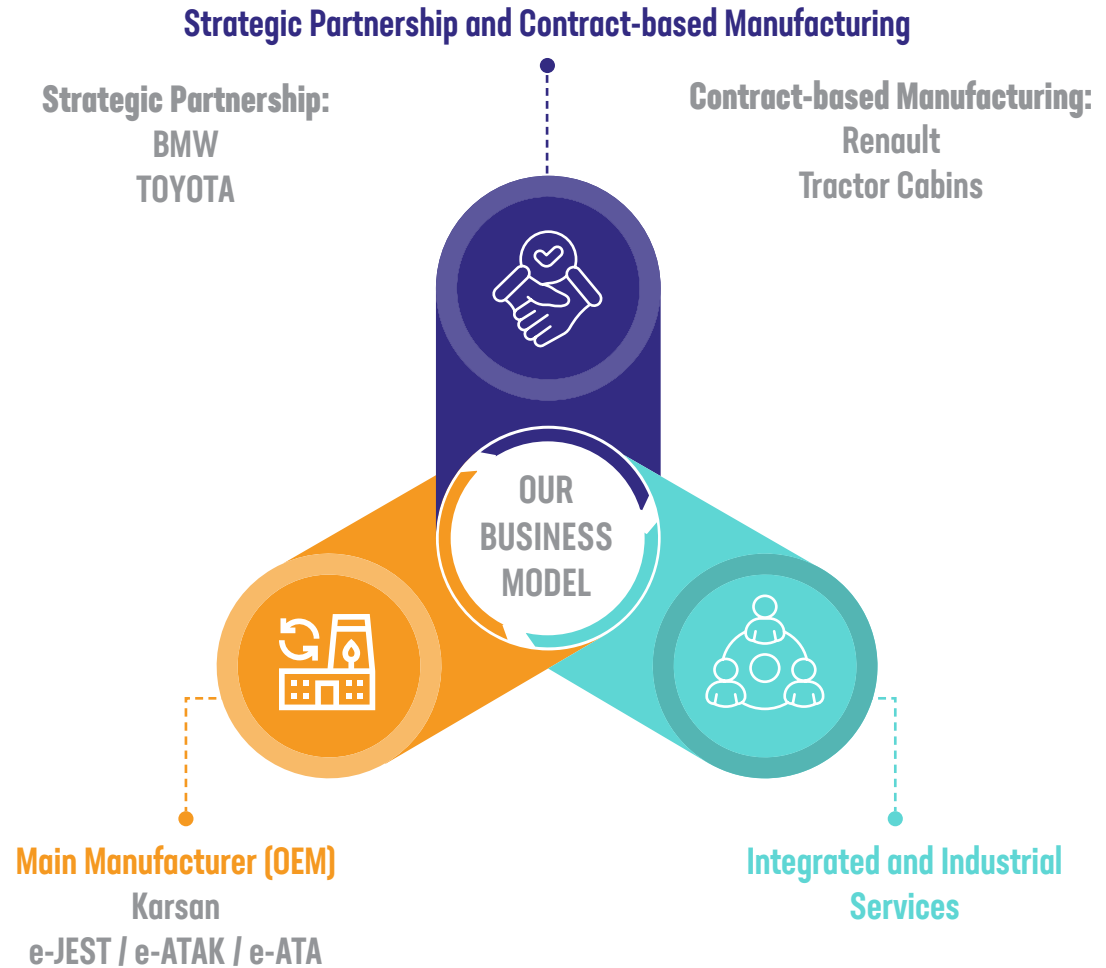
KARSAN, WITH ITS UNIQUE POSITION IN THE TURKISH AUTOMOTIVE INDUSTRY, OPERATES UNDER A BUSINESS MODEL STRUCTURED AROUND FOUR CORE AREAS:

Original Equipment Manufacturer (OEM) Development, production, marketing, sales, and after-sales services of Karsan-branded vehicles for both domestic and international markets.

Integrated Strategic Partnership: Providing manufacturing, marketing, sales, and after-sales services to brands aiming to expand their presence in the region.

Contract Manufacturing: Offering design, engineering support, and vehicle production services to global automotive brands.

Other Services: Delivering a range of industrial services to both local and international manufacturers.



KARSAN FACILITIES

WE ARE **READY FOR THE FUTURE** WITH OUR STRONG PRODUCTION INFRASTRUCTURE



Hasanağa Factory

Since 1981, Karsan has been manufacturing commercial vehicles at its Hasanağa factory in Bursa. Located 30 km from the city center, the facility spans a total area of 200,132 m², with 89,412 m² of covered space.

Designed with flexibility in mind, the plant has the capability to produce up to 20,000 vehicles per year in a single shift, accommodating a wide range of vehicles from passenger cars to heavy trucks, minivans, and buses. The production process at the facility includes welding, painting, assembly, and quality control stages.



Bursa OIZ Facilities

Under its manufacturing agreement with Türk Traktör, Karsan produces tractor cabins and platforms at its Bursa Organized Industrial Zone (OIZ) facility.

The facility covers a total area of 29,319 m², with 20,120 m² of covered space, and operates in three shifts with an annual production capacity of 10,000 cabins.



R&D Center

Karsan has also established an R&D Center dedicated to developing innovative products for the automotive industry. Spanning 1,394 m², the center focuses on the design of OEM products and the development of sustainable mobility solutions tailored for communities.

On July 22, 2019, the center was officially accredited by the Turkish Ministry of Industry and Technology. It includes a Prototype Workshop and an Electrical & Electronics Laboratory, further strengthening Karsan's commitment to innovation.

FINANCIAL INDICATORS FOR 2024

FINANCIAL INDICATORS (THOUSAND TRY)

TOTAL ASSETS

15,122,657

EQUITY

5,490,273

REVENUE

10,867,324

REAL OPERATING PROFIT

1,016,011

OPERATIONAL INDICATORS

TOTAL PRODUCTION (UNITS)

45,764

TOTAL SALES (UNITS)

45,768

CAPACITY UTILIZATION RATE (%)

74.8

PRODUCTION AND SALES DETAILS

KARSAN ELECTRIC BUS & MINIBUS SALES IN 2024

547

CUMULATIVE KARSAN ELECTRIC BUS & MINIBUS EXPORTS (2018-2024)

1,447

MARKET SHARE IN THE EUROPEAN ELECTRIC PUBLIC TRANSPORTATION MARKET (%)

4.5

FINANCIAL INDICATORS FOR 2024

Production (Units)

Product Type	2022	2023	2024
Karsan Diesel	337	349	248
Karsan Electric	302	369	543
Menarinibus	96	22	-
Renault Megane	5,312	41,327	44,973
Total	6,047	42,067	45,764

Sales (Units)

Product Type	2022	2023	2024
Karsan Diesel	330	368	248
Karsan Electric	287	374	547
Menarinibus	96	22	-
Renault Megane	5,312	41,327	44,973
Total	6,025	42,091	45,768

Revenue (Thousand TRY)

Product Type	2022	2023	2024
Karsan Diesel	829,736	997,940	755,762
Karsan Electric	3,484,687	4,998,667	5,918,179
Menarinibus	733,535	253,639	-
Contracted and Industrial Production	1,816,477	3,557,959	3,098,645
Others*	876,219	908,956	1,094,738
Total	7,740,654	10,717,162	10,867,324

* The "Other" category comprises revenue from spare parts and material sales, after-sales services, and related income sources.

Capacity Utilization Rate

	2022	2023	2024
Capacity Utilization Rate (%)	31.1	68.7	74.8

Karsan's current production capacity is 61,189 vehicles per year. In 2024, Karsan manufactured a total of 45,764 vehicles, increasing its capacity utilization rate to 74.8%.

FINANCIAL INDICATORS FOR 2024

Summary Financial Statements

Karsan's total assets decreased from 15,831,412 thousand TRY in Q4 2023 to 15,122,657 thousand TRY as of December 31, 2024. The revenue, which was 10,717,162 thousand TRY in 2023, reached 10,867,324 thousand TRY in 2024, while the operating profit declined from 1,615,191 thousand TRY in 2023 to 1,016,011 thousand TRY in 2024.

Summary Balance Sheet (Thousand TRY)	2023	2024
Current Assets	7,963,581	7,643,085
Fixed Assets	7,867,831	7,479,572
Total Assets	15,831,412	15,122,657

Liabilities (Thousand TRY)	2023	2024
Short Term Liabilities	8,531,336	7,756,581
Long-Term Liabilities	2,069,050	7,756,581
Equity	5,231,026	5,490,273
Total Liabilities	15,831,412	15,122,657

Summary Income Statement (Thousand TRY)	2023	2024
Revenue	10,717,162	10,867,324
Gross Profit*	1,843,853	2,180,589
Operating Profit (Loss)	1,615,191	1,016,011
Period Profit (Loss)	532,002	78,369

Key Indicators and Ratios

Key Indicators	2023	2024
Gross Profit Margin	0.17	0.20
Operating Profit Margin	0.15	0.09
Net Profit Margin	0.05	0.01

Liquidity Ratios	2023	2024
Current Rate	0.93	0.99
Liquidity Rate	0.72	0.80
Cash Ratio	0.17	0.15

Financial Structure Ratios	2023	2024
Total Liabilities/ Equity Capital	2.03	1.75
Short-term Liabilities/Total Assets	0.54	0.51
Long-term Liabilities/Total Assets	0.13	0.12
Property, Plant and Equipment/ Equity Long-term Payables	0.53	0.56

Profit Ratios	2023	2024
Net Period Profit/Total Assets	0.034	0.005
Net Profit for the Period / Equity	0.102	0.014

FINANCIAL INDICATORS FOR 2024

FINANCIAL MANAGEMENT WITH A STRONG CAPITAL STRUCTURE

Issued Capital Market Instruments

The issuance of a financing bond with ISIN code TRFKRSNE2419, amounting to a nominal value of TRY 350,000,000, with quarterly coupon payments and a 364-day maturity (maturity date: October 4, 2024), was completed on October 6, 2023, within the TRY 600 million issuance ceiling approved by the Capital Markets Board on August 31, 2023. The bond, in which the controlling shareholder Kıraca Holding A.Ş. acted as the guarantor, was redeemed on October 4, 2024.

As part of the approved issuance ceiling, a 364-day maturity financing bond with a nominal value of TRY 250,000,000 was successfully issued on August 23, 2024, under ISIN code TRFKRSN82515.40

On March 7, 2024, approval was obtained from the Capital Markets Board (CMB) for a TRY 700 million lease certificate (sukuk) issuance ceiling, designated for private placement and/or qualified investors.

Within the issuance ceiling approved by the Capital Markets Board (SPK) on March 7, 2024, with decision number 14/362, the issuance and sale of a TRY 200,000,000 lease certificate (sukuk) with a 355-

day maturity (ISIN Code: TRDDGER82519) were completed on August 16, 2024. Karsan Otomotiv Sanayi ve Ticaret A.Ş. participated in the issuance as the originator/fund user, with the issuance structured under a management agreement for qualified investors in the domestic market.

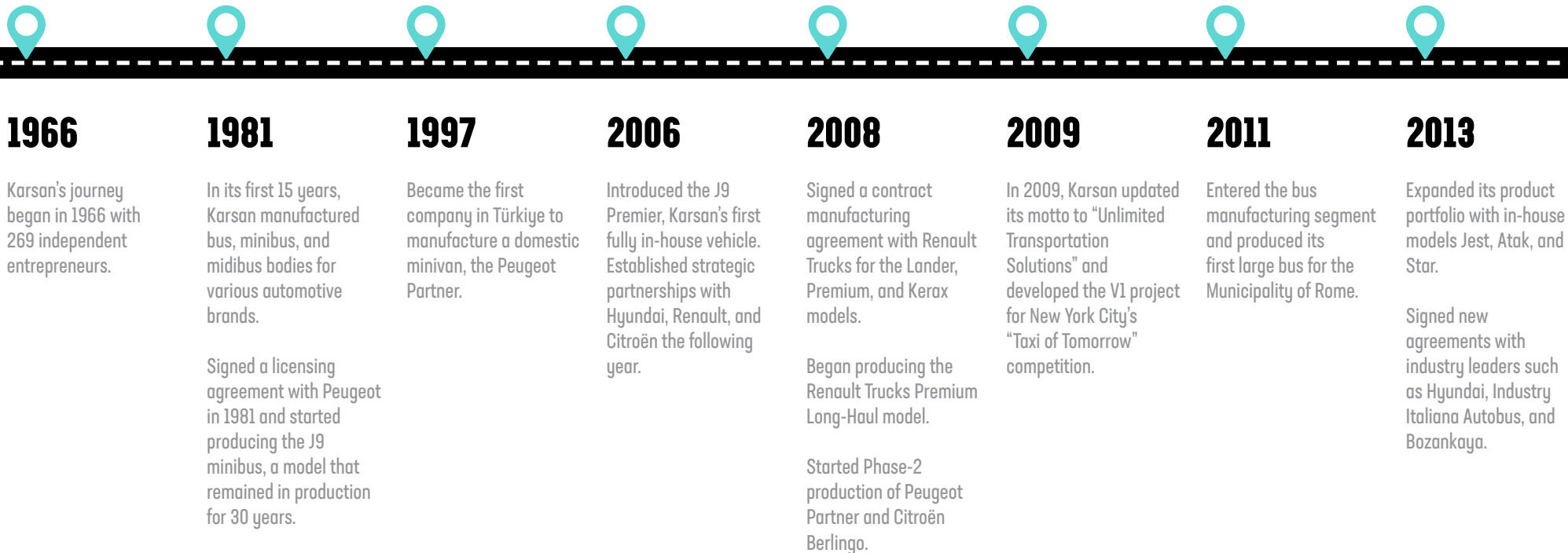
Within the issuance ceiling approved by the CMB on March 7, 2024, with decision number 14/362, the issuance and sale of a TRY 250,000,000 lease certificate (sukuk) with a 355-day maturity (ISIN Code: TRDDGERE2514) were completed on October 17, 2024. Karsan Otomotiv Sanayi ve Ticaret A.Ş. participated in the issuance as the originator/fund user, with the issuance structured under a management agreement for qualified investors in the domestic market.

Pursuant to Article 7 of our company's Articles of Association and the authority granted to the Board of Directors, an application has been submitted to the CMB for the issuance of debt instruments up to a nominal value of TRY 1,000,000,000 (one billion Turkish Lira). The issuance will be conducted domestically in one or multiple tranches, without a public offering, and will be sold through private placement and/or to qualified investors. Necessary disclosures regarding bond issuance and coupon payments are published on the Public Disclosure Platform (PDP) and the company's website (www.karsan.com.tr) in accordance with CMB regulations.

Credit Rating

According to the Credit Rating Report issued by JCR Avrasya Derecelendirme A.Ş. (JCR) on May 31, 2024, our company's long-term and short-term national ratings have been assigned as 'A-(tr) / Stable' and 'J2 (tr) / Stable,' respectively, indicating an investment-grade level. Our company's international ratings have been limited by the country's sovereign rating. There is no conflict of interest between JCR and our company.

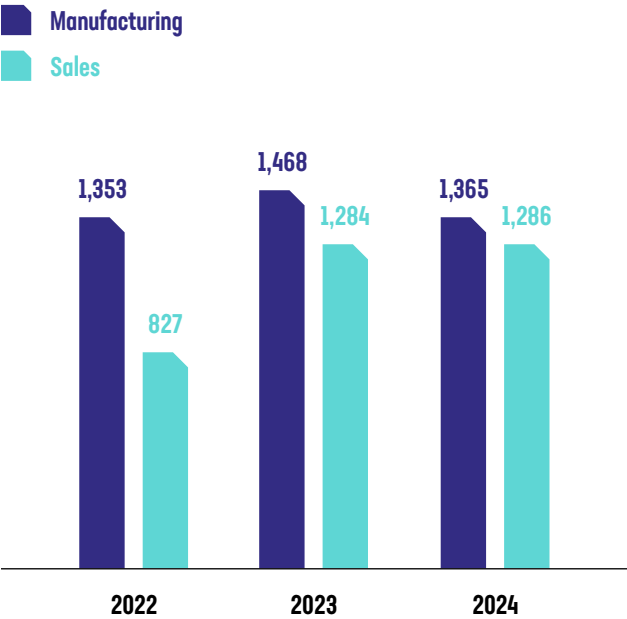
MILESTONES



AUTOMOTIVE INDUSTRY AT A GLANCE

In 2023, automotive sales in Türkiye saw a slight increase of 0.1%. However, production volumes declined by 7.0%.

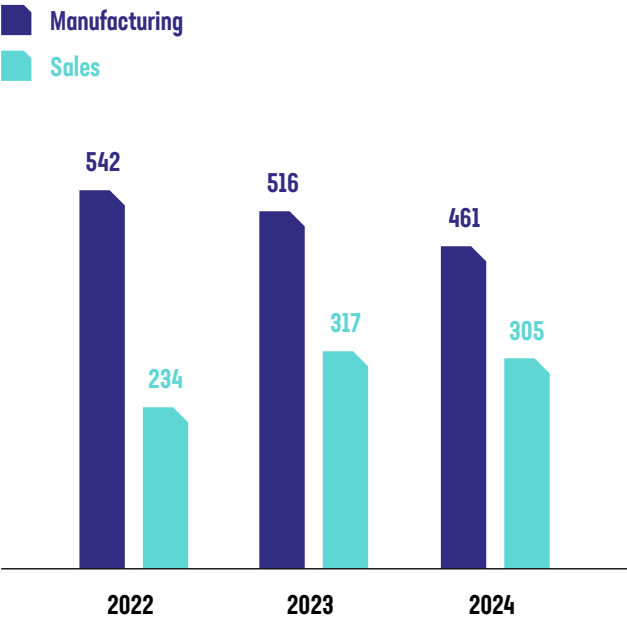
Turkish Automotive Market (thousand)



Source: OSD

In 2024, Türkiye's commercial vehicle production saw a 10.7% decline in unit terms. Sales volumes, on the other hand, declined by 3.6%.

Turkish Automotive Market -Commercial Vehicles (thousand)



Source: OSD



HIGHLIGHTS OF 2024

DETERMINED BREAKTHROUGHS IN ZERO-EMISSION TRANSPORTATION



The autonomous e-ATAK became the first driverless public transport vehicle in Europe to pass through a tunnel.



We electrified Bursa's public transportation. We sold 2 e-ATAs to Bursa Metropolitan Municipality and delivered the city's first electric buses.



Gaziantep residents were the first in Türkiye to test Karsan's hydrogen-powered bus, e-ATA.



Karsan Autonomous e-ATAK became Finland's first driverless electric bus.

HIGHLIGHTS OF 2024

DETERMINED BREAKTHROUGHS IN ZERO-EMISSION TRANSPORTATION



We presented the future of public transportation to users with our innovative models. In this context, we participated in Busworld 2024, the largest bus fair in the industry, with our innovative product range.



In collaboration with ADASTEC, we developed the world's first Level-4 autonomous vehicle on a planned route, the Karsan Autonomous e-ATAK. After introducing it in the USA, Norway, Romania, the Netherlands, Türkiye, France, and Finland, we introduced it to users in Switzerland.



We signed a new partnership agreement with Cosmobilis Group, one of the leading companies in the region, to increase our strength in France, Belgium, Switzerland and Luxembourg. With this agreement, we restructured our partner company HCI with the participation of Cosmobilis Group.



We participated in the inauguration of the Luxembourg Hydrogen Valley (Luxhyval), where we showcased our e-ATA HYDROGEN vehicle, powered by hydrogen technology inspired by nature. During this significant event, we once again emphasized our vision of zero emissions.

HIGHLIGHTS OF 2024

STRONG STEPS IN INNOVATION AND SUSTAINABILITY



We signed a collaboration with Toyota Motor Europe in hydrogen technology.



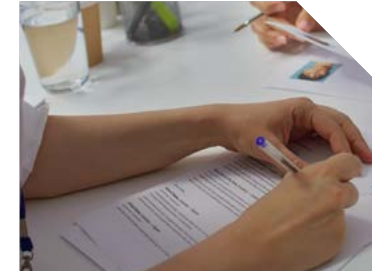
By achieving a score of B in the 2024 CDP Climate Change Assessment, we elevated our score by 2 levels.



Since April 2024, we have been using 100% renewable energy sources at three different locations in Bursa and certifying them with the IREC certificate.



In 2024, we completed the product lifecycle analyses (LCA) of our e-ATA 12 electric, hydrogen fuel cell vehicles, and e-ATA 18-meter vehicles.



Thanks to the innovative projects we developed, we increased the number of intellectual property applications to 18.

HIGHLIGHTS OF 2024

HUMAN AND FUTURE-ORIENTED PROGRESS



We made our processes more efficient through 173 environmental and energy-related kaizen studies.



By validating the strength of our employer brand, we earned the Great Place to Work certification.



Employee engagement rate reached 66%.



The number of female employees in STEM positions reached 30%.



We employed 50% of the interns who graduated from the Star Internship Program at Karsan.

AWARDS RECEIVED IN 2024

In 2024, Karsan was honored with 14 prestigious international awards for its achievements in innovation, sustainability, and shaping the future of mobility. **These accolades reflect our commitment to pioneering mobility solutions and building a more sustainable future.** We dedicate these awards to our valued employees; whose dedication and innovation drive our success.



Global Finance and Magazine

- Europe's Best E-Mobility Pioneer
- Best Electric Commercial Vehicle Exporter
- Most Innovative Bus Manufacturer (Autonomous e-ATAK)



Brands Review Magazine Awards

- European Industrial Innovation and Excellence Award
- Europe's Full-Range Electric Vehicle Manufacturer
- Global Transportation Solutions Innovator
- Japan's Sustainable Mobility Pioneer (e-JEST)



Word Business Magazine

- 2024 Europe's Most Innovative Commercial Vehicle Company



Business Intelligence Group

- Sustainability Product Award ([e-ATA HYDROGEN Life Cycle Assessment Report])



Stevie Awards

- Technological Innovation and International Expansion Award
- Organizational Improvement Award
- International Growth Award



Self-Driving Industry Awards

- Autonomous Vehicle of the Year



Glee Awards

- Vehicle Material Cost Calculation and Cost Reduction Process Implementation Projects

CORPORATE GOVERNANCE

35 Board of Directors and Committees

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39 Risk Management and Internal Audit

39 Corporate Risk Management

42 Internal Control and Internal Audit

CORPORATE GOVERNANCE

OUR CORPORATE POLICIES

Karsan has built a strong corporate structure based on a transparent, fair, accountable, and responsible management approach. Its corporate governance approach is founded on ethical principles, stakeholder involvement, and business strategies centered on continuous improvement. The company's decision-making mechanisms are structured to consider stakeholder expectations and focus on creating sustainable value.

Karsan demonstrates its commitments in environmental, social, and governance areas through policies aligned with corporate governance principles and aims to fulfill its responsibilities accordingly. Karsan's approach to sustainability is reinforced through corporate policies focused on quality, occupational health and safety, environmental management, ethical principles, and gender equality. In this context, the publicly disclosed policies of the company are listed below:

- [Quality Policy](#)
- [Environment and Climate Change Policy](#)
- [Occupational Health and Safety Policy](#)
- [Information Security Policy](#)
- [Human Resources Policy](#)
- [Gender Equality Policy](#)
- [Zero Tolerance for Violence Policy](#)
- [Energy Policy](#)
- [Codes of Conduct Policy](#)
- [Anti-Bribery and Anti-Corruption Policy](#)



**KARSAN
POLICIES**



BOARD OF DIRECTORS AND COMMITTEES

INDEPENDENT, TRANSPARENT, AND **EFFECTIVE GOVERNANCE**



Karsan's Board of Directors, the company's highest decision-making body, consists of members elected for specific terms during General Assembly meetings attended by shareholders.

These election-based General Assembly meetings ensure active participation of Karsan shareholders. The Board of Directors, appointed for specific terms, serves as the company's highest governing body, responsible for making strategic decisions. As of December 31, 2024, Karsan's Board of Directors comprises seven members, including the CEO. All members, except for the CEO, meet the non-executive member criteria set by the Capital Markets Board (CMB), with three members fulfilling the independence requirements.

At Karsan, the Audit Committee, Corporate Governance Committee, and Early Detection of Risk Committee operate under the Board of Directors to enhance the efficiency of board functions while ensuring compliance with the Corporate Governance Principles set by the Capital Markets Board (CMB). These committees report directly to the Board of Directors.

The Corporate Governance Committee also fulfills the functions of the Nomination Committee and the Remuneration Committee. The responsibilities of the Corporate Governance Committee also include

ensuring compliance with sustainability principles. The chairmanship of the committees is undertaken by independent members of the Board of Directors.

At Karsan, the roles of Chairman of the Board and CEO are held by different individuals. The CEO, who holds the highest executive responsibility within the company, carries out this role in coordination with the senior management team. As of 2024, the senior management team comprises a total of 19 executives, including one woman.

Payments Made to Board Members

At the Ordinary General Assembly held on June 4, 2024, it was resolved that, effective from the beginning of the month following the meeting, each Independent Board Member will receive a gross monthly remuneration of TRY 40,000, while each Board Member will receive a gross monthly remuneration of TRY 35,000.

Number of Board Meetings Held During the Year and Attendance of Board Members

Number of In-Person Board Meetings Held During the Year: 11
A participation rate of 98% was achieved in the meetings held throughout the year.

BOARD OF DIRECTORS AND COMMITTEES

The Members of Karsan's Board of Directors as of December 31, 2024

Name/Surname	Position	Date of Most Recent Appointment
İnan Kırar	Chairman	04.06.2024
Giancarlo Boschetti	Vice Chairman	04.06.2024
Okan BAŞ	Executive Director	04.06.2024
Mehmet Altan Sungar	Board Member	04.06.2024
Nevzat Tüfekçioğlu	Independent Board Member	04.06.2024
Ahmet Nezih Olcay	Independent Board Member	04.06.2024
Müfit Ataseven	Independent Board Member	04.06.2024

The Committees of Karsan's Board of Directors as of December 31, 2024

Committee	Committee Members	Position at the Committee	Nature	Frequency of Meetings
Audit Committee	Nevzat Tüfekçioğlu	President	Independent Member	At least four times a year on a quarterly basis
	Ahmet Nezih Olcay	Member	Independent Member	
Corporate Governance Committee	Müfit Ataseven	President	Independent Member	At least twice a year
	Mehmet Altan Sungar	Member	Not an Independent Member	
	İbrahim Onur Baysal*	Member	Executive	
Early Risk Detection Committee	Ahmet Nezih Olcay	President	Independent Member	At least 6 times per year, every 2 months
	Nevzat Tüfekçioğlu	Member	Independent Member	
	Mehmet Altan Sungar	Member	Not an Independent Member	

(*) In accordance with Article 11 of the CMB Communiqué on Corporate Governance No. II-17.1, the Investor Relations Department Manager has been assigned to the Corporate Governance Committee.

BUSINESS ETHICS AND COMPLIANCE

TRANSPARENCY, ACCOUNTABILITY, AND **FAIR WORKING PRINCIPLES**

Karsan is committed to conducting its operations in accordance with ethical principles, ensuring transparency, accountability, and fairness across all business processes. By adhering to global ethical standards in stakeholder relations, the Company aims to foster a trust-based business environment.

To reinforce [Code of Conduct](#) throughout its operations, Karsan has established the "Code of Ethical Conduct and Implementation Procedure." Under this framework, all employees, executives, and business partners are required to fully comply with ethical standards. The Company enforces a zero-tolerance policy against unethical behavior and implements awareness and training programs to prevent ethical violations.

Karsan's ethical framework aligns with internationally recognized standards, including the United Nations Universal Declaration of Human Rights and the International Labour Organization (ILO) conventions.

Ethics Committee and Reporting Mechanisms

Karsan has established an Ethics Committee to ensure compliance with ethical principles and to evaluate potential violations. The

committee operates under the leadership of the CEO, with the Human Resources Director and the Legal Coordinator serving as permanent members. Relevant managers participate on a case-by-case basis. The committee assesses ethical breaches, ensures necessary actions are taken, and implements preventive measures.

To enable employees to report ethical violations or non-compliance securely, Karsan provides multiple reporting channels, including the ethics@karsan.com.tr email address and a sealed-envelope method. Reports can be submitted to the Human Resources Manager or the Chair of the Ethics Committee. While anonymous reports are not considered, confidentiality is strictly upheld.

Upon receiving a report, the Ethics Committee evaluates the case, determines the presence of a violation, and initiates necessary disciplinary procedures. The committee consists of the General Manager, HR Director, Senior Executive, and Legal Coordinator. In cases involving blue-collar employees, the chief union representative is informed.

Decisions made by the Ethics Committee are communicated in writing to the relevant employee by the Human Resources

Directorate. If an employee fails to acknowledge receipt, the situation is officially documented, and necessary actions are taken. The Human Resources Directorate is responsible for overseeing the committee's operations and ensuring compliance with processes.

Karsan has implemented a comprehensive monitoring mechanism to prevent ethical violations within the company. Reports of ethical breaches are carefully assessed, and disciplinary procedures are initiated when necessary.

The company upholds transparency, fair competition, and ethical business practices in its business partner and supplier relationships. Karsan expects its partners to adhere to its ethical principles and maintains a zero-tolerance stance against human rights violations, forced labor, and child labor. Additionally, we conduct regular monitoring and audits to ensure that our suppliers adhere to ethical standards and do not engage in any violations.

By maintaining a strong commitment to ethical values, Karsan continues to foster a fair, transparent, and sustainable business model. The company integrates its ethical commitments into its sustainability goals, striving to enhance ethical standards across all operations.

BUSINESS ETHICS AND COMPLIANCE

ZERO TOLERANCE FOR UNETHICAL BEHAVIOR

**WE HAVE BUILT OUR CORPORATE
ETHICAL PRINCIPLES ON TRUST
AND TRANSPARENCY.**

Anti-Bribery and Anti-Corruption

At Karsan, we uphold a zero-tolerance policy against bribery and corruption, ensuring transparency and ethical integrity across all business operations. We strictly prohibit our employees and executives from engaging in any activities that could create conflicts of interest, including bribery or any form of undue advantage. By maintaining the highest ethical standards, we remain committed to preventing all forms of bribery, money laundering, and corruption.

Our approach to combating corruption is proactive and preventive, continuously evolving to address emerging risks. Our [Code of Conduct](#) explicitly prohibits offering, accepting, or facilitating any direct or indirect benefits that may result in a conflict of interest. All employees are required to fully comply with our anti-bribery and anti-corruption principles, which are comprehensively outlined in the Karsan [Anti-Bribery and Anti-Corruption Policy](#).

By maintaining a strong commitment to ethical values, Karsan continues to foster a fair, transparent, and sustainable business model. By staying true to our ethical values, we continue to foster a fair, transparent, and sustainable business model.

RISK MANAGEMENT AND INTERNAL AUDIT

CORPORATE RISK MANAGEMENT

PROACTIVE RISK MANAGEMENT APPROACH



At Karsan, risk management and internal audit are fundamental components of our corporate governance framework, seamlessly integrated into strategic decision-making processes. Our risk management approach is designed to anticipate potential threats, develop proactive solutions, and ensure business continuity. Simultaneously, our internal audit function enhances control mechanisms by evaluating process efficiency, effectiveness, and regulatory compliance while fostering a culture of continuous improvement.

Corporate Risk Management

Karsan implements a comprehensive risk management strategy to safeguard the sustainability and success of its operations. This strategy adopts an integrated approach encompassing the early identification, assessment, and mitigation of potential risks. Our risk management framework is designed to identify and analyze risks that could impact corporate strategies and objectives, aligning them with the company's risk appetite. By taking proactive measures, we strengthen crisis management capabilities and ensure resilience in a dynamic business environment. As part of this framework,

the identification, impact assessment, and mitigation of risks are systematically monitored and reported to the Board of Directors through the Early Risk Detection Committee.

The Early Risk Detection Committee was established in line with Article 378 of the Turkish Commercial Code No. 6102 and the Corporate Governance Principles of the Capital Markets Board (CMB), following a Board of Directors resolution on June 28, 2013. The committee is chaired by Independent Board Member Ahmet Nezi̇h Olcay. Independent Board Member Nevzat Tüfekciođlu and Board Member Mehmet Altan Sungar serve as committee members.

In 2024, the committee conducted a total of six reporting sessions, analyzing the elements within the company's risk inventory and assessing current risks related to strategic objectives. The findings were subsequently submitted to the Board of Directors for review and necessary action.

Risk management activities at Karsan are conducted under the leadership of the Corporate Risk Management and Internal Audit Directorate, which reports directly to the Chief Executive Officer (CEO). This structure is responsible for ensuring coordination in risk management processes, establishing a common risk framework, and providing guidance for its implementation.

The management teams and process owners across all departments within Karsan are responsible for identifying, assessing, and mitigating risks within their respective processes in alignment with the established risk framework. Additionally, they are required to monitor these risks and report them to the Corporate Risk Management and Internal Audit Department.

RISK MANAGEMENT AND INTERNAL AUDIT

CORPORATE RISK MANAGEMENT

SYSTEMATIC RISK MANAGEMENT PROCESS

BOARD OF DIRECTORS

At Karsan, we are dedicated to strengthening our ethical commitments and continuously enhancing our corporate integrity.

Evaluating the opinions and recommendations of the Early Detection of Risk Committee

EARLY RISK DETECTION COMMITTEE

Reviewing risk management in compliance with CMB Corporate Governance Principles

Submitting reports to the Board of Directors containing opinions and recommendations on the company's risks

CORPORATE RISK MANAGEMENT AND INTERNAL AUDIT DEPARTMENT

Defining and ensuring the implementation of corporate risk management methodologies

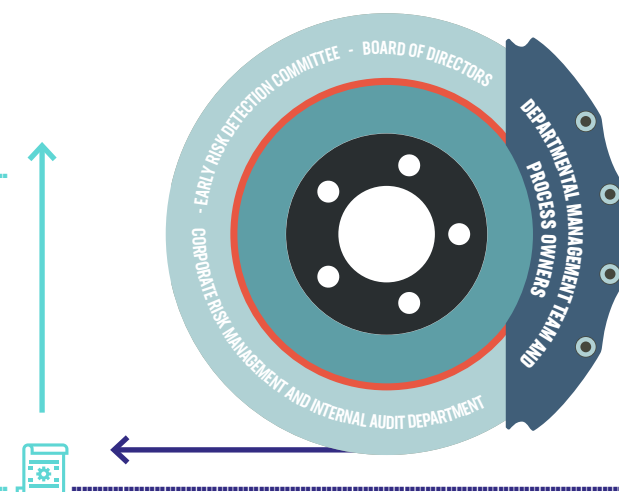
Providing guidance for the implementation of risk management

Conducting training and awareness activities

Ensuring coordination in risk management processes, monitoring, and analyzing processes to manage risks effectively

Reporting to the Board of Directors and senior management through the Early Detection of Risk Committee

RISK MANAGEMENT MECHANISM



DEPARTMENTAL MANAGEMENT TEAM AND PROCESS OWNERS

Ensuring the identification, assessment, response, and monitoring of risks related to processes in alignment with the defined risk management methodologies

Reviewing risks in line with current developments and ensuring the implementation of appropriate control activities

Reporting risks related to departments and processes to the Corporate Risk Management and Internal Audit department

RISK MANAGEMENT AND INTERNAL AUDIT

INTERNAL CONTROL AND INTERNAL AUDIT

PROCESS CONTINUITY THROUGH EFFECTIVE AUDITING

Internal Control and Internal Audit

A risk-based approach has been designed for the internal control and internal audit system at Karsan to ensure that operations are carried out effectively, efficiently, and in compliance with legal regulations. This system is intended to increase the reliability of financial reporting, protect assets and minimize the risks that the company may face.

The Audit Committee is responsible for regularly reviewing Karsan's accounting, reporting and internal control systems and evaluating independent audit reports. The reviews of the annual and interim financial statements to be publicly disclosed for compliance with accounting principles and fairness are completed and reported to the Board of Directors in writing.

Furthermore, the internal audit planning is carried out for the material issues determined with respect to the risk management activities of the company, and with the action plans created in this direction, it is aimed to structure the internal control system effectively. The Corporate Risk Management and Internal Audit Department, in cooperation with the relevant units, evaluates, examines and finalizes violations, notices and complaints related to the Company's activities, and reports them with recommendations for ensuring effective control of the activities.

The Audit Committee monitors all internal control and internal audit activities on a periodic basis, reviews and approves annual audit plans. In 2024, the Audit Committee submitted 6 reports to the Board of Directors.



SUSTAINABILITY MANAGEMENT AT KARSAN

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SUSTAINABILITY MANAGEMENT AT KARSAN

SUSTAINABILITY AT THE CORE OF THE BUSINESS MODEL

We at Karsan, in line with our vision of molding the future of mobility, see sustainability not only as a goal but also as the cornerstone of our business model. We manage our business strategies in an integrated manner with sustainability principles while creating a transformation that supports carbon-free mobility with our products and services. We use technology and innovation as a means to not only minimize our environmental impact, but also to add long-term value to society and the economy. Within this scope, we determine our sustainability priorities and support our processes with team-based goals.

SUSTAINABILITY APPROACH

TOWARDS **ZERO-EMISSION** **MOBILITY** WITH A RESPONSIBLE BUSINESS MODEL

There are critical transformations taking place on a global scale today, such as net zero commitments, the energy transition and sustainable urbanization. These advances increase the need for more environmentally friendly, efficient and smart mobility solutions in the transportation sector. We at Karsan are not only a part of the changes, but we are also positioned as a pioneer in creating solutions. Our business model is built on a structure that supports zero-emission mobility and reduces the environmental footprint. With this awareness, we continuously strengthen the alignment of our strategies with sustainability and shape all our business processes in line with our social and environmental responsibilities. We focus on creating sustainable business processes at every point, from corporate governance and supply chain management to production and product design:

- We manage our sustainability performance transparently with a governance model focused on ESG.
- In line with our net-zero target, we set sub-goals and monitor our progress.
- As a stakeholder-focused company, we integrate our sustainability approach with our corporate values, encouraging the participation of our employees and stakeholders in the process.

At Karsan, we view our sustainability journey as a transformative opportunity to ensure the long-term evolution of our business model. We are accelerating our investments in innovation, digitalization, and technology to achieve carbon-neutral mobility, shaping our business strategies towards a sustainable future.



KARSAN'S SUSTAINABILITY JOURNEY



2020

- World Class Manufacturing (WCM) Environmental and Energy initiatives have begun.
- A Zero Waste Management System has been established.
- An Environmental and Energy Loss System has been established.
- The Zero Waste Oil project has started.
- The autonomous e-Atak vehicle was launched.
- Gender Equality initiatives were carried out in collaboration between Karsan and ILO.
- The first Corporate Carbon Footprint (ISO 14064-3) studies were conducted.

2021

- ISO 50001 (Energy Management System) certification was obtained.
- The first Sustainability Report was published.
- An Electronic Waste Collection campaign was carried out in collaboration with TEGV.
- The Sustainability Committee and Sustainability Working Group were established.
- The first official WCM audit was conducted.
- The launch of the 100% electric e-ATA was held.
- Karsan's Environmental and Climate Change Policy was established.
- The Code of Conduct System was established.
- The first CDP application was submitted.
- The membership to the Global Compact was achieved.

2022

- Thanks to the Zero Waste Management System, the recycling and recovery rate of waste has reached 99%.
- The 2030 Carbon Neutral Roadmap has been created.
- Planning was done for the Internal Carbon Pricing Project.
- The Product-Based Carbon Footprint (ISO 14067) studies have commenced.
- The global average score was achieved in CDP.
- A B-level rating was achieved in the BIST 100 Index.
- Feasibility studies for solar energy were initiated.
- A project for assessing the current status of recyclable material usage was launched.
- A battery collection campaign was held.
- The launch of the e-ATA HYDROGEN vehicle was held.
- The "Sustainable Bus Award" was received.
- The company was included in the Borsa Istanbul Sustainability Index.

2023

- As part of the 2030 goal to eliminate Scope 1 and Scope 2 emissions, an internal carbon pricing system was established, and the carbon cost of production emissions began to be calculated.
- Carbon emissions were verified for the first time by independent third parties.
- A feasibility study was conducted for the Rooftop Solar Power Plant (GES) planned to be established in 2024.
- It was confirmed that as a result of two independent audits conducted during the year, the WCM management system increased from 19 points to 44 points.
- The efforts to establish a Green Supply Chain infrastructure have begun.
- A cooperation protocol for the purchase of green energy has been signed.
- LCA and product-based carbon footprint reporting studies have started for the e-ATA 12-meter, e-ATA 12-meter Hydrogen, and e-ATA 18-meter models.

2024

- Scope 1, Scope 2, and Scope 3 emissions have been calculated.
- Scope 3 emissions were independently verified by third parties for the first time.
- A 3.5 MWh call letter was received within the scope of the Rooftop SPP project.
- In collaboration with EnerjiSA, 100% of the consumed electricity was sourced from renewable energy.
- Lifecycle Assessment (LCA) and product-based carbon footprint reports were prepared for three of our product groups (e-ATA 12 meters, e-ATA 12 meters hydrogen fuel-powered, and e-ATA 18 meters).
- Data was provided to the Ecovadis initiative, and a score of 52 points was achieved.
- A sustainability project application was submitted under the TÜBİTAK Green Transformation Call.
- The LCA report of the hydrogen fuel cell vehicle led to winning the "Sustainable Bus Award."
- "Employee Safety First Project" was awarded a special prize in the Occupational Health and Safety category at the Ortak Yarınlar Award Program.

SUSTAINABILITY GOVERNANCE FRAMEWORK

MANAGEMENT APPROACH FOCUSED ON ESG

At Karsan, sustainability management is strategically structured to ensure the effective identification, assessment, and management of environmental, social, and governance (ESG) risks and opportunities. The governance of sustainability is overseen at the Board level, with the integration of sustainability topics being managed through designated committees and governance structures. The Board of Directors plays a pivotal role in setting the strategic direction of sustainability initiatives, while the Corporate Governance Committee is responsible for overseeing the execution of these efforts.

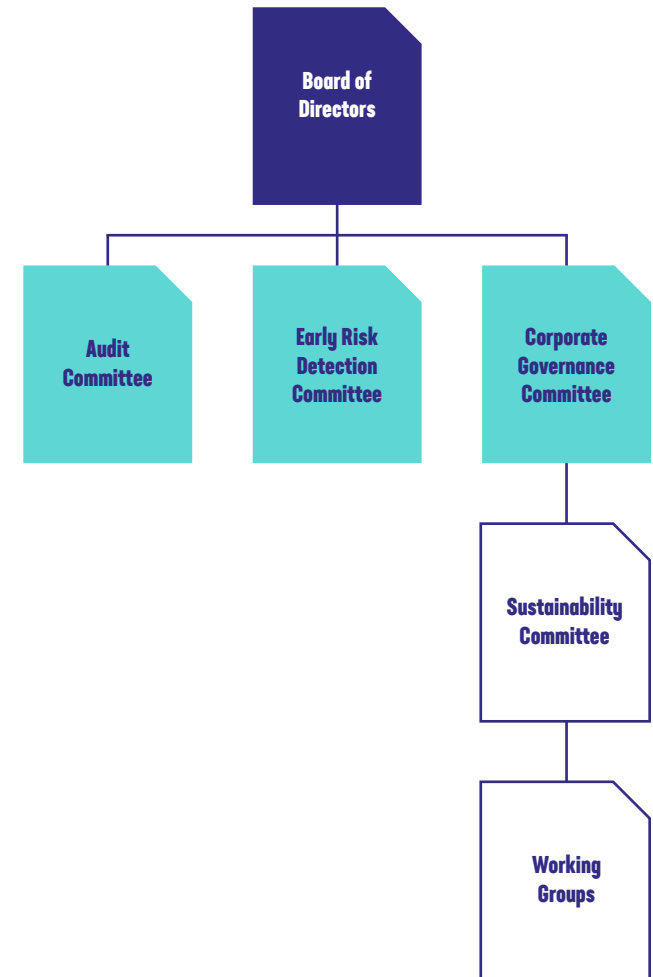
The Corporate Governance Committee is entrusted with defining sustainability objectives, developing investment strategies, and steering sustainability policies at the Board level. Additionally, the Committee ensures the integration of sustainability performance metrics into senior management incentive systems.

The Sustainability Committee, chaired by the CEO, is responsible for overseeing the implementation of short, medium, and long-term sustainability strategies, while continuously monitoring the

achievement of annual sustainability targets. In the process of developing and managing sustainability strategies, special working groups consisting of senior leaders from various departments are established to ensure cross-functional alignment. These groups conduct regular performance assessments to track progress and identify areas for improvement.

The working groups are tasked with ensuring the effective execution of sustainability strategies, monitoring performance indicators, and driving continuous improvement initiatives across operational processes. Each group collaborates closely with relevant departments to implement targeted actions and provides regular updates on progress to the Sustainability Committee.

In addition, the management of climate-related risks and opportunities, as well as the functioning of internal audit mechanisms, are outlined in the committee's responsibility matrix. These controls and procedures are subject to regular review and are continuously integrated with other internal functions, ensuring that sustainability is embedded across all organizational processes.



SUSTAINABILITY GOVERNANCE FRAMEWORK

Sustainability Committee Chairman: CEO					
Committee Members	Director of Production	R&D Deputy General Manager	Procurement and Supply Chain Deputy General Manager	HR Director	CFO
Working Group	Operational Impact and Carbon Management Working Group	Life Cycle and Innovation Working Group	Green Supply Chain Working Group	Social Impact and Inclusion Working Group	Risk and Compliance Working Group
Focus	Environmental Sustainability			Social Sustainability	Governance

Committee / Board	Responsibilities
Early Risk Detection Committee	Evaluation of the impact of climate risks, transition risks, sustainability risks, market fluctuations, and regulatory changes on Karsan's financial performance
Corporate Governance Committee	Setting sustainability goals, developing investment strategies and policies, guiding sustainability strategies at the Board level, and aligning performance metrics with the executive management incentive systems.
Sustainability Committee	Defining short, medium, and long-term sustainability strategies, tracking progress towards sustainability goals, and conducting annual evaluation processes, assessing the impact of sustainability risks on the business model and providing recommendations for their management, reviewing the performance reports of sub-working groups and providing strategic guidance
Working Groups	Improving operational processes to achieve established sustainability goals, monitoring performance indicators, and supporting the integration of sustainability strategies into field operations

MATERIALITY ANALYSIS

WE DEFINE MATERIAL TOPICS TOGETHER WITH OUR STAKEHOLDERS



At Karsan, we have identified our priority areas through a comprehensive materiality analysis process to effectively guide our sustainability efforts. During this process, we conducted a broad evaluation to determine the expectations of our stakeholders and the issues that are strategically important for our company.

We gathered feedback from 125 employees across various departments, as well as nearly 50 external stakeholders, including our business partners, suppliers, investors, customers, academics, and non-governmental organizations. We sent surveys to these stakeholders to assess their expectations on sustainability issues and evaluate Karsan's impact in these areas. To analyze the responses and determine the most accurate priorities, we organized a workshop.

Based on the workshop results, we identified 22 critical topics for our company and categorized them into Very High Priority, High Priority, and Priority topics within a materiality matrix. This allowed us to highlight both the areas that are of the greatest importance to our stakeholders and the most critical issues for our company's sustainability strategies.

In determining our priority areas, we not only focused on stakeholder expectations but also thoroughly evaluated the potential impacts of these issues on our company, along with the risks and opportunities they could generate. This materiality analysis process became one of the key steps in shaping our sustainability approach.

STAKEHOLDER ENGAGEMENT

TRANSPARENT, ONGOING, AND **PARTICIPATORY** COMMUNICATION PROCESSES

At Karsan, we prioritize maintaining an open, continuous, and participatory communication process with all our stakeholders. To better understand their expectations and strengthen our sustainability management, we continually enhance our communication channels.

In our Annual General Meetings held each year, we share our long-term strategies, sustainability goals, and performance with our stakeholders, integrating their views and suggestions into our decision-making processes.

Stakeholder Group	Communication Channel
Employees	Surveys and Research (at Various Intervals), Training Activities, Karsan Code of Ethics, Internal Communication Platforms, Suggestion and Reward System, Work Groups and Committees (at Varying Intervals), Performance Management and Career Development Meetings, Social Events (At Least Once a Year), Management Meetings, Communication Meetings, Annual Report (Annually), Sustainability Report (Annually)
Customers	One-on-One Meetings (Upon Request), Annual Report (Annually), Sustainability Report (Annually), Dealer Portal (Ongoing), Customer Satisfaction Surveys (Annually)
Suppliers	One-on-One Meetings (Upon Request), Occupational Health and Safety Committees (Monthly), Annual Report (Annually), Sustainability Report (Annually), Procurement Day
Kıraça Holding	General Assembly Meetings, Annual Report (Annually), Sustainability Report (Annually), Board of Directors Meetings
Investors and Shareholders	General Assembly Meetings, Annual Report (Annually), Sustainability Report (Annually), Board of Directors Meetings, Material Event Disclosures (As Needed), In-Person Investor Presentations (Annually), Online Investor Presentations (Three Times a Year), One-on-One Meetings (Upon Request)
Public Institutions	Meetings and Discussions (Upon Request), Information Reports (At Various Intervals), Public Audits (At Various Intervals/As Needed), Annual Report (Annually), Sustainability Report (Annually)
Media	Interviews and Discussions (Upon Request), Meetings and Discussions (Several Times a Year), Press Releases, Material Event Disclosures (As Needed), Annual Report (Annually), Sustainability Report (Annually)
Non-Governmental Organizations	Memberships (Ongoing), Working Groups, Committee and Board Memberships (Term-Based), Joint Projects and Initiatives, Meetings and Discussions (Upon Request), Annual Report (Annually), Sustainability Report (Annually)



CLIMATE-RELATED RISK AND OPPORTUNITY ASSESSMENT

WE MANAGE CLIMATE RISKS AND **SEIZE OPPORTUNITIES**

WE SEE CLIMATE CHANGE NOT ONLY AS A RISK FACTOR, BUT ALSO AS AN OPPORTUNITY THAT RESHAPES OUR BUSINESS MODEL.

Climate change is having a transformative impact on global regulatory frameworks, financial markets, and supply chains. As a company offering zero-emission, smart, and autonomous mobility solutions, we systematically assess climate-related risks and integrate opportunities into our business model to ensure the long-term resilience of our operations. Within the scope of physical and transition risks, we continuously analyze factors such as the impact of extreme weather events on our production processes, regulatory restrictions on carbon emissions, and disruptions in the supply chain. On the other hand, the increasing demand for low-carbon transportation, the rising market presence of low-carbon mobility solutions, and the availability of green financing present strategic opportunities that can make our business model more resilient and competitive.

In this context, we carry out our efforts to evaluate climate risks and opportunities in line with international standards. While developing technological transformation projects that enhance operational efficiency to reduce our carbon footprint, we also adopt energy procurement strategies that encourage the use of renewable energy. At the same time, we transparently share our sustainability performance each year with stakeholders through climate disclosures such as CDP. We consider climate change not only as a risk factor but also as an opportunity area that reshapes our business model, and we are shaping the future with sustainable mobility solutions.

CLIMATE-RELATED RISK AND OPPORTUNITY ASSESSMENT

CLIMATE RISKS

Risk Area	Risk Type	Stage of the Value Chain Affected by the Risk	Risk Description	Potential Financial Impact Areas	Anticipated Time Horizon	Probability	Scale	Mitigating Actions
Extreme Weather Events	Acute Physical	Direct Operations	Karsan's production facilities may be exposed to climate events such as floods, storms and extreme temperatures. These events can cause interruptions in production processes and increase insurance costs. Due to climate change, the frequency and severity of extreme weather events are increasing every year.	Production interruptions, increased insurance costs, and operational disruptions.	Short	Most Likely	High	Karsan makes its production facilities compatible with climate change by making durable infrastructure investments. In addition, it aims to ensure operational continuity by creating disaster risk management strategies.
Water Stress	Chronic Physical	Direct Operations	Water is an important input in Karsan's production processes. However, the decrease in water resources due to climate change may cause disruptions in production and increase water costs. This may threaten the sustainability of production capacity.	Risk of loss of production capacity due to water scarcity, losses due to production interruptions, operational interruptions	Medium	Likely	Medium	Karsan integrates water recovery systems by optimizing water consumption in its production facilities. Operational risks are reduced by investing in water-saving production technologies.
Carbon Pricing Mechanisms	Policy	Direct Operations	As a company that exports to the European market, Karsan must follow the regulations within the scope of the European Union Green Deal and the Carbon Border Adjustment Mechanism. The pricing of carbon emissions within the scope of these regulations can increase production and logistics costs. Karsan needs to accelerate its carbon reduction strategies in order to maintain its competitiveness.	If carbon regulations are not complied with, there will be a long-term increase in costs, including higher operational and export expenses.	Medium	Most Likely	Medium-High	Karsan is turning to alternative fuel use and developing energy efficiency projects to reduce its carbon footprint. It is planned to increase product-based carbon footprint reporting and expand emission reduction projects. In addition, working groups have been formed within the scope of Karsan's climate targets. These groups are developing projects aimed at climate targets.

CLIMATE-RELATED RISK AND OPPORTUNITY ASSESSMENT

Risk Area	Risk Type	Stage of the Value Chain Affected by the Risk	Risk Description	Potential Financial Impact Areas	Anticipated Time Horizon	Probability	Scale	Mitigating Actions
Compliance	Policy / Legal	Direct Operations	Environmental regulations that have come into force in Türkiye and the EU require radical changes in production processes. As of 2024, climate reporting has become mandatory within the scope of the Turkish Sustainability Reporting Standards (TSRS). Failure to comply with the new regulations may result in penal sanctions and loss of reputation in the market.	Investment requirement for compliance with new regulations, increase in legal consultancy and audit costs, legal sanctions	Short	Likely	Medium	Karsan strengthens its ISO 14001 certification processes, creates expert teams for regulatory monitoring, and expands ESG reporting. It also aims to facilitate compliance by cooperating with regulatory authorities.
Transition to Renewable Energy	Technology	Direct Operations	Karsan manufacturing electric buses and minibuses, must turn to low-carbon energy sources in its production facilities. The transition to renewable energy should be accelerated in line with the net zero target for Scope 1 and Scope 2 emissions by 2030.	High initial investment costs, uncertainty in energy costs	Long	Likely	High	Karsan aims to increase the use of renewable energy in production by developing solar power plants. It also carries out work on energy efficiency projects in the factory.
Changing Customer Expectations	Market	Downstream Value Chain	Global carbon reduction targets and increasing demand for sustainable transportation solutions require Karsan to be more competitive in the electric bus and minibus segment. As electrification accelerates in public transportation systems, it has become imperative to offer more innovative solutions to meet customer expectations.	The need for financial resources for electric vehicle production and R&D investments is increasing, and the need to maintain competitive advantage	Medium	Likely	Medium	Karsan aims to increase its market share in this segment by increasing its investments in electric and hydrogen vehicles. R&D studies are carried out for battery technologies and integrated services are offered to customers by developing fleet management solutions.
Loss of Reputation	Reputational	Direct Operations	Companies that fall behind in environmental sustainability may lose trust with investors and customers. If Karsan's environmental performance is not strong enough, its value in financial markets and customer loyalty may be negatively affected.	Decline in brand value, decrease in investor interest	Medium	Likely	Medium	Karsan strengthens transparent ESG reporting, increases sustainability projects and develops stakeholder collaborations.

CLIMATE-RELATED RISK AND OPPORTUNITY ASSESSMENT

CLIMATE OPPORTUNITIES

Opportunity Type	Company Specific Opportunity Description	Anticipated Time Horizon	Scale	Financial Impact of Opportunity	Opportunity Management
Low Carbon Vehicles	The global transportation sector is shifting towards electric and hydrogen fueled vehicles in line with policies aimed at reducing carbon emissions. Karsan is evaluating this transformation and increasing its market share with zero-emission transportation solutions in Europe and other markets.	Medium-Long	High	Growth in revenues, benefiting from public incentives and gaining competitive advantage in international markets through increased sales of electric and hydrogen vehicles.	Electric vehicle investments are increased, production capacity is expanded and active participation in new incentive programs is ensured. Development of models such as e-JEST, e-ATAK and e-ATA HYDROGEN continues.
Low Carbon Supply Chain	The EU Green Deal and CBAM regulations require sustainable supply chain transformation. Karsan ensures operational sustainability and compliance with regulations by developing low-carbon supplier partnerships.	Medium	Medium	Gaining competitive advantage in export processes thanks to compliance with CBAM	Collaborations are made with low-carbon suppliers and support is provided to back suppliers in their transition to sustainable production.
Renewable Energy Use	Rising energy costs and carbon pricing make the transition to renewable energy a strategic necessity. By increasing the use of renewable energy in its production facilities, Karsan both reduces its operational costs and strengthens its sustainable production model.	Medium-Long	Medium	Reduction in energy costs, lower carbon tax liabilities and long-term operational efficiency	Solar energy systems are being installed in production facilities, energy efficiency projects are being implemented, and new collaborations are being developed to increase the use of renewable energy.
R&D and Technologie	Rapid developments in electric vehicle technologies offer significant opportunities in the areas of battery efficiency and sustainable material use. Karsan directs its R&D investments to these areas, reducing its environmental impact while increasing its competitive advantage.	Medium-Long	High	Transition to sustainable material use through R&D investments, reduction in production costs and increased operational efficiency through innovative battery technologies	R&D projects that encourage the use of sustainable materials are being carried out, investments in battery technologies and recycling systems are being increased. At the same time, innovation studies on hydrogen fuel cells and the use of lightweight materials are continuing.
Market and Brand Positioning	Global carbon regulations and green mobility policies are rapidly increasing the demand for low-carbon and recyclable products. Karsan is gaining a strong position in the market with its innovative, zero-emission vehicles in line with this trend.	Medium	Medium	Increasing brand value, accessing new customer segments and creating market advantage through green product certifications through sustainable transportation solutions	Marketing strategies are being updated to highlight the benefits of sustainable products.

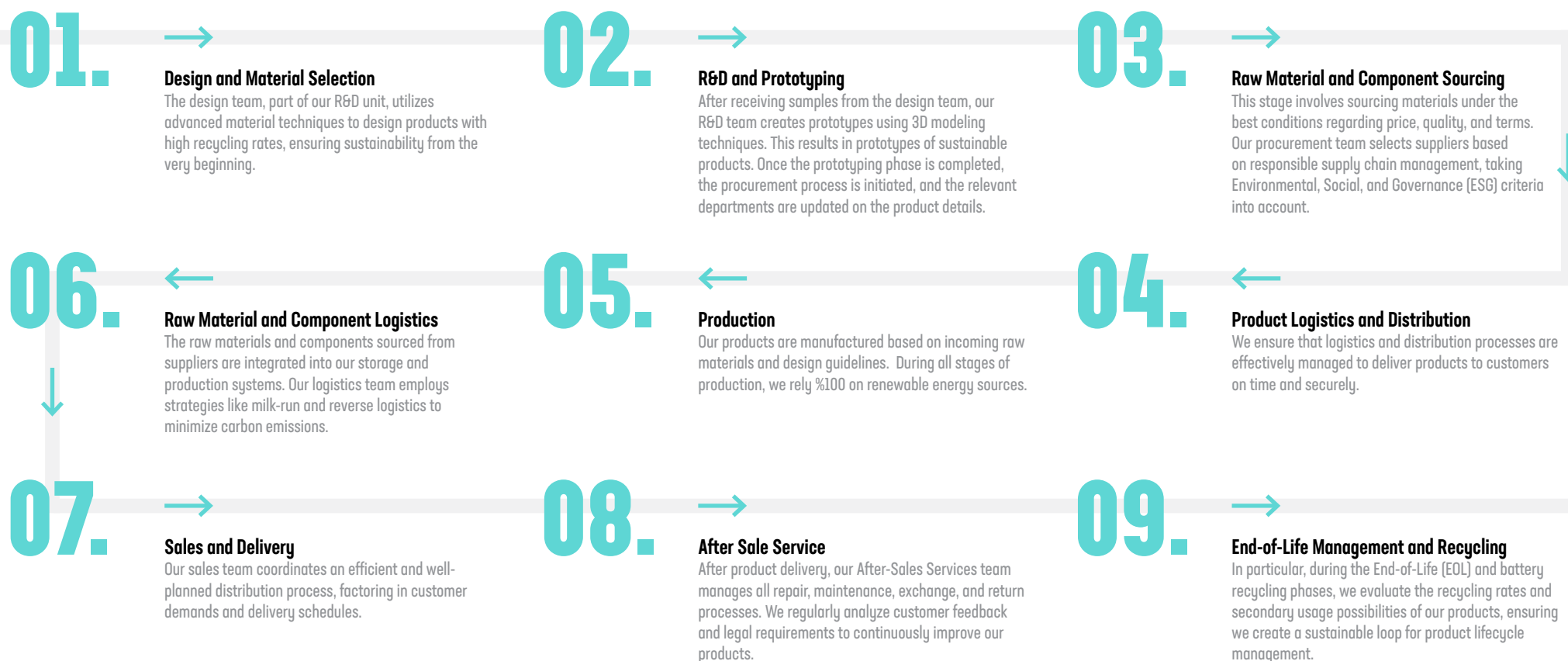


KARSAN VALUE CREATION MODEL



KARSAN VALUE CHAIN

At Karsan, we integrate sustainability principles at the heart of our business model, embracing a comprehensive, responsible approach to value chain management. We take a holistic approach to the lifecycle of our products, from design to recycling, considering environmental and social impacts at every stage—from material selection and production to logistics and after-sales services. Starting from R&D processes and extending through our supply chain, production processes, and after-sales services, we aim for a low carbon footprint in all our operations and implement practices that contribute to the circular economy. In this context, we aim to create a sustainable mobility ecosystem through our supply chain management aligned with ESG (Environmental, Social, and Governance) criteria, production processes supported by renewable energy, and end-of-life management strategies.



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ENVIRONMENTAL MANAGEMENT

RESPONSIBLE MANAGEMENT OF ENVIRONMENTAL PERFORMANCE

ISO 14001

WE HAVE AN ENVIRONMENTAL MANAGEMENT SYSTEM

WE ASSESS CLIMATE RISKS AND OTHER ENVIRONMENTAL RISKS ACROSS OUR ENTIRE VALUE CHAIN.

At Karsan, we recognize that environmental responsibility plays a critical role in the transformation of the industry. We prioritize the efficient use of natural resources, minimizing waste generation, and implementing sustainable energy management solutions. In this context, we continuously apply comprehensive strategies to improve our environmental performance. While responsibly managing natural resources, we develop innovative solutions to minimize our environmental footprint. We focus on continuous improvement in waste management, energy efficiency, and water usage, and remain committed to our responsibilities.

To effectively manage our environmental impacts and minimize negative effects, we operate under the ISO 14001 Environmental Management System. Following the surveillance audit conducted in 2024, the continuity of our ISO 14001 certification has been maintained, with the certificate valid until 2026. At Karsan, we have integrated our environmental management system with sustainability frameworks to create a more comprehensive structure.

Environmental and Climate Change Policy

Our Environmental and Climate Change Policy, approved and published by our Board of Directors, enables us to adopt a holistic approach across our entire value chain. We evaluate environmental and climate impacts in three main dimensions:

- **Impacts from Supply Processes:** We aim to reduce the environmental impacts arising from raw material, material, and service supply processes. In our procurement processes, we encourage environmentally friendly products while maintaining a balance between total cost and benefit.
- **Impacts from Company Operations:** We implement various strategies to optimize resource use, reduce waste, and minimize emissions during our production processes.
- **Impacts from Products and Services:** Considering the lifecycle of our products, we aim to provide low-carbon and low-environmental-impact alternatives.

You can access Karsan's Environmental and Climate Change Policy [here](#).

ENVIRONMENTAL MANAGEMENT



Our Goals and Commitments

In line with our long-term sustainability commitment at Karsan, we have set the following environmental goals:

- Achieving net-zero Scope 1 and 2 emissions by 2030
- Reaching net-zero emissions across all Scope 1, 2, and 3 by 2050
- Increasing the recycling or second-life rate of our products to 20% by 2030
- Continuously improving the environmental performance of all our products, minimizing their environmental impact throughout their lifecycle
- Achieving zero Scope 1 and 2 emissions for all our strategic suppliers by 2035
- Reaching zero Scope 1 and 2 emissions across all our suppliers by 2050

2024 Developments

In 2024, we increased our investments in environmental and energy initiatives by 9%, compared to the previous year, reaching a total of TRY 6.9 million. Environmental management capital expenditures accounted for TRY 166,000, while operating costs were TRY 6.7 million. These investments were directed towards waste management, water treatment and recovery processes, carbon emission reporting and improvements in environmental management practices.

During 2024, we made several environmental improvements in our production processes. Following our environmental and energy management approach, we tracked environmental and energy losses and carried out Kaizen activities to reduce hazardous waste and water consumption. Environmental impacts are monitored on a monthly basis using indicators such as hazardous waste per vehicle in kg, water consumption per vehicle in m³, discharge usage, and recyclable waste quantities.

Thanks to our commitment to complying with environmental regulations, we had no violations or penalties in 2024.

Training and Awareness Initiatives

In 2024, we expanded our training programs to enhance environmental awareness among our employees. Over the course of the year, we provided a total of 4,537 person-hours of environmental training. Our Sustainability Management training was redesigned using experiential learning methods and integrated into the Karsan Academy.

To raise awareness about environmental issues and inspire employees to create innovative, sustainable solutions, we held two competitions in honor of World Environment Day on June 5. In the first competition, employees' children participated by building models focused on sustainability, the environment, recycling, and renewable energy. The most creative projects were chosen through a QR code-based voting system.

In the second competition, employees presented innovative initiatives aimed at waste reduction, energy savings, recycling, and other environmentally beneficial actions. A dedicated panel evaluated the projects based on creativity, environmental impact, and feasibility for implementation. The top teams were rewarded, and plans were set to bring the most promising projects to life.

Data Scope

In 2024, we expanded the scope of our environmental data, updating it to include not only our main facility but also all of our operations. This expansion involved integrating data from multiple locations into the system, allowing us to track our environmental performance from a more comprehensive perspective.



EMISSION AND ENERGY MANAGEMENT

SUSTAINABLE MOBILITY ON THE ROAD TO NET ZERO

As the impact of climate change becomes more pronounced globally, it is vital for companies to strengthen their sustainability strategies and accelerate the shift toward a low-carbon economy. At Karsan, we prioritize reducing both our direct and indirect environmental impacts, integrating energy management and emissions reduction into the core of our business strategy with a focus on responsible production.

We are undertaking extensive projects to reduce greenhouse gas emissions, boost energy efficiency, and increase the use of renewable energy, all while advancing sustainable mobility solutions. By implementing scientifically-backed monitoring and reporting systems in our production processes, we strive

to continuously enhance the environmental performance of our operations. Our goal is to achieve net-zero emissions for Scope 1 and Scope 2 by 2030.

With a strong emphasis on design and innovation within our value chain, we are committed to developing responsible and cutting-edge products through our R&D efforts. Leveraging product-specific Life Cycle Assessments (LCA) and carbon footprint reports, we identify key components and guide our material choices to minimize environmental impact. By concentrating on electric and hydrogen fuel cell vehicle technologies, we aim to expand the reach of low-emission mobility solutions to a broader audience.

EMISSION AND ENERGY MANAGEMENT

EFFECTIVE EMISSION MANAGEMENT IN COMBATING CLIMATE CHANGE

40,002 TONS CO₂E

TOTAL GREENHOUSE GAS EMISSIONS IN 2024

**WE MONITOR, VERIFY, AND
DEVELOP PROJECTS TO
REDUCE OUR GREENHOUSE
GAS EMISSIONS.**

Effective emission management is crucial in the fight against climate change. At Karsan, we monitor and verify greenhouse gas emissions resulting from our production activities, developing ongoing projects aimed at reducing these emissions. To achieve our goal of net-zero emissions for Scope 1 and Scope 2 by 2030, we are implementing energy efficiency and renewable energy initiatives. In 2024, we further strengthened our emission management system and introduced product-based carbon footprint calculations. All of our emission management processes are aligned with the ISO 14064 standard. As part of this, we compile inventories for Scope 1, Scope 2, and Scope 3 emissions, calculating annual greenhouse gas emissions across our value chain and subjecting them to independent verification. In 2024, we obtained limited assurance for our Scope 1, Scope 2, and Scope 3 emissions.

Additionally, we conduct carbon footprint studies in our distribution network using Discrete-Event Simulation methods. In the coming years, we plan to implement systems that will allow us to track carbon emissions from our distribution and logistics processes in real time.

Greenhouse Gas Emissions (ton CO ₂ e)	2022	2023	2024
Scope 1	3,013	5,644	8,074 
Scope 2	5,870	10,704	12,562 
Scope 3	211	19,479	19,366 
Total	9,094	35,827	40,002 

In 2024, our total carbon emissions amounted to 40,002 tons of CO₂e, comprising 8,074 tons of CO₂e from Scope 1, 12,562 tons of CO₂e from Scope 2, and 19,366 tons of CO₂e from Scope 3.

For Scope 3 emissions, the calculations were conducted on a category basis, including purchased goods and services (Category 1), fuel- and energy-related activities (Category 3), upstream transportation and distribution (Category 4), waste generated in operations (Category 5), business travel (Category 6), upstream leased assets (Category 7), employee commuting (Category 8), downstream transportation and distribution (Category 9), and the use of sold products (Category 10). The largest share of the calculated Scope 3 emissions, accounting for 71%, came from Category 10 – Use of sold products.

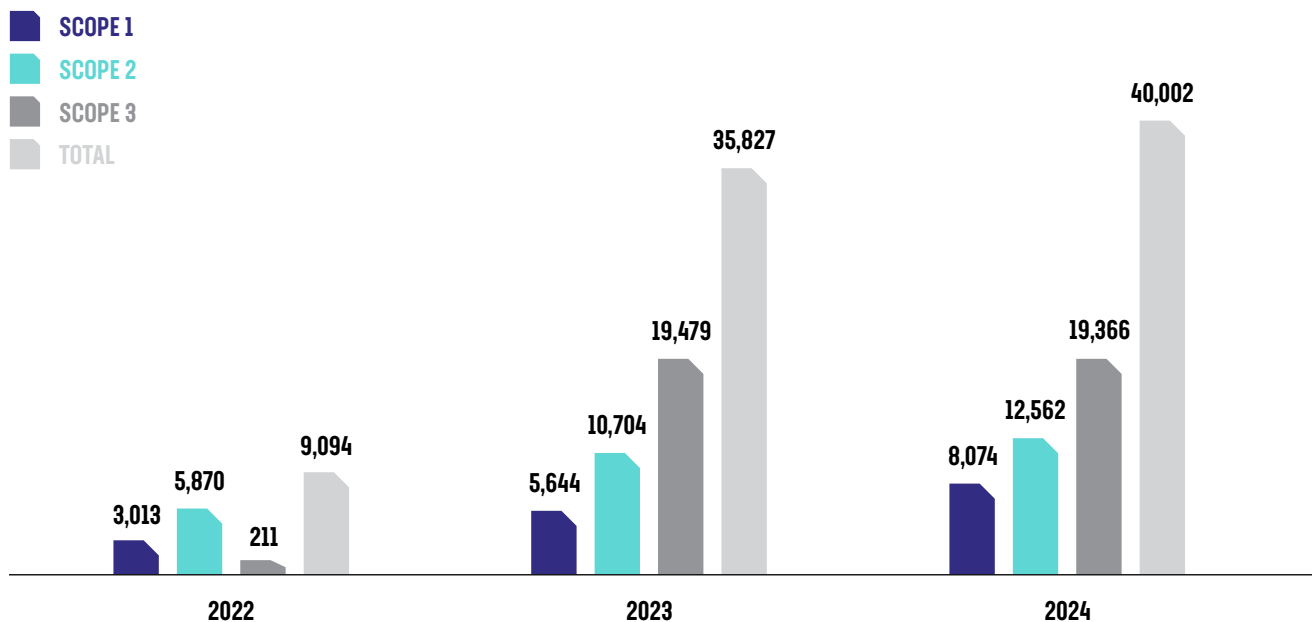
EMISSION AND ENERGY MANAGEMENT

EMISSION MANAGEMENT

Compared to 2023, total greenhouse gas emissions increased by 11.65%, while Scope 3 emissions decreased by 0.6%. Scope 1 and Scope 2 emissions increased by 43.1% and 17.4%, respectively. A portion of this increase is attributed to the expansion of our environmental data scope in 2024. Our updated data set, which now includes not only the main facility but all our operations, has enabled the integration of information from various locations into the system.

In 2024, the distribution of greenhouse gas emissions by scope showed that Scope 1 emissions accounted for 20.2%, Scope 2 emissions made up 31.4%, and Scope 3 emissions comprised 48.4% of the total.

Greenhouse Gas Emissions By Year (ton CO₂e)



20.2%
SCOPE 1

31.4%
SCOPE 2

48.4%
SCOPE 3

EMISSION AND ENERGY MANAGEMENT

EMISSION MANAGEMENT

WE MANAGE OUR CRADLE-TO-GRAVE IMPACT

Life Cycle Assessments

Beyond monitoring our operational emissions, we also conduct a comprehensive analysis of the carbon footprint generated throughout the entire life cycle of our vehicles. This includes evaluating 27 key environmental impact categories, such as carbon emissions, ecotoxicity, eutrophication, resource consumption, and water usage. In 2024, we completed the life cycle assessments (LCA) for our e-ATA 12 electric and hydrogen-powered vehicles, as well as the e-ATA 18-meter model. Looking ahead to 2025, we plan to finalize LCA studies for the e-JEST 6-meter, e-ATAK 8-meter, and autonomous e-ATAK models.

We conduct our LCA studies using a “cradle-to-grave” approach. The system boundaries are defined based on raw material data sourced from Karsan’s records, which we integrate into the Ecoinvent database via SimaPro software. For the transportation of raw materials, we assess the environmental impact of logistics by calculating road and air transport distances using supplier-provided data.

Energy, natural gas, and water consumption in production are determined through facility records, while vehicle consumption values are meticulously calculated and incorporated into our analysis. During the distribution phase, we evaluate the environmental impact of road and sea transportation using shipment data from Portugal for the e-ATA 12-meter model and Romania for the e-ATA 18-meter model. Additionally, we estimate the total electricity consumption of our vehicles during their lifetime based on real-world data and analyze end-of-life disposal methods. Our findings indicate that 95% of e-ATA models are recyclable, with only 5% requiring landfill disposal.



EMISSION AND ENERGY MANAGEMENT

EMISSION MANAGEMENT

TRY **921** THOUSAND

FINANCIAL GAIN FROM ENERGY EFFICIENCY INITIATIVES

Energy Management

At Karsan, energy management is a key pillar of our commitment to enhancing production efficiency, strengthening operational sustainability, and reducing environmental impact. Beyond compliance, we consider energy management a strategic advantage that helps drive competitiveness. Our efforts focus on reducing energy consumption, optimizing costs, and improving operational efficiency through innovative technologies and digital solutions. We continuously enhance our processes under the ISO 50001 Energy Management System and leverage innovative technologies and digital solutions to make energy management more effective.

We implement various initiatives to raise employee awareness of energy consumption, optimize energy usage points, and promote renewable energy use. In 2024, we strengthened our energy management system by tracking energy consumption data on a weekly and monthly basis and took action to minimize consumption during non-production periods.

Under the ISO 50001 framework, we monitor key energy-intensive areas through our SCADA system, conducting efficiency analyses

to drive continuous improvements. As of 2024, 11 critical energy consumption points account for 65% of our total energy usage, making them a focal point for optimization efforts. To further reduce consumption, we have implemented our "Dark Factory" initiative, which enables real-time monitoring and minimizes energy losses during idle production periods.

In 2024, we conducted systematic energy efficiency analyses as part of our e-matrix projects, leading to the successful implementation of 27 improvement initiatives. Our facilities are equipped with an advanced tracking system that monitors energy and carbon losses. Moving forward, we aim to integrate artificial intelligence and other digital technologies to enable real-time tracking and optimization.

Our total energy consumption in 2024 reached 268,027 GJ, with 54% derived from natural gas and 46% from electricity. Compared to the previous year, this represents a 43% increase, primarily due to an expanded data scope and planned adjustments in production processes. During periods when the Dark Factory system was applied in two shifts, we observed variations in energy consumption patterns. To further our commitment to sustainability, we launched the I-REC certification process in April. By the end of the year, 63% of the electricity we consumed was certified as sourced from renewable energy.

Energy Consumption (GJ)	2022	2023	2024
Natural gas	51,044	97,688	146,574
Electricity	44,464	90,144	121,453
Total	95,508	187,832	268,027

As part of our energy efficiency initiatives in 2024, we achieved a total energy savings of 1,212 GJ. These savings not only optimized our operational costs but also generated a financial gain of TRY 921,000. Beyond cost advantages, our energy efficiency projects contributed to reducing carbon emissions in line with our sustainability goals. Looking ahead, we aim to further strengthen our energy management processes, increase savings rates, and expand the use of renewable energy sources across our operations.

Renewable Energy Usage

At Karsan, we are committed to sourcing our entire energy consumption from renewable sources. As of 2024, we have initiated the certification process for 100% of the electricity used in production through I-REC certificates. Since April 2024, we have begun procuring green energy in collaboration with Enerjisa. Additionally, the preparation phase of our Rooftop Solar Power Plant project, aimed at generating our own electricity, is currently in progress.

Awareness Projects

Raising employee awareness about energy management is among our key priorities. We integrate energy awareness content into onboarding training and conduct practical training sessions for team leaders at regular intervals. Through the Environmental and Energy Dojo, we promote awareness in the field, enhancing team contributions to energy-saving initiatives. Moreover, we encourage all employees to submit suggestions related to energy efficiency and greenhouse gas reduction through the Karsan Suggestion/Kaizen System. The best proposals are rewarded with financial incentives, fostering a culture of continuous improvement.

WATER MANAGEMENT

EFFICIENCY THROUGH REVERSE OSMOSIS SYSTEM



Water Management and Efficiency Initiatives

A significant portion of the water used in our production processes is sourced from wells located within our facilities. To ensure effective water management, we conduct regular measurement and monitoring activities, analyze the collected data, and implement necessary improvement actions. As part of these efforts, we transitioned to reverse osmosis technology to reduce water consumption and increase recovery rates. As of 2024, this system is actively used in all our production facilities, minimizing water losses while ensuring the required quality of production water. Our reverse osmosis facility has a total capacity of 11 m³/hour, with 8 m³/hour of water being produced and 3 m³/hour of concentrated wastewater being generated.

Furthermore, we have incorporated the reverse osmosis system into the drinking and utility water supplies in our administrative building and cafeteria. To optimize efficiency, aerators have been installed on all water outlets, and sensor-operated water systems have been introduced in new facilities to enhance conservation efforts. In our production processes, we have replaced outdated chemical-based deionization systems with reverse osmosis technology, resulting in a substantial reduction in both water consumption and chemical usage.

By adopting a more efficient and sustainable approach to water management, we continue our efforts to reduce water consumption and increase water circularity within our operations.

Our facility includes a 30 m³/hour capacity Wastewater Treatment Plant, where we focus on reducing chemical usage and improving treatment efficiency. To ensure continuous monitoring and enhancement of wastewater quality, we conduct weekly organic and inorganic pollutant analyses in our in-house laboratory. Heavy metal analyses are performed monthly, and the results are regularly evaluated. Additionally, independent audits are conducted by the Organized Industrial Zone (OIZ) Directorate at monthly, quarterly, and annual intervals. Through these initiatives, we aim to improve our wastewater treatment performance and contribute to water circularity.

In 2024, we launched several initiatives to improve the efficiency of our wastewater treatment systems and advance water recovery efforts. Our ongoing work is centered on reintegrating treated wastewater into production processes. By 2025, we aim to establish a joint water recycling facility in partnership with Bursa Hasanağa Organized Industrial Zone (HOSAB) and a high-water-consuming company within the zone. This project is designed to refine treated water to first-quality standards, enabling its reuse in production.

To raise awareness about water conservation among our employees, we conduct various training programs. Water management is a mandatory topic in onboarding training, and periodic hands-on training sessions are organized for team leaders. Additionally, practical training programs are held in Environmental and Energy Dojo areas to increase awareness among field employees. We also utilize internal communication platforms to share information on water management, encouraging all employees to contribute to our conservation efforts.

CIRCULARITY AND WASTE MANAGEMENT

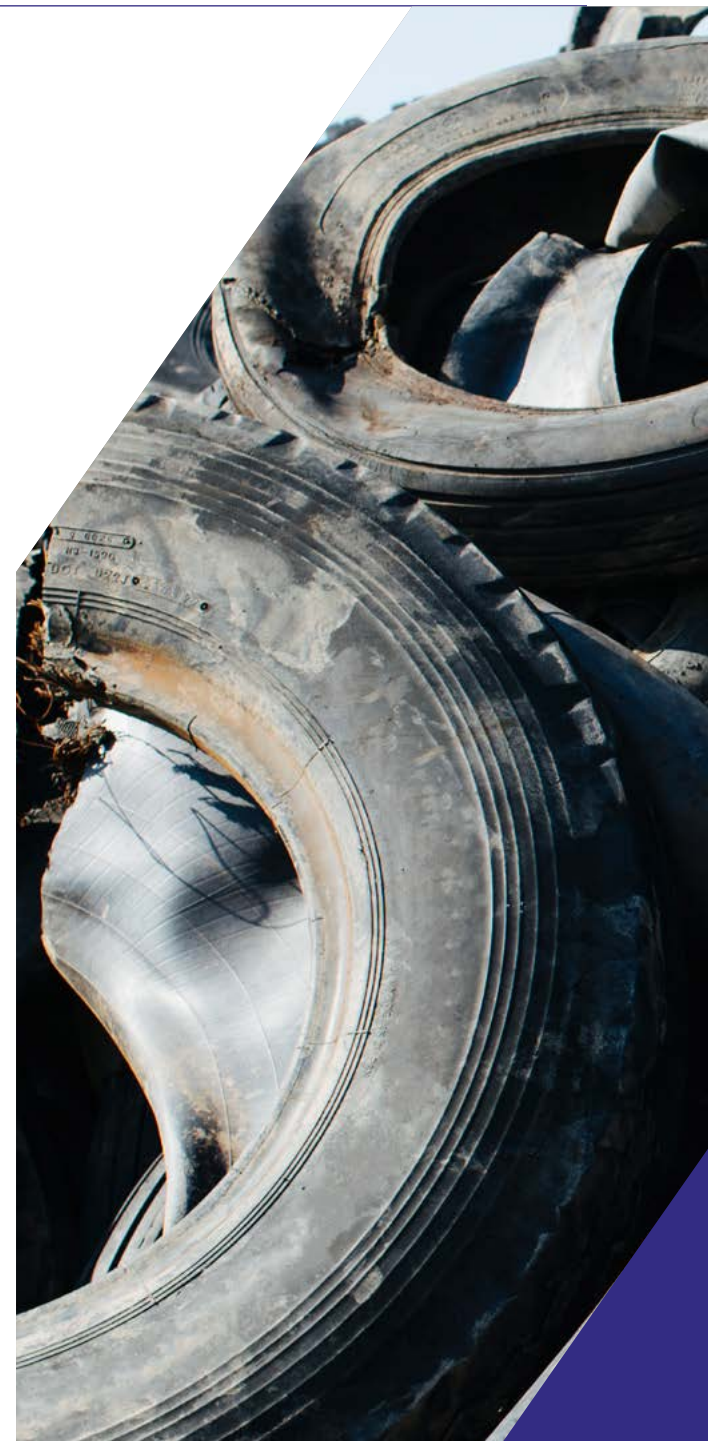
WE ADOPT **CIRCULAR ECONOMY** PRINCIPLES

At Karsan, we are committed to improving resource efficiency, minimizing waste, and integrating circular economy principles into our operations. To achieve this, we continuously refine our waste management strategies, optimizing material usage in production to reduce waste generation. We carefully classify waste by type and prioritize source separation to maximize recycling rates.

Our waste management approach is built on the 5R principles: Refuse, Reduce, Reuse, Recycle, and Recover. In line with this, we focus on minimizing waste production while increasing recycling efforts. In 2024, we categorized waste from both production and office activities into hazardous, recyclable, and non-hazardous industrial waste. The main waste types include treatment sludge, paint and filler materials, oils, packaging waste, cleaning cloths, paper, cardboard, wood, plastic, and metal.

Our waste management system follows a structured process: reducing waste at the source, ensuring proper segregation, collecting and temporarily storing waste, and directing it to recovery or disposal facilities. By prioritizing source separation, we have significantly improved our recycling rates.

Looking ahead, we are committed to further enhancing our waste management practices to move closer to our zero waste goal. Key priorities include increasing recycling rates, expanding the use of sustainable packaging solutions, and integrating recycled materials into our production processes. Additionally, we will continue to implement initiatives that promote sustainable material use across our supply chain, reinforcing our commitment to the circular economy.



CIRCULARITY AND WASTE MANAGEMENT

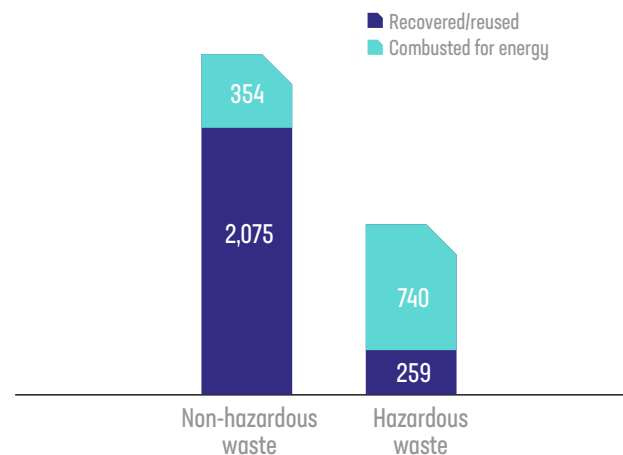
WE USE DATA IN WASTE MANAGEMENT

To optimize waste management, we also utilize smart sensors and data collection systems. These technologies play a key role in refining waste generation processes, reducing waste, and increasing recycling rates. Waste data is actively incorporated into our strategic decision-making, allowing us to continuously improve our waste management strategies.

In 2024, Karsan generated a total of 3,428 tons of waste, with 29% classified as hazardous and 71% as non-hazardous. Compared to the previous year's 2,973 tons, this 15% increase is attributed to an expansion in the scope of waste calculations in 2024.

Of the total waste generated in 2024, 68% was recovered or reused, while 32% was incinerated for energy purposes. Additionally, 53 kg of medical waste, representing 0.002% of total waste, was classified as hazardous and sent to designated disposal sites.

Wastes by Disposal Method (Tonnes)



Calculation and Monitoring of Waste Data

We leverage data analytics to enhance the efficiency of our waste management processes. By accurately classifying waste types, improving recycling processes, and minimizing environmental impact, we ensure a more effective approach to waste management. Our waste calculations are based on vehicle scale measurements, further detailed through percentage breakdowns.

WASTE BY TYPE



100%

71%

NON-HAZARDOUS WASTE

29%

HAZARDOUS WASTE

CIRCULARITY AND WASTE MANAGEMENT

100%

RECYCLED PACKAGING WASTE

Packaging Optimization and Circular Economy Initiatives

In line with resource efficiency and circular economy principles, we have launched projects aimed at improving packaging efficiency, reducing packaging waste, and promoting reuse. Through the system implemented at our OSB Spare Parts Warehouse, we successfully prevented the generation of 3.46 tons of packaging waste. While our loss analyses indicate that 100% of packaging waste is recycled, we continue to conduct kaizen initiatives to eliminate waste generation altogether.

Additionally, as part of the SAYEM Project, we are introducing processes that enable the reintegration of materials from our products back into new products. Within our strategic framework, we aim to incorporate 20% recycled materials into production over the next five years. In particular, we are collaborating with project partners to facilitate the secondary use and raw material recovery of components such as battery seat fabrics and similar materials.

Collaboration with Startups

As part of our commitment to sustainability, we focus on extending the lifecycle of electric vehicle batteries and fostering a circular economy. To this end, we actively collaborate with innovative startups specializing in battery recycling and reuse solutions.

In line with this approach, we partnered with a leading battery recycling startup to assess the secondary use potential of LFP batteries and explore recycling alternatives for NMC batteries. Within the scope of this collaboration, we conducted critical raw material recovery studies on 55 batteries. Additionally, through our battery second-life strategy program, we aim to recycle more than 90% of vehicle batteries. Our efforts in this area will continue in the coming years, reinforcing our commitment to sustainable resource management.

Awareness Studies

In 2024, we took concrete steps to promote resource efficiency and employee engagement in sustainability initiatives. We encouraged our employees to reuse functional materials and implemented company-wide training programs focused on waste reduction and recycling. With these training initiatives, we aim not only to increase awareness but also strengthen our corporate culture around sustainable waste management.

Furthermore, our battery collection campaign achieved results beyond our initial target. While we originally aimed to collect 2,000 batteries, contributions from our employees helped us surpass this goal, reaching a total of 3,452 batteries.

“Atma-Bağışla” Project

In 2024, we launched the “Atma – Bağışla” (Don't Discard – Donate) Project in collaboration with the Educational Volunteers Foundation of Turkey (TEGV) and the Informatics Industry Association (TÜBİSAD) to promote electronic waste recycling while fostering social responsibility. Through this initiative, the economic value generated from recycling electronic waste will support quality education programs for children at TEGV activity centers. At the same time, the project aims to contribute to environmental sustainability by ensuring the responsible disposal of electronic waste and the conservation of natural resources. To facilitate employee participation, we have placed dedicated collection bins in front of the cafeteria at our Akçalar plant. The project will continue until February 28, 2025.



BIODIVERSITY AND LAND USE

WE ASSESS OUR IMPACT ON ECOSYSTEMS

We are committed to protecting biodiversity and fulfilling our environmental responsibilities while carrying out our operations. Although our production facilities are located within the Organized Industrial Zone (OIZ), an area with low biological diversity, we recognize our responsibility to minimize our impact on natural habitats and ecosystems. As part of our Environmental and Climate Change Policy, we actively assess and monitor the environmental impact of our operations on biodiversity. We conduct environmental impact assessments (EIAs) when planning physical investments and take a proactive approach to evaluating the potential effects of our activities on biodiversity. Additionally, we monitor the environmental footprint of our products using a life cycle approach, which includes resource utilization and land use assessments.

Our Hasanağa site is located approximately 5 km from Lake Uluabat, a biologically rich area protected under the RAMSAR Convention. Therefore, all our new projects and activities comply with the Environmental Impact Assessment (EIA) Regulation, and we adopt an ecosystem-sensitive approach to minimize any potential effects on the lake's fragile biodiversity. We shape our strategies with a strong commitment to preserving Lake Uluabat's fragile biodiversity and consistently evaluate the environmental impact of our operations.

Moving forward, we aim to enhance our biodiversity impact assessments and identify areas for improvement. We are committed to implementing systematic conservation efforts in the regions where we operate and developing strategies that further reduce our environmental footprint.

WE COMPLY WITH THE EIA (ÇED) REGULATION IN OUR NEW PROJECTS AND ACTIVITIES

KARSAN FOR THE FUTURE

74 R&D and Innovation

77 Our Innovative Products

85 Product Safety and Quality Management

88 Information Security

89 Digital Transformation



R&D AND INNOVATION

INNOVATIVE ENGINEERING, SUSTAINABLE TRANSPORTATION

Driven by our vision to shape the future of mobility, we develop innovative, technology-driven solutions that contribute to a sustainable transportation ecosystem. Our R&D activities are conducted through our R&D Center, accredited by the Republic of Türkiye Ministry of Industry and Technology in 2019. We see innovation not only as a key element in our products but also as a fundamental principle in the way we do business.

With a strong emphasis on sustainability and societal progress, we contribute to the decarbonization of mobility through advanced technological solutions. By continuously strengthening our organizational structure, we promote a culture of innovation in product development and set industry standards with our team of experts. Our commitment to enhancing R&D capabilities drives us to expand our team each year, and as of 2024, our R&D Center has grown to 161 employees.

Operating under the R&D Directorate, our specialized teams manage the entire innovation process, from design to financial planning, ensuring an integrated approach. Focused on making mobility smarter, more efficient, and sustainable, we remain dedicated to embedding innovation at the heart of our business processes.

Our R&D Organization	
Electrical & Electronic Systems	- Electrical & Electronic System Design - Electronic Control Systems and Electrical & Electronic Design - Cyber & Functional Security Engineering - Customer Systems Engineering - Software Engineering - Electrical & Electronics Test and Validation Engineering - BOM configuration Engineering
Systems Engineering	- Chassis System Engineering - Power System Engineering - Thermal Systems Engineering - Homologation Engineering - Geometric Integration Engineering - Vehicle Integration and Prototype Engineering
Product and Project Engineering	- ATA Product Projects - HTA Product Projects - New Product Projects
Body Engineering	- Body Engineering - TRIM Engineering

R&D AND INNOVATION

THANKS TO THE INNOVATIVE PROJECTS DEVELOPED AT OUR KARSAN R&D CENTER, WE INCREASED THE NUMBER OF INTELLECTUAL AND INDUSTRIAL PROPERTY APPLICATIONS FROM 9 IN 2023 TO 18 IN 2024.

IN 2024, OUR R&D AND INNOVATION INVESTMENTS INCREASED BY 120% COMPARED TO 2023, REACHING TRY 393 MILLION.

Karsan R&D Center Management Process

Phase	Content
Project Planning	- Defining the initial scope, timeline, and budget - Conducting literature, patent, and competitor research - Performing target market analysis - Establishing the project's innovation management framework - Identifying required equipment, resources, and application areas
Conceptual Feasibility	- Defining the needs that shape the project's purpose - Finalizing the project plan and budget - Assembling the project team - Setting measurable goals and expected benefits for the project - Outlining conceptual design studies - Creating critical/safety component lists - Preparing the project's virtual and physical testing and validation plan
Economic Feasibility	- Updating the project scope, timeline, and budget - Defining the design component list - Establishing objectives for project sub-packages - Revising project goals and benefits - Conducting preliminary design studies - Creating the prototype manufacturing plan - Developing a risk management plan for the project
Project Approval Phase	- Conducting preliminary virtual analysis tests - Manufacturing the prototype - Updating the project scope, timeline, and budget
Engineering Approval Phase	- Detailing design processes - Producing the latest-stage prototype - Performing physical tests - Completing manufacturability assessments - Finalizing the design freeze

R&D AND INNOVATION

WE ARE STRENGTHENING THE INNOVATION ECOSYSTEM

Open Innovation and Intrapreneurship

In line with our open innovation approach, we collaborate with various industries and academia to develop groundbreaking solutions. A prime example of this is our partnership with Toyota, which fosters technological knowledge sharing and advances sustainability and energy efficiency. This collaboration not only strengthens our competitive edge in the global market but also accelerates transformation within the mobility ecosystem.

In addition, we are working with Uludağ University to mathematically model, experimentally validate, and optimize the energy consumption of electric buses with different powertrains. We also engage in academic collaborations to drive new projects in key areas such as big data, predictive maintenance, and sustainability.

At Karsan, innovation is deeply embedded in our corporate culture. We provide a platform where employees can freely express their ideas and transform them into commercially viable projects. To support this, we actively manage our Intellectual and Industrial Property Rights (IIPR) processes to protect and commercialize innovative concepts.

Key Initiatives:

- **IIPR Awareness Training:** We offer regular training on patents, utility models, trademarks, and design rights to help employees integrate their innovative ideas into the IIPR framework effectively.
- **Invention Disclosure Process:** A structured “invention notification” system allows employees to submit and assess their innovative projects.
- **Incentives and Recognition:** We implement internal reward programs, financial incentives, career development opportunities, and resource support for employees who contribute to IIPR applications.
- **IIPR Commercialization Strategy:** Patents, utility models, and designs acquired through IIPR processes are leveraged as part of our innovation-driven growth strategy, enabling us to enhance our products, services, and business models. We leverage these innovations to enhance our existing products and services while creating new business models.

By fostering open innovation and intrapreneurship, we continue to shape the future of mobility while strengthening our sustainable innovation ecosystem.



R&D AND INNOVATION

OUR INNOVATIVE PRODUCTS

15%

ENERGY SAVINGS ACHIEVED THROUGH REGENERATION TECHNOLOGY

With a vision to stay ahead in the future of mobility, we are leading the transformation of the public transportation sector. Through our investments in electric and autonomous vehicle technologies, we develop low-emission and high-efficiency transportation solutions. In 2024, we further advanced our R&D efforts, launching key projects in new product platforms, hydrogen fuel cell vehicles, autonomous driving systems, and the use of recycled materials.

Our R&D Center has played a pivotal role in securing consecutive market leadership in Europe for our 100% locally produced 6m e-JEST, 8m e-ATAK, and 10m-12m-18m e-ATA models. The development of our e-ATA Hydrogen bus, introduced in 2022, continues under our R&D team. Additionally, our 6m e-JEST models, designed and manufactured in compliance with FMVSS and CMVSS regulations, are strengthening our presence in North America. Meanwhile, our expansion efforts in Japan and the UK focus on developing region-specific products that align with local regulations, further enhancing Karsan's global footprint. These initiatives support the expansion of our brand value on a global scale.

We are also intensifying our projects in autonomous vehicle technologies, aiming to accelerate their adoption and establish a stronger position in global markets. Our autonomous vehicles are already in active use across multiple countries, and we continue to expand into new markets in line with our international growth strategy.

Moreover, we are taking significant steps toward reducing our carbon footprint by expanding the use of recycled materials in vehicle production. By prioritizing sustainability in our design and manufacturing processes, we strive to minimize environmental impact. The efforts we undertake within this framework not only

support environmentally friendly production processes but also enhance our competitive strength in the industry.

Electric Vehicles

As the key driver of transformation in the public transportation sector, electric vehicles are at the core of Karsan's business model. In line with our emission reduction goals and Electric Evolution journey, we continuously expand our electric vehicle portfolio. Our models, including e-JEST, e-ATAK, and e-ATA, offer comprehensive solutions tailored to diverse capacity and operational needs. Optimized for both urban public transportation and long-distance travel, these vehicles are designed to lower operational costs and reduce carbon emissions.

Focusing on advancements in battery technology, power electronics, and drivetrain systems, we enhance energy efficiency across our fleet. Through the use of lightweight materials and innovations in charging infrastructure, we continue to elevate vehicle performance. By leveraging VECTO simulations and real-time data analysis, we closely monitor emission reductions and continuously refine our processes. These vehicles not only contribute to environmental sustainability but also strengthen our competitive edge in the industry.

Regenerative Technology

Our electric vehicles incorporate regenerative technology to optimize energy efficiency and extend their driving range. This system recaptures kinetic energy and converts it into electrical power, recharging the battery when the accelerator is released without braking. Under typical driving conditions, this innovation can improve energy savings by up to 15%, allowing the vehicle to cover an additional 45 km on a single charge. This not only enhances sustainability but also boosts overall operational efficiency.

R&D AND INNOVATION

OUR INNOVATIVE PRODUCTS

Autonomous Vehicles

Autonomous driving technologies are shaping the future of public transportation. And at Karsan, we are accelerating our investments in this field. As the adoption of self-driving systems increases, we continue to integrate autonomous solutions into the mobility ecosystem.

Our Autonomous e-ATAK project, launched in 2019, aims to showcase the potential of driverless transportation in public transit. Equipped with Advanced Driver Assistance Systems (ADAS), this model has been designed to achieve Level-4 autonomous driving capabilities. The vehicle can independently perform dynamic driving functions within designated areas, utilizing CAN communication technology for seamless steering control without mechanical intervention. Featuring Drive-by-Wire technology, an electric steering system, and an advanced sensor network, the Autonomous e-ATAK ensures a safe and efficient self-driving experience.

Developed in collaboration with the Turkish technology firm ADASTEC, the vehicle's autonomous driving software is enhanced with LIDAR sensors and other cutting-edge technologies, ensuring reliable operation in all weather conditions, day or night. The Autonomous e-ATAK is capable of autonomously approaching designated stops, managing passenger boarding and alighting processes, and navigating intersections and traffic signals without driver intervention.

By 2021, the Autonomous e-ATAK was production-ready and was first exported to Romania, marking its integration into European public transportation networks. As of 2024, the model has undergone testing and deployment in multiple countries. In Norway's Stavanger region, it successfully completed tests in an 800-meter tunnel with no external communication signals. Meanwhile, at Michigan State University (USA), it became the first autonomous bus to operate a 5 km passenger transport route within a university campus. Additionally, test and operation processes are ongoing in France, Finland, the Netherlands, Romania, and Switzerland.

We continue our testing processes in different parts of Europe. Our autonomous vehicles are actively transporting passengers in France, Finland, the Netherlands, Romania, and Switzerland.

The Karsan Autonomous e-ATAK, equipped with LIDAR, Radar, RGB cameras, GNSS, and advanced sensor technology, can achieve autonomous speeds of up to 40 km/h in any weather condition. It seamlessly performs essential driverless operations, including precise docking at stops, passenger management, and intersection navigation. With 5-hour full charging via AC units and 3-hour fast charging via DC units, it ensures uninterrupted service.

Karsan Autonomous e-ATAK holds the distinction of being the first autonomous bus to transport passengers in the U.S. and the first vehicle to offer ticketed public transportation in Norway. It also holds the title of being the first autonomous bus to pass through a tunnel.

Currently active in the U.S., Europe, and Türkiye, Karsan's Autonomous e-ATAK continues to expand its global footprint, with nine new projects in Sweden, maintaining its status as the world's first and only Level-4 autonomous bus operating in open traffic.



R&D AND INNOVATION

OUR INNOVATIVE PRODUCTS

1,100+

ELECTRIC VEHICLES

OUR FIRST HYDROGEN FUEL CELL VEHICLES WILL BE ON THE ROADS IN 2025

Hydrogen Fuel Cell Vehicles (Fuelcell Project)

As part of our commitment to revolutionizing public transportation with next-generation technologies, we continue to strengthen our R&D capabilities through strategic collaborations with industry leaders. Aligned with our vision of "One Step Ahead in the Future of Mobility," we support sustainable transportation with a fleet of over 1,100 electric vehicles operating across 23 countries, primarily in Europe.

Building upon our leadership in electrification, we are accelerating our investments in hydrogen fuel cell (Fuel Cell) technologies. Since 2022, we have been advancing our hydrogen-focused projects, further enhancing our capabilities through a strategic partnership with Toyota. Within this framework, we aim to introduce our first Toyota hydrogen fuel cell vehicles to the market by 2025.

Our e-ATA Hydrogen model operates with zero emissions by converting hydrogen into electricity through a fuel cell system. This process not only powers the vehicle but also ensures an environmentally friendly mobility solution. Designed for efficiency and comfort, the model features a spacious interior, an aerodynamically optimized structure, and passenger seating options in plastic or fabric, making it ideal for long-distance travel while maintaining superior performance.

Class II Vehicles

Our Class II vehicles play a key role in bridging the gap between urban and intercity public transportation, contributing to the goal of zero emissions. With a mid-range passenger capacity, these vehicles offer advantages in both environmental sustainability and energy efficiency.

Designed to minimize the need for battery recharging on long routes, our Class II models ensure uninterrupted journeys, enhancing operational efficiency. Their spacious interior layout provides passengers with comfort and accessibility while offering ease of use for operators. To further optimize total operating costs, we have enhanced energy management and increased durability.

All Class II projects are developed in compliance with European Union regulations. By integrating commercial sustainability with environmental responsibility, we continue to advance our industry leadership ambitions in this segment.

Vehicle Lightweighting Strategies

Reducing vehicle weight is essential for lowering energy consumption and extending driving range. Lighter vehicles not only enhance operational efficiency but also contribute to reducing carbon emissions. In 2024, we focused on weight reduction initiatives by utilizing composite materials, advanced engineering materials, and virtual analysis simulations. Through optimized structural designs, we ensure that our vehicles are both lighter and more efficient. These initiatives aim to minimize energy consumption, extend range, and lower overall operating costs.

Smart Systems

Through remote monitoring and fault detection systems, we enhance the operational efficiency of our vehicles while leveraging big data applications to improve user experience. Additionally, we are developing autonomous logistics transport vehicles to optimize our internal logistics operations.

R&D AND INNOVATION OUR INNOVATIVE PRODUCTS

COMPACT AND EFFICIENT ELECTRIC MINIBUS

Designed to meet the needs of small-scale urban public transportation, e-JEST combines efficiency with compact dimensions. This innovative model offers a minimum range of 200 km on a full charge, a maximum charging time of 2 hours on AC, and a Class A passenger capacity of 22, all while maintaining the comfort and optional features of traditional diesel minibuses. Built on the JEST diesel platform, e-JEST was developed by modifying powertrain, electrical-electronic systems, and trim components to create a fully electric alternative. Its user-friendly design and exceptional maneuverability make it an ideal solution for navigating narrow streets and congested traffic conditions.

Since its 2018 launch in Germany, e-JEST has maintained its position as the market leader in the European electric minibus segment with a dominant 26.9% market share for five consecutive years. This means that one in every four registered electric minibuses in the 3.5-8 ton category across Europe is a Karsan e-JEST.

- 170 HP electric motor produced by BMW, delivering 290 Nm of torque
- Up to 200 km range on a full charge
- Regenerative braking system that recovers 25% of energy
- Market leader in the European electric minibus segment with a 26.9% market share
- Right-hand drive version available in Japan

e-JEST



e-ATAK

R&D AND INNOVATION OUR INNOVATIVE PRODUCTS

LEADER OF THE ELECTRIC MIDIBUS MARKET IN EUROPE

Designed to meet medium-scale public transportation needs, e-ATAK offers a perfect balance of comfort, performance, and zero emissions for urban mobility. With its spacious interior and advanced battery technology, it stands out as one of the most competitive models in its category.

Launched by Karsan in 2018, the e-ATAK project aimed to develop a fully electric midibus with a 300 km range per full charge, a maximum DC charging time of 3 hours, and a 52-passenger capacity (Class I). As part of this project, Karsan produced its first 8-meter, 11-ton electric vehicle, leading the development of key components, including the electric motor, battery, software, engineering, and vehicle design.

Since its 2019 debut in Germany, e-ATAK has consistently strengthened its position in the European market, achieving impressive sales success. For five consecutive years, it has maintained its leadership in the electric midibus segment, closing 2024 with a 28.9% market share.

- 300 km range per full charge
- 8-meter length and 11-ton capacity
- Segment leader with a 28.9% market share
- Autonomous e-ATAK version featuring Level 4 autonomous driving technology

R&D AND INNOVATION OUR INNOVATIVE PRODUCTS

INHERENTLY ELECTRIC, SUSTAINABLE MOBILITY

Following e-JEST and e-ATAK, we launched the e-ATA project to expand our product range into the electric heavy-duty passenger bus segment. Designed and engineered by Karsan, e-ATA is a fully electric, low-floor, quiet, efficient, and eco-friendly transportation solution with fast passenger boarding and alighting capabilities. After its 2021 launch, e-ATA was made ready for mass production. As part of our commitment to large-scale electric public transportation, e-ATA is available in 10, 12, and 18-meter models, offering flexible capacity options to meet diverse urban transit needs. It has become one of the preferred models in Europe's largest electric bus fleets, solidifying Karsan's position as the first and only company in Europe to offer a full electric bus range from 6 to 18 meters.

- We have secured one of Türkiye's largest export agreements in the 100% electric heavy-duty passenger bus segment.

18 METER

MARKET LEADER IN BOLOGNA,
ITALY WITH ITS PANTOGRAPH MODEL

e-ATA



Autonomous e-ATAK



R&D AND INNOVATION OUR INNOVATIVE PRODUCTS

AUTONOMOUS OPERATION CAPABILITY

Leading the future of urban transportation, the Autonomous e-ATAK stands out with its advanced autonomous driving capabilities, enabling driverless operations. Equipped with a state-of-the-art Sensor Package, the vehicle ensures precise navigation and situational awareness in various weather conditions by integrating LiDAR, Radar, RGB Cameras, GNSS, and other cutting-edge sensors.

Designed and engineered by Karsan, the vehicle's autonomous driving software was developed in collaboration with the Turkish company ADASTEC. After successfully completing all testing phases, the Autonomous e-ATAK was made ready for mass production in 2021.

Setting a global milestone, the vehicle operated for 1.5 years on a 5-kilometer route at Michigan State University in the U.S., providing passenger transport. In Norway's Stavanger, it expanded its existing route to include a tunnel, making it the first autonomous vehicle to navigate through a tunnel.

- Level 4 autonomous driving capability
- Driverless operation at speeds of up to 40 km/h
- Advanced LiDAR sensors and smart systems
- First export to Romania
- The world's first and only Level-4 autonomous bus operating in open traffic and carrying passengers

R&D AND INNOVATION OUR INNOVATIVE PRODUCTS

HYDROGEN-POWERED TRANSPORTATION SOLUTION

The e-ATA Hydrogen, powered by a hydrogen fuel cell, is specifically designed for long-range transportation. With its high passenger capacity and zero-emission technology, it stands out as one of the transportation solutions of the future. As part of its commitment to driving innovation in the automotive sector, Karsan's R&D Center introduced the e-ATA Hydrogen in 2022, adding another cutting-edge solution to its portfolio. While hydrogen-powered public transport vehicles worldwide typically operate at THS 5-6 technology levels, Karsan has advanced this technology to THS 8-9 in Türkiye.

The company has also filed one patent and one design registration application for the e-ATA Hydrogen. With this groundbreaking technology, Karsan aims to replicate the market leadership achieved with its e-JEST and e-ATAK models in Europe.

- Over 500 km range with hydrogen fuel cell
- Passenger capacity: 95 people
- Maximum speed: 80-100 km/h
- One of the leading projects in Europe's hydrogen-powered public transport segment

500+ KM RANGE

e-ATA HYDROGEN



PRODUCT SAFETY AND QUALITY MANAGEMENT

QUALITY AND SAFETY-ORIENTED PRODUCTION APPROACH

At Karsan, product safety and quality management are the foundation of our manufacturing processes. Our quality policy is designed to meet customer expectations, deliver sustainable and innovative solutions, ensure a safe working environment for our employees, and minimize the environmental impact of our operations. By adopting a continuous improvement approach, we aim to enhance our competitiveness in the global market.

We implement quality management processes in line with ISO 9001 and IATF 16949 standards. To consistently improve product and process quality, we utilize FMEA (Failure Modes and Effects Analysis) and MSA (Measurement System Analysis) tools. The MSA process is conducted at regular intervals throughout the year to assess calibration levels and evaluate employees' multi-skill competencies. If calibration criteria are not met, employees receive targeted training before undergoing reassessment.

Our quality management approach also extends to the collaborations we realize with our supplier network. We prioritize quality, safety, and environmental compliance when selecting suppliers. To support

continuous improvement, we conduct regular audits and training sessions for our suppliers. Additionally, we have established performance monitoring systems to ensure the sustainability of quality processes across our supply chain.

Quality Tracking System

To efficiently manage the quality data of our produced vehicles, we have implemented the Quality Tracking System (QTS). This system is specifically designed for our product range, incorporating vehicle-specific zones and fault code infrastructure. Any defects identified by our employees are recorded in the system with details such as the affected vehicle area, fault code, and detection location. All quality inspections conducted on the production lines are systematically documented, ensuring that unresolved issues cannot be approved until they are fully addressed. In 2024, the system was expanded by integrating control plan data entry and process tracking into QTS, further enhancing its scope. This upgrade has made quality processes more structured and traceable. All records entered into the system are analyzed and reported daily, weekly, and monthly to monitor vehicle quality performance effectively.

Internal Audits and Certification Inspections

To enhance the effectiveness of our quality management system, we conduct regular internal audits. These audits are performed periodically, focusing on processes within the Quality Management System, guided by risk analyses prioritizing customer satisfaction. Any identified nonconformities are tracked and resolved through our web-based nonconformity management system.

We ensure that all processes defined in our main process map undergo at least one internal audit per year. To maintain the credibility of our Quality Management System, we undergo external audits conducted by independent and accredited organizations. Additionally, we renew our ISO 9001 and IATF 16949 certifications every three years. Our Hasanağa, OSB, and Italy facilities are certified with both ISO 9001 and IATF 16949, ensuring compliance with international quality standards.

Our Lean Production Approach

At Karsan, we embrace the lean production philosophy to minimize waste and enhance operational efficiency in our manufacturing processes. To achieve this, we continuously improve our operations using various methodologies, including Kaizen, 5S, value stream mapping, defect cards, autonomous maintenance checklists, MP Info, Lessons Learned, TWTPP, and the A-B-C-D-E-F matrix. These approaches enable us to streamline production, making it faster, more efficient, and cost-effective.

In 2024, we took significant steps to further develop our lean production processes. By implementing projects designed to reduce inefficiencies and improve productivity, we enhanced our operational performance.

Throughout 2024, we carried out 173 environmental and energy-related Kaizen initiatives, enhancing the efficiency of our production processes and increasing our average gain-to-cost ratio to 113%.

PRODUCT SAFETY AND QUALITY MANAGEMENT

Karsan Production System (KPS)

Until now, we have implemented the World Class Manufacturing (WCM) methodology in our production processes. However, as of 2024, we phased out this system and initiated the transition to the Karsan Production System (KPS). By removing WCM processes, we have restructured our operations to better manage losses and customize transformation projects within our own system.

Throughout this transformation process, we prioritize flexible manufacturing systems, defect detection and prevention mechanisms, and energy efficiency-focused improvements. Within this context, we have redesigned our loss management and training activities and updated our loss collection systems. Through the completion of targeted efficiency projects, we have successfully eliminated 9.2% of transformation costs, surpassing our initial goal of 8%.

With the Karsan Production System, we aim to create a more agile, efficient, and sustainable manufacturing process while fostering a continuous improvement culture driven by our employees.

Safety in Product Design

We prioritize safety at every stage of our product design and development processes. During the design phase, we ensure compliance with all legal requirements, customer-specific demands, and safety standards. Each design output clearly defines safety features, components, and processes, with rigorous checks conducted at key stages.

As part of this approach, we implement Design FMEA (Failure Mode and Effects Analysis) and Process FMEA through a multidisciplinary methodology. These analyses guide the development of quality plans, control instructions, and preventive measures to mitigate potential risks. During the design validation phase, we conduct safety tests and performance evaluations to verify that our products fully comply with safety standards.

Product Safety Testing

To ensure product safety, we conduct comprehensive tests throughout our production and development processes. During the inspection phase, all documentation is prepared in compliance with safety and regulatory requirements, with critical points specifically marked with distinctive characteristics.

We deliver comprehensive training to all quality control teams on safety and regulatory compliance checkpoints. In the event of a nonconformity in safety-regulated areas, the P-0905 Nonconforming Product Management Procedure is promptly implemented. Furthermore, Process Controls, COP (Conformity of Production) Audits, and Quality Management System Inspections are conducted on a regular basis. Action plans formulated from these audits ensure the sustained effectiveness of safety and regulatory compliance processes.

Training and Process Development Initiatives

To ensure the continuous improvement of our quality and production processes, we implement various training programs for our employees. In 2024, orientation programs continued for new hires, covering essential competencies such as fastening, bonding, and assembly.

- **Orientation Training:** Launched in 2020 as the Bonding School, this initiative was integrated into the Orientation Training Program in 2024. New employees receive both theoretical and hands-on training in bonding techniques and quality standards.
- **Assembly Hands-On Training Area (DOJO):** Established in 2021, this facility enables employees to gain practical experience in production processes. Through training sessions and daily briefings conducted in the DOJO area, we provide critical insights on quality and occupational safety risks.



PRODUCT SAFETY AND QUALITY MANAGEMENT

In 2024, we launched various projects to enhance our quality and production processes:

Standard Kaizen Certification

To strengthen the problem-solving capabilities of our team leaders, we introduced the Standard Kaizen Certification Program. This initiative ensures that all team leaders attain a uniform level of expertise. Team leaders without certification can obtain it by completing and presenting their Standard Kaizen projects throughout the year. By the end of 2024, 50 team leaders successfully earned their certification. To encourage participation, we recognized and rewarded each certified employee.

Major Kaizen Certification

Designed for our white-collar employees, the Major Kaizen Certification Program focuses on enhancing problem-solving skills, process development, and operational efficiency. Throughout 2024, 90 white-collar employees were certified. To acknowledge their achievements, we rewarded those who successfully completed the certification process.

Competitive Teams Program

To foster team spirit and a culture of continuous improvement, we launched the "Competitive Teams" Program, where teams consisting of team leaders and operators are evaluated weekly based on predefined criteria. Competing in leagues with similar conditions, teams earn points each week based on their rankings. Every three months, the top three teams are rewarded to enhance motivation. In 2024, we achieved a 100% increase in suggestions and a 135% rise in quick Kaizen implementations. Additionally, we observed positive developments in occupational health and safety awareness, 5S culture, and absenteeism rates. By recognizing and rewarding top-performing teams at the end of each quarter, we encouraged greater employee engagement in the process.

Laser Welding Retouch Method

In 2024, we transitioned to laser welding technology to reduce scrap rates and enhance quality in our production processes. To address defects arising during plasma roof welding, we developed an alternative retouch method. While 24 vehicle bodies were scrapped due to defective welding in 2023, this figure was reduced to 11 in 2024 through laser welding retouch applications, resulting in an estimated EUR 11,000 in financial savings.

Enhancing Defect Detectability

As part of our quality management processes, we launched this project to improve defect detectability. To enable early detection of defects during quality control stages, we introduced new inspection methods and equipment. In this scope, we enhanced the effectiveness of quality gate inspections, strengthening defect detection mechanisms. We continue our continuous improvement efforts to identify warranty defects, PDI issues, and customer-reported faults at an earlier stage, ensuring a more proactive approach to quality management.

INFORMATION SECURITY

AGILE AND FLEXIBLE CYBER ECOSYSTEM

WE TRANSITIONED TO THE
ISO 27001:2022
INFORMATION SECURITY
MANAGEMENT SYSTEM

At Karsan, we aim to develop an agile and resilient cybersecurity ecosystem by effectively managing people, processes, and technology in information security. We integrate security technologies to support our business strategies and foster a robust security culture through continuous efforts.

In line with our 2024 security strategies, we managed our information security processes in compliance with the ISO 27001:2013 Information Security Management System and successfully transitioned to the ISO 27001:2022 version, updating all relevant processes and policies. Our goal for 2025 is to obtain the ISO 27001:2022 certification, ensuring full regulatory compliance.

Key Initiatives Under This Framework:

- Implementation of data loss prevention software
- Optimization of firewall and logging systems to align with modern technologies
- Updating data encryption and access control policies
- Expanding information security awareness training programs

Through Karsan Academy, we provide annual cybersecurity awareness training for our employees, covering data security breaches, clean desk & clean screen policies, physical security, password management, email security, malware protection, and mobile security.

Data management plays a critical role in our operational and strategic decision-making processes. By ensuring accurate and conflict-free access to information, we eliminate miscommunication and enhance reliability in business operations.

We manage our data governance framework under the following key areas:

- **Data Governance:** Establishing data policies by defining ownership and responsibilities.
- **Enhancing Data Architecture:** Developing data modeling standards and modernizing our database systems.
- **Data Quality Management:** Implementing continuous monitoring mechanisms to ensure data accuracy, consistency, and up-to-date information.
- **Data Security:** Safeguarding data security and accessibility through Oracle EBS, AWS, Azure, Huawei Cloud, PostgreSQL, Microsoft SharePoint, and Siemens TeamCenter.
- **Data Analytics & Reporting:** Utilizing business intelligence and data analytics tools to accelerate data-driven decision-making processes.

We track all business unit requests through our system, ensure regular data backups, and continuously enhance security measures. By utilizing the agile methodology, we conduct assessments in bi-weekly sprints, continuously analyzing data to optimize our processes. Additionally, we monitor workflows through evaluation surveys on M-Files, enabling systematic tracking and regular reporting.

We continuously enhance our employees' data management and analytics competencies through a structured approach that includes external and internal training programs, peer learning, and reinforcement sessions, ensuring sustainable growth and expertise development.

We continue to strengthen our information security and data management processes, building a resilient, fully compliant, and data-driven decision-making framework to safeguard against cyber threats.

DIGITAL TRANSFORMATION

WE ARE TRANSFORMING BUSINESS PROCESSES THROUGH DIGITAL SOLUTIONS

At Karsan, we prioritize creating a value-driven digital business model and integrating a culture of innovation with technology as key strategic objectives. In this direction, we integrate Robotic Process Automation (RPA), open-source software, cloud technologies, and Office 365 into our digital transformation processes.

Digital Transformation Projects in 2024:

- ERP Transformation Project
- M-Files: Paperless Procurement Expense Management Project
- Oracle EBS: Barcode-Based Quality Data Entry Project
- M-Files: Emergency Parts Management Process Enhancement
- RPA: Automation of R&D Reporting, Quality Reports, and HR Leave Processes, Management of Unsafe Behaviors in Occupational Safety
- SharePoint: Data Sharing and Collaboration Process Optimization
- TeamCenter: PLM Process Improvement Project
- Advanced Cybersecurity Software Implementation
- System Enhancements

With our digital transformation initiatives, we have enhanced internal knowledge sharing, optimized business processes, and improved operational speed. The transition to Office 365 has enabled a cloud-based working model, ensuring secure and seamless data access from anywhere, at any time.

By reducing manual workloads, we empower our employees to focus on more strategic and value-added tasks. The modernization of our ERP system and the automation of key processes allow us to respond swiftly to the evolving demands of the automotive industry.

Moving forward, we will expand our use of web-based open-source applications and integrate advanced technologies to strengthen data management. By leveraging RPA, we aim to further automate workflows and enhance operational efficiency. Additionally, we will continue to drive productivity through artificial intelligence, big data, self-service reporting, and Office 365 solutions, reinforcing our commitment to digital excellence.

DIGITAL TRANSFORMATION

€500,000

PROJECTED SAVINGS FROM THE ERP TRANSFORMATION PROJECT

Our Digital Transformation Projects

ERP Transformation Project

To enhance process integration, efficiency, and alignment with global best practices, we are migrating our ERP system to SAP S/4HANA. In 2024, we completed the discovery, analysis, and scoping phases, and in 2025, we will proceed with integration, testing, and go-live stages.

- Strengthening our digital infrastructure to support international expansion.
- Increasing efficiency in procurement, finance, and production processes.
- Accelerating workflows through automation.
- Adopting a more advanced and user-friendly system that incorporates global best practices.
- Implementing the latest industry standards in a structured, user-centric manner.
- Targeting annual cost savings of €500,000.

As one of the most comprehensive ERP transformations in Türkiye's automotive sector, this project uniquely integrates both mass production and customized manufacturing. As an end-to-end ERP transformation, this project stands out as one of the most extensive in Türkiye in terms of scale and impact. With this initiative, we aim to lead the way in digital transformation, setting a new industry benchmark.

TeamCenter: PLM Process Improvement Project

We are modernizing TeamCenter PLM processes to enhance product lifecycle management efficiency and align with our digital transformation strategies. Within this project, we are optimizing the system to accelerate product development with greater accuracy, strengthening data security, and integrating new functionalities.

- We have enhanced processing speed and overall system performance.
- Reduced maintenance and support costs while improving business continuity.
- Accelerated employee adaptation with an advanced user interface.
- Standardized business processes while facilitating compliance and integration.

This project plays a critical role in strengthening our digital transformation in the automotive sector, enhancing both business continuity and operational efficiency.

Error Logging via Barcode Scanners

To enhance the speed, accuracy, and efficiency of defect reporting processes, we have implemented a barcode scanning system across all production lines. This initiative has eliminated errors caused by manual data entry while standardizing the data collection process.

- Reduced error logging time by 70%.
- Prevented incorrect data entries, ensuring a standardized defect reporting process.
- Minimized defective production and additional labor costs.
- Achieved EUR 41,500 in financial savings.

By integrating this system, we have strengthened our quality processes, maximizing data accuracy and operational efficiency.

KARSAN FOR EVERYONE

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HUMAN RESOURCES APPROACH

AN EQUAL, INCLUSIVE, AND SAFE WORKING ENVIRONMENT

At Karsan, we embrace a “People-Centered Approach” across all our processes, from production to management. We view our employees not just as a workforce but as the driving force behind our corporate success, prioritizing their satisfaction, engagement, and professional growth.

In line with this philosophy, we foster a work environment that encourages high performance, promotes employee participation, and emphasizes personal development. Our [Human Resources Policy](#) is designed to maximize the potential of our workforce while

ensuring effective management of recruitment, compensation, benefits, ethical standards, and employee training.

Respect for employee rights is one of our core principles. We fully support freedom of association and collective bargaining rights. As part of this commitment, 100% of our blue-collar employees are covered by collective labor agreements, with the Turkish Employers' Association for Metal Industries (MESS) actively operating within our company.

Employee by Category	2022		2023		2024	
	Women	Men	Women	Men	Women	Men
White-collar*	113	309	130	342	179	472
Blue-collar	38	1,400	129	1,893	98	1,427
Total	1,860		2,494		2,176	

*As of 2024, the number of white-collar employees, excluding interns, was 624 in total, comprising 162 women and 462 men. The figures in the table include interns.



HUMAN RESOURCES APPROACH

AS OF THE END OF 2024, A TOTAL OF 1,525 EMPLOYEES ARE COVERED BY COLLECTIVE LABOR AGREEMENTS.

We value age diversity and recognize the unique contributions of different generations to our workforce. By attracting young talent and leveraging the expertise of our experienced employees, we aim to build a sustainable and balanced workforce. To achieve this, we implement strategies that support intergenerational collaboration, ensuring knowledge transfer while fostering innovation. As of 2024: 40% of our employees are 30 years old or younger, 54% are between 30 and 50 years old, and 6% are 50 years old or above.

We aim to strengthen institutional know-how and enhance employee engagement by considering the tenure of our employees. As of 2024, 68.7% of our employees have 0-5 years, 13.6% have 5-10 years, and 17.7% have 10 years or more of experience within the company.

We aim to increase the proportion of long-tenured employees, fostering a work culture that balances experience with innovation. In line with this, we prioritize maintaining a sustainable workforce through career development programs and initiatives that enhance employee engagement.

EMPLOYEE PERCENTAGES BY AGE GROUP



40%
BELOW 30

54%
30-50 YEARS OLD

6%
ABOVE 50

NUMBER OF EMPLOYEES BY WORKING PERIOD



69%
0-5 YEARS

18%
5-10 YEARS

13%
10 YEARS AND MORE

HUMAN RESOURCES APPROACH

WE ARE SCALING THE AGILE TRANSFORMATION PROCESS ACROSS THE ENTIRE ORGANIZATION

Our agile transformation strategy is structured in three key phases:

- 1. Discover Phase:** The process commenced with Agile Leadership Training for our management team. This was followed by comprehensive organizational assessments, including surveys and one-on-one stakeholder interviews, to evaluate the current state and identify areas for improvement.
- 2. Initiate Phase:** A structured agile transformation roadmap was developed, and critical roles were defined. Two pilot teams were established, and their members received targeted training. In 2023, these teams began operating under the guidance of an agile coach. To ensure effective oversight, we conduct regular progress reviews with project leads and agile coaches.
- 3. Scale Phase:** To drive organization-wide adoption, we established a dedicated transformation team. During this phase, we expanded the number of agile teams, embedding cultural transformation across the company and reinforcing agility at all levels.

Agile Transformation Journey

As part of our commitment to modernizing business models and enhancing operational efficiency, we have embarked on an agile transformation journey. This initiative goes beyond process optimization, aiming to reshape our organizational culture and establish a more flexible, responsive, and adaptable business framework.

As part of our agile transformation process, strategic roles such as "Project Owner" and "Scrum Master" have been assigned to employees beyond the management level, empowering our specialists and engineering teams with new responsibilities. Additionally, biweekly and monthly review meetings have been institutionalized to facilitate transparent communication, providing senior management and stakeholders with regular updates on project outcomes, key achievements, risks, and challenges.

Through this transformation process, we have achieved significant improvements in key competencies such as team spirit, goal alignment, transparent communication, focus, rhythm and discipline, empathy, prioritization within teams, efficiency, accountability, planning, time management, and agility. This has also strengthened our organization's ability to make faster, data-driven decisions and respond proactively to evolving market dynamics.

Karsan Positive: Our Cultural Transformation Initiative

At Karsan, we launched the Karsan Positive initiative in 2017 to create a more positive, collaborative, and productive workplace culture. This internal communication and cultural transformation program is designed to enhance employee engagement, strengthen internal communication, and embed a culture of positivity across all business processes.

At the core of this transformation lies the goal of enhancing employee engagement and productivity, strengthening internal communication, and fostering a culture of positive behavior across all processes.

As part of this transformation, we introduced the Positive Leaders Manifesto and, in alignment with our vision, mission, and values, redesigned, reviewed, and implemented key processes in collaboration with our employees.

Through this initiative, we continuously develop new projects to foster a strong corporate culture and improve employee satisfaction. In 2024, we launched the Karsan Positive internal communication magazine to further strengthen employee engagement and enhance information sharing across the organization. Published monthly in digital format, this platform consolidates company updates, social responsibility initiatives, employee interviews, and engaging content to ensure a transparent and efficient flow of information.

This initiative not only enhances employee motivation but also ensures that corporate developments are communicated effectively and consistently. Additionally, by documenting key milestones in our company's journey, it contributes to building and preserving institutional knowledge.

Throughout 2024, we have introduced surveys and feedback mechanisms to increase employee participation, while also incorporating executive interviews to foster engagement. These efforts encourage employees to take an active role in business processes, strengthen internal communication, and contribute to a more sustainable corporate culture.

HUMAN RESOURCES APPROACH

OUR PEOPLE-CENTERED APPROACH

50% OF STAR
INTERNSHIP
PROGRAM
GRADUATES FROM
THE 2023-2024
PERIOD HAVE BEEN
HIRED WITHIN OUR
COMPANY.



At Karsan, we integrate applicant tracking systems and other innovative technologies into our recruitment processes, ensuring alignment with industry best practices. Guided by our People-Centric Approach, we continuously enhance initiatives that strengthen employee engagement and satisfaction.

In 2024, we remain committed to improving our HR processes and optimizing the employee experience through various initiatives:

- Establishing an internal communication role to foster stronger connections among employees and enhance workplace communication.
- Prioritizing employee engagement as a key company objective.
- Designing office layouts tailored to new-generation work models, promoting flexibility and efficiency.
- Expanding our flexible benefits program, adapting it to employees' evolving needs.
- Providing daycare and home care support for women employees with children aged 0-6, reinforcing our family-friendly policies.

- Offering birthday leave, allowing employees to enjoy their special day.
- Revamping our recognition and reward programs to boost motivation.
- Organizing the annual Karsan Family Festival to strengthen community spirit by bringing employees and their families together.
- Supporting employee-led social clubs to encourage interaction outside of work, fostering teamwork and collaboration.

STAR Internship Program

We launched the STAR Internship Program to identify, develop, and nurture young talent, equipping them to become the future leaders of our organization. This program not only provides interns with hands-on work experience but also strengthens our company's dynamic and innovative workforce. Throughout the 10-month internship, participants contribute to projects that drive operational excellence, sustainability, and financial performance. Each intern is paired with a dedicated mentor to support their professional growth. At the end of the program, high-potential interns are evaluated for open positions, offering them a pathway to employment.

In the 2023-2024 period, we retained 50% of our STAR Internship Program graduates as full-time employees. Through this initiative, we continue to cultivate talent that aligns with our company culture, embraces innovation, and fosters long-term organizational commitment.



TRAINING AND DEVELOPMENT

PERSONAL AND PROFESSIONAL DEVELOPMENT

At Karsan, we prioritize the growth and development of our employees by implementing structured Training and Development Plans, which are aligned with our Human Resources Policy and supported by senior management. We aim to enhance our employees' competencies to drive both their individual success and our company's organizational strength.

Each year, we design annual training and development programs in line with our strategic goals and priorities. As part of this process, we create customized development roadmaps that address employees' performance objectives, job responsibilities, company priorities, and technical skill requirements.

We design strategic training programs to enhance our employees' professional and technical expertise, strengthen their competencies, and maximize their job performance. Our training and development plans are structured in alignment with our goals, strategies, and priorities, contributing to employees' career growth. We offer a diverse range of training programs focused on personal and behavioral development. These programs cover key topics such as emotional resilience, stress management, time management, conflict resolution, persuasion skills, and personal leadership, equipping our employees with the necessary skills to effectively manage their responsibilities.

WE STRUCTURE OUR EMPLOYEE DEVELOPMENT PLANS UNDER FOUR MAIN CATEGORIES

- **Job Descriptions and Technical Competencies:** We provide training to enhance employees' role-specific technical knowledge and skills.
- **Behavioral Competencies:** We focus on developing essential skills such as effective communication, leadership, and teamwork.
- **Legal and System Requirements:** We offer training to ensure compliance with critical areas such as occupational health and safety, quality, environment, energy, and information security management systems.
- **Personal Development:** We support employees' individual growth through various training programs and seminars.

TRAINING AND DEVELOPMENT

WE **STRENGTHEN COMPETENCIES** THROUGH A CONTINUOUS LEARNING APPROACH

As part of our onboarding process, all newly hired office employees participate in the 7 Habits of Highly Effective People training. Additionally, we conduct annual leadership development programs for new managers, production leaders, and team leaders. These comprehensive programs include:

- Emotional Intelligence in Leadership
- Fundamentals of Leadership Communication
- Enhancing Employee Motivation
- Managing High-Performance Teams
- Change Management and Innovation

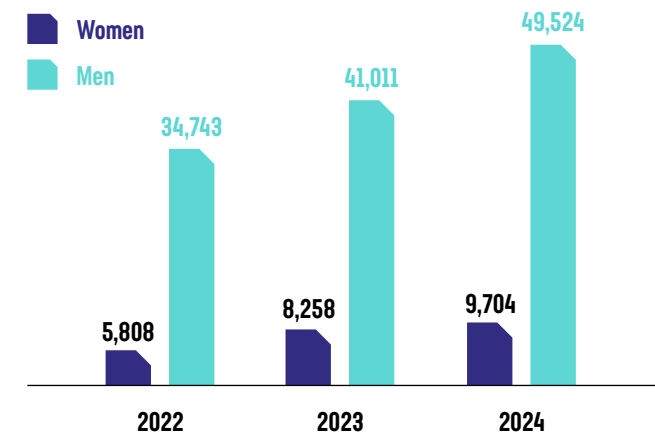
Through these initiatives, we aim to empower our leaders to manage their teams more effectively and enhance their strategic decision-making capabilities.

As part of the Karsan Training and Development Tracking Program, we structure our training initiatives based on the 70-20-10 learning model:

- **70% Experiential Learning:** We enhance employee development by involving them in diverse projects, process improvement initiatives, cost optimization efforts, error reduction strategies, and challenging experiences that foster practical learning.
- **20% Learning from Others:** We encourage employees to learn from experienced team members and managers through mentorship programs, structured feedback processes, teamwork, and action planning, creating an interactive learning environment.
- **10% Structured Learning:** We supplement training with seminars, workshops, books, articles, and academic resources to ensure employees have access to valuable knowledge.

This framework enables our employees to develop the technical and professional skills they need while strengthening their overall competencies. Our training and development programs not only enhance individual performance but also play a crucial role in driving corporate sustainability and business success. In particular, improving behavioral competencies contributes to greater efficiency and positively impacts overall performance.

Total Hours of Training Provided to Employees (person*hour)



THE AVERAGE TRAINING HOURS PER EMPLOYEE IN 2024 WAS 27 HOURS.



TRAINING AND DEVELOPMENT

Our Training and Development Programs

Karsan Academy

In 2023, we established Karsan Academy to enhance our employees' competencies and strengthen our corporate knowledge base. Designed to support both individual development and sustainable corporate success, the academy offers comprehensive training programs focused on professional and technical skill-building.

Through Karsan Academy, we provide training in behavioral development, covering topics such as emotional resilience, stress and time management, conflict resolution, personal leadership, and persuasive communication. Additionally, we empower our employees with leadership training, including high-performance team management, change management, and innovation-driven programs.

To enhance technical expertise, we deliver specialized training aimed at improving production quality, optimizing costs, and

ensuring adaptation to new technologies. Our "Train-the-Trainer" program has enabled us to establish an internal instructor system, compiling technical knowledge in 220 different areas and creating a sustainable learning platform for our employees.

In the field of occupational health and safety, we conduct extensive programs to ensure a safe working environment, prevent workplace accidents, and raise awareness. Similarly, environmental and energy management system training aligns with our sustainability strategies, promoting energy efficiency and minimizing environmental impact.

We also focus on information security training to enhance digital security awareness among employees. Additionally, through training initiatives related to electric vehicles, we continue to advance Karsan's expertise in this critical sector. Karsan Academy not only supports the personal and professional growth of our employees but also reinforces our competitive edge and long-term corporate success.

- In 2024, the training participation rate reached 89%, reflecting strong employee engagement and the effectiveness of the program.
- To assess the effectiveness of the training programs, employee satisfaction surveys were conducted, evaluating factors such as training content, instructor performance, material quality, and learning environment. In 2024, these surveys resulted in a 98% satisfaction rate.
- Post-training assessments and evaluations were conducted to analyze employees' knowledge and skill acquisition. In 2024, the average pre-training assessment score of 69 increased to 89 after the training, marking a 20-point improvement.
- In line with competency-based training and development plans, employee performance improved by an average of 59% in 2024.

Competency Breakdown	Improvement Rate (%)
Behavioral Competency	62%
Job Description – Technical Competency	56%
Individual Goal / Company Goal	63%
Legal / System Requirement	53%
Personal Development	62%

TRAINING AND DEVELOPMENT

Karsan Academy Schools

As part of our commitment to operational excellence, we established the Karsan Academy Schools program to enhance production quality and streamline the recruitment process. By identifying the most critical areas—those with the highest defect rates, extended adaptation periods, and requiring specialized expertise—we developed dedicated training modules for the body repair and paint departments.

Through this 22-week training program, we successfully built a 20% workforce backup in these key areas, increasing the number of highly skilled personnel. This initiative has not only accelerated the onboarding process but also strengthened production quality and improved operational efficiency.

By equipping our employees with specialized expertise, we continue to reinforce our workforce capabilities while advancing our commitment to sustainable and high-quality manufacturing.

Karsan Academy Maintenance School

In our pursuit of excellence in maintenance processes, we launched the Karsan Academy Maintenance School to enhance the technical competencies of our employees. This program, which combines theoretical and hands-on training, aims to reduce error rates in maintenance operations, minimize downtime, and maximize operational efficiency.

As part of this initiative, we established an in-house trainer system, training 12 instructors to foster a sustainable learning culture and strengthen knowledge-sharing within the company. By enhancing the expertise of our maintenance teams, we are reducing maintenance durations, minimizing production disruptions, and improving overall efficiency.

In 2024, the first graduates of the Welding School, Assembly School, Paint School, and Maintenance School successfully completed their programs. The Assembly School's activities continue to expand across our bus production lines. Through Karsan Academy, we are committed to developing specialized teams equipped with the essential skills required in critical production areas.

This program not only supports the career development of our employees but also reinforces our expertise in maintenance, further solidifying our industry leadership.

The Codes of Human Resources

In collaboration with the Bursa Industrialists and Businesspeople Association (BUSİAD) Training and Development Committee, we launched the “Codes of Human Resources” program to provide a comprehensive development opportunity for employees who are new to a career in human resources. This six-month program, delivered through a 200-hour hybrid training model, focuses not only on HR expertise but also on personal development and technical skills. Participants receive training in problem-solving, presentation techniques, industrial relations, and compensation management, equipping them with the essential skills required for success in the corporate world.

Through this initiative, we are not only developing well-equipped HR professionals but also strengthening in-house applications by adopting next-generation approaches. Additionally, cross-company collaboration and knowledge sharing have been enhanced, contributing to the sector's overall advancement. By the end of 2024, 18% of the program will be completed, with the remaining 82% scheduled for completion in 2025. Beyond supporting professional development, this initiative has also generated financial savings of TRY 150,000 for Karsan. As we continue to enhance HR competencies, we are reinforcing our organizational strength and preparing the future professionals of the business world.



TRAINING AND DEVELOPMENT

Karsan Academy's Specialized Training Programs

As part of its ongoing commitment to employee development, Karsan Academy is launched department-specific academic training programs in 2024. The academies, their objectives, and key goals are outlined below.

• Procurement Academy

- Aims to develop specialized personnel in supply chain management and procurement processes.
- Focuses on reducing procurement costs, thereby enhancing the company's competitive edge.

• Finance & Accounting Academy

- Seeks to strengthen financial management and reporting expertise.
- Aims to optimize the company's financial performance to support sustainable growth.

• Export Technical Support & CSR Academy

- Focuses on providing technical support for export processes and developing sustainable social responsibility projects.
- Aims to improve export efficiency by ensuring compliance with international standards.

• Human Resources Academy

- Develops HR professionals with expertise in human resources management.
- Aims to enhance employee satisfaction and strengthen corporate culture.

• R&D Academy

- Focuses on managing R&D processes and fostering innovation.
- Aims to create technological advancements that provide a competitive advantage and accelerate company growth.

• Project Management Academy

- Trains experts in product management, business development, corporate strategy, and innovation.
- Aims to increase market share and profitability through the development of innovative products and services.

Each academy is designed to cultivate highly skilled professionals within specific disciplines, ensuring that Karsan builds a workforce capable of driving operational excellence and long-term success.

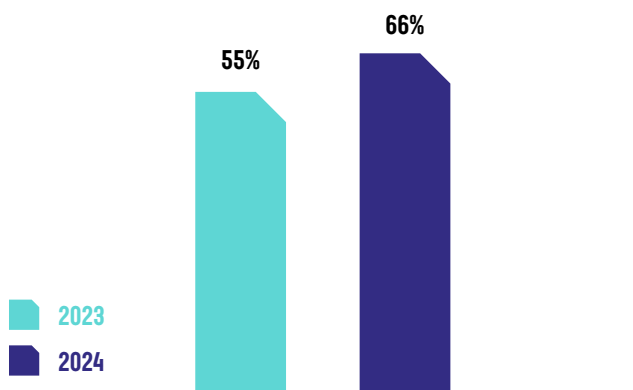


EMPLOYEE ENGAGEMENT AND WELL-BEING

At Karsan, we are committed to enhancing employee engagement and well-being through a continuous improvement approach. By conducting annual employee satisfaction surveys, we proactively work to foster a positive work environment and elevate workplace happiness, ensuring a more fulfilling and productive experience for our employees.

To enhance employee engagement and maximize workplace satisfaction, we have established six key focus groups: Communication & Information, Social Activities & Rewards, Compensation, Career Progression & Benefits, Ergonomics & Equipment, Teamwork & Development, and Customer Satisfaction. These groups work diligently to create a more harmonious and productive work environment by considering employee expectations, while senior management sponsors actively guide the process, ensuring alignment with our strategic goals and fostering a culture of continuous improvement.

Employee Engagement Rate (%)



We systematically conduct employee satisfaction and engagement surveys to assess key areas such as workplace environment, internal communication, management relations, and career development opportunities. In addition to the annual comprehensive satisfaction survey, we administer targeted surveys on specific topics, including catering, transportation, and corporate events. All surveys are conducted digitally and anonymously, ensuring objective data collection and analysis at the departmental level rather than on an individual basis. The insights gained from these surveys inform structured improvement plans, which are reviewed and implemented in collaboration with senior management to foster a more supportive and productive work environment. Accordingly, the employee engagement rate in 2024 increased by 11 points compared to 2023, reaching 66%.

Additionally, we redefined our company values and competencies together with our employees and integrated them into all business processes. By continuously incorporating employee feedback, we remain committed to ongoing improvement, fostering a stronger, more engaged, and happier workplace.

Employee Support Programs and Benefits

At Karsan, we are committed to fostering a healthy work-life balance and addressing the diverse needs of our employees through comprehensive benefits and support programs. Our compensation and benefits practices are aligned with national regulations and International Labour Organization (ILO) standards.

We provide a wide range of benefits, including transportation services, on-site dining, private health insurance, individual pension plans (BES), fuel assistance, annual leave compensation, holiday bonuses, childcare support, food packages, shoe vouchers, New Year gifts, and various social aid programs. These initiatives aim to enhance our employees' well-being both at work and in their personal lives.

- To support work-life balance, we have introduced nursery support for women employees with children aged 0-6. For children not attending nursery, we provide home care support, helping parents establish a healthier work-life balance.
- We promote workplace flexibility by allowing up to two days of remote work per week and offering part-time work options for new parents and contract employees.
- To strengthen employee engagement and social interaction, we have established over 20 social clubs and organized events such as Family Fest, Iftar gatherings, and various team-building activities throughout the year. Additionally, we celebrate employees' special occasions with thoughtful gifts and surprises, reinforcing a sense of belonging and appreciation within our organization.
- We have redesigned our office and break areas to better meet the needs of our employees, creating a more comfortable work environment. Additionally, we have reviewed our working hours to establish a structure that better supports work-life balance.
- As part of Karsan Academy's training programs, we offer stress management (resilience) training to support both physical and mental well-being. Additionally, through our Sports Clubs, we encourage employees to maintain an active and healthy lifestyle.
- To enhance work-life balance and ensure a more comfortable workplace experience for our employees, we have established supportive facilities such as nursing rooms and a health center.
- As of 2023, we launched the Karsan Flex Program, allowing employees to customize their benefits based on their preferences. Through this flexible benefits system, employees can adjust certain entitlements and choose from alternative benefits such as group health insurance for spouses and children, the Individual Pension System (BES), and a balance for the Messt Card Corporate Wallet.

EMPLOYEE ENGAGEMENT AND WELL-BEING

651

EMPLOYEES BENEFITING FROM
PRIVATE HEALTH INSURANCE

In line with our commitment to employee well-being, we view providing benefits that support the health, safety, and financial future of our employees as an integral part of our responsibility at Karsan.

In 2024, a total of 651 white-collar employees benefited from our private health insurance, including 484 men and 167 women. Additionally, 294 employees benefited from our individual pension contribution, including 220 men and 74 women. Additionally, 100 employees are covered under personal accident insurance.

Through these initiatives, we enable employees to tailor their benefits to their personal needs while continuously taking steps to support their work-life balance.

Our Approach to Compensation and Rewards

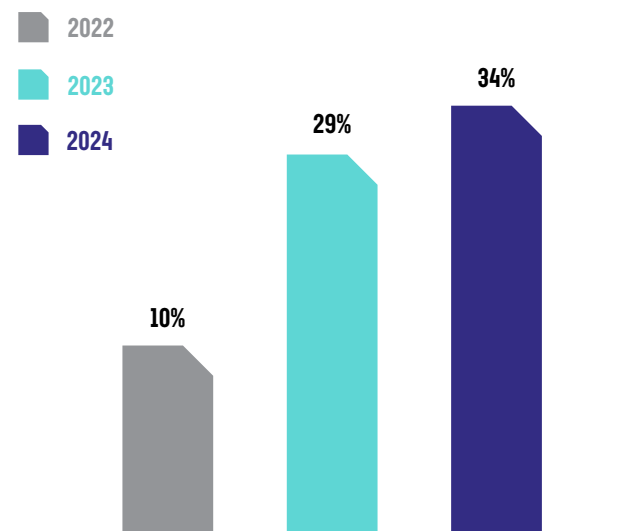
We maintain a competitive compensation policy to ensure a balanced position within the industry.

In this context:

- Our compensation policy is structured based on national and industry dynamics, inflation rates, and minimum wage adjustments.
- We implement a fair and transparent remuneration structure aligned with job descriptions, technical competencies, and behavioral skills.
- For white-collar employees, salary adjustments are determined annually in January based on market conditions and inflation, while a mid-year technical competency assessment in July informs potential interim increases.
- For blue-collar employees, salary increases are conducted in March and September in accordance with collective labor agreements.
- While performance is not the sole determining factor in salary adjustments, employees demonstrating expected performance levels receive salary increases aligned with the company average.

	Number of Employees on Maternity/Parental Leave	Post-Maternity Leave Return-to-Work Rate
Women	7	14%
Men	0	-

Employee Turnover Rate(%)*



*Employee turnover rate is calculated by taking into account both white-collar and blue-collar employee data. For 2024, the white-collar turnover rate is 11.20%, while the blue-collar turnover rate is 43.10%.

PERFORMANCE MANAGEMENT

A FAIR AND TRANSPARENT PERFORMANCE MANAGEMENT APPROACH WITH A **POSITIVE CAREER JOURNEY**

30%

INTERNAL PROMOTION RATE

60%

TARGET-BASED PERFORMANCE

40%

BEHAVIORAL COMPETENCY ASSESSMENT

Since 2018, we have been implementing the Positive Career process to support our employees' career development and ensure equal opportunities. Through this process, we manage all rotation and promotion procedures transparently and fairly while providing opportunities that support our employees' development. Throughout the year, we conduct mid-term and year-end impact analyses to regularly assess the influence of our goals and behavioral competencies on our business outcomes.

As part of this process, we successfully filled 28 vertical and 17 horizontal positions with internal candidates, covering 30% of open roles through internal promotions. This approach allows employees to explore new opportunities without leaving their current roles, increasing workforce agility and fostering a sustainable competency management model. In 2025, we plan to further enhance this process through focus group initiatives, with the goal of improving employee satisfaction, reducing turnover rates, and expanding internal career development opportunities.

In 2023, we transitioned to the OKR (Objectives and Key Results) system to make our performance management process more strategic, focused, and transparent. Through this system, we aligned all employees

around a shared vision and common goals, enhancing focus, alignment, engagement, and measurability. Starting from the CEO and extending to all departments, we established targets encompassing Environmental, Social, and Governance (ESG) performance and integrated our sustainability initiatives directly into performance criteria. Accordingly, in 2024, key areas such as renewable energy usage, sustainable supply chain practices, green transformation projects, and product lifecycle analyses were closely monitored as part of the CEO's objectives.

With the OKR system, we align individual goals with corporate objectives, fostering transparency by making targets clear and trackable. To ensure a structured and measurable approach, each employee can have up to five OKRs, with a maximum of four Key Results (KRs) per OKR.

We manage our performance evaluation process using the 9-box model, incorporating a balanced approach with 60% goal-based performance assessment and 40% behavioral competency evaluation. We assess our specialist-level employees based on seven competencies, while our management-level employees are evaluated across nine different competencies. We conduct performance evaluations twice a year through the OKR system, ensuring continuous tracking of our employees' development.

DIVERSITY, EQUALITY AND INCLUSION

WE ARE DEVELOPING POLICIES THAT SUPPORT WOMEN'S EMPLOYMENT

THE PROPORTION OF FEMALE EMPLOYEES IN STEM POSITIONS REACHED 30% IN 2024.

13%

OVERALL FEMALE EMPLOYEE RATIO

27%

WHITE-COLLAR FEMALE EMPLOYEE RATIO

We believe that creating an equitable and inclusive work environment is a critical factor for employee engagement and sustainable growth. With this awareness, we develop policies that support women's employment, ensure equal opportunities, and promote diversity, shaping our business processes in line with this understanding.

We maintain this approach within the framework of our [Gender Equality Policy](#), Zero Tolerance to Violence Policy and UN Women's Empowerment Principles (WEPS). In 2019, we continuously improve our egalitarian and inclusive work environment within the scope of the "[Model for Improving Gender Equality in Companies](#)" protocol signed by the International Labor Organization (ILO) and Kiraça Holding. As part of this process, we became a signatory to the United Nations Global Compact in 2021.

At the same time, we established the Positive Equality Committee in 2019 to further advance diversity and equal opportunities. In line with the Development Plan we launched in 2021, we aim to increase our women employment rate by 2% every year.

We offer equal opportunities to all candidates based on transparency and fairness in our recruitment processes. Within the scope of our Gender Equality and Human Resources Policy, the language and

evaluation criteria used in our job postings are created in a way to prevent discrimination. We do not allow any discrimination based on gender, age, race, ethnic origin, religion, disability status and other personal differences.

In 2024, the number of employees with disabilities at Karsan reached 66, accounting for 3% of the total workforce. As Karsan, we continue to provide an inclusive work environment, offering equal opportunities for everyone and supporting the participation of individuals with disabilities in the workforce.

- Within the framework of the Bursa Women's Empowerment Platform, we shared our best practices on gender equality with our stakeholders as of July 2023 and ensured the dissemination of these practices.
- Within the scope of the "Cooperation Protocol in Vocational and Technical Education" signed with Bursa Governorship and Bursa Provincial Directorate of National Education, we established an Electric Vehicles Technology Laboratory at Şehit Ömer Halisdemir Vocational and Technical Anatolian High School. With this project, we raise awareness by providing "Gender Equality" and "Zero Tolerance to Violence" trainings to students.

DIVERSITY, EQUALITY AND INCLUSION

OUR EQUALITY, DIVERSITY AND INCLUSION PRACTICES

Gender Equality at Karsan

We continue our transformation process, which we initiated in 2019 to support gender equality and develop qualified human resources. As part of a project conducted in collaboration with the ILO, the Mor Salkim Women's Solidarity Association, and the Bursa Provincial Directorate of National Education, we are creating an inclusive work environment that offers equal opportunities by increasing women's employment.

In this regard, we have implemented the [Zero Tolerance to Violence Policy](#), and we conduct periodic evaluations based on this policy.

Karsan Electric Vehicles Technology Laboratory

To train qualified human resources in the field of electric vehicles and support gender equality, we launched the Karsan Electric Vehicles Technology Laboratory project in collaboration with Şehit Ömer Halis Demir Vocational and Technical Anatolian High School.

In this project, we aimed to encourage participation in vocational education and increase women's employment by ensuring that 50% of the students participating in laboratory training were women. Our goal was to employ the graduates at Karsan. With 3,000 hours of training completed, 100% of the students involved in the program participated in internship programs.

Through this project, we not only trained a skilled workforce in electric vehicle technologies but also increased women's

employment in the automotive sector. Furthermore, with a scholarship support of TRY 443,400 provided by the Suna and İnan Kırış Foundation, we supported the students' educational journeys. By 2025, we will complete the employment process of the graduates and begin selecting new candidates.

Barrier-Free Future

To help our employees with hearing disabilities adapt more quickly to work processes and create a safe working environment, we launched the "Barrier-Free Future" project. For the first time in Türkiye, we redesigned training processes using sign language-supported VR technologies to overcome the communication and accessibility challenges faced by individuals with hearing impairments.

By utilizing virtual reality and animation-supported training, we increased safety awareness, while real-time information screens on production lines facilitated the monitoring of operational processes. Additionally, virtual factory tours allowed our new employees to better familiarize themselves with the workplace.

With this project, we achieved a 21% decrease in absenteeism, a 73% reduction in turnover, and an 80% decrease in workplace accidents. By exceeding the legal requirement for disabled employment, we added 5 new individuals with disabilities to our workforce and further strengthened our inclusive work culture. We aim to expand this project, which has saved us TRY 1,600,000 in financial costs, to

include various disability groups and create more inclusivity in the business world.

Sign Language Training and Awareness Project

To help our employees with hearing impairments adapt more easily to work processes and make our workplace more inclusive, we launched the Sign Language Training and Awareness Project.

As part of this project, we organized training sessions to help all of our employees develop basic sign language skills, enabling more effective communication with our hearing-impaired team members. Additionally, technological and operational solutions were implemented to reduce risks in the production area and enhance workplace safety.

Through awareness campaigns held across the factory, we took an important step toward creating an inclusive work culture. Initially, training was provided to team leaders in the Renault LFF production units, and in the future, we aim to extend it to a broader group of employees.

With this project, we are increasing the number of employees who know sign language within the factory, eliminating communication barriers, strengthening collaboration, and creating a safer working environment.

At Karsan, we continue to uphold our commitment to creating an equitable, inclusive, and diversity-supporting work environment. We aim to create transformation not only in the sector but also in society with the projects we develop for gender equality, disabled employment, and cultural diversity.

OCCUPATIONAL HEALTH AND SAFETY

WORKING TOWARDS A ZERO-ACCIDENT OBJECTIVE



Protecting the health and safety of our employees at the highest level is one of our top priorities. We adopt a proactive approach to workplace safety with the goal of zero workplace accidents and zero occupational diseases. In line with the ISO 45001:2018 Occupational Health and Safety Management System, we ensure 100% implementation across all our production lines and undergo third-party audits.

Our 2024 Occupational Health and Safety (OHS) audit was conducted by TSE, and the audit was completed with two minor non-conformities. Additionally, to strengthen our safety processes, we effectively apply inspection and control mechanisms on-site. Through SMAT Inspections, we carry out regular field audits from top management to the lowest-level operators. In 2024, we completed 253 SMAT inspections.

Our OHS policy is based on principles of employee participation and shared responsibility, full compliance with legal requirements, proactive risk management, and continuous improvement. We have a health center that is accessible to our employees 24/7, and by digitizing our OHS processes, we ensure a safe working environment at all levels.

Through our Supplier and Subcontractor Management System, we implement preventive processes to ensure the safety of both internal and external employees. In this context, we take measures to prevent occupational accidents by conducting trainings, legal requirement controls, and job-based risk analyses for our subcontracted employees. In 2024, there was only 1 accident with labor loss caused by subcontractors.

Occupational Health and Safety Indicators	2022	2023	2024
Number of Accidents (count)	25	46	22
Number of Fatal Accidents (count)	0	0	0
Number of Occupational Diseases (count)	0	0	0
Accident-Related Absenteeism (days)	97	295	210
Lost Workday Rate	0.03	0.05	0.05
Accident Frequency Rate	8.6	9.4	4.7

At Karsan, one operating year is calculated based on 300 working days, and one working day is considered as 7.5 hours.

OCCUPATIONAL HEALTH AND SAFETY

OUR JOINT TOMORROWS PROJECT REPRESENTED KARSAN IN THE TASK JOINT TOMORROWS AWARD PROGRAM AND WAS RANKED AMONG THE TOP 3 AND RECEIVED THE JURY'S SPECIAL AWARD.

OHS Management System and Risk Management

We effectively utilize digital solutions to prevent and manage OHS risks. With Robotic Process Automation (RPA), we track and resolve approximately 1,200-1,500 unsafe behaviors annually, ensuring quick resolution. By implementing corrective actions, we have reduced our average risk score from 12 to 3, bringing it down to an acceptable level.

All risk analyses are carried out with the participation of the production, method, maintenance, and health teams, and we track all risks arising from site, ergonomics, machine safety, and periodic inspections through the M-Files risk analysis platform. As of 2024, we have closed 82% of the identified risks.

As part of indoor environmental measurements, we conduct annual measurements across the entire factory with an accredited company. In 2024, the following measurements were carried out:

- VOC measurements at 13 points,
- Noise measurements at 23 points,
- Vibration measurements at 110 points.

Our Projects Increasing the Effectiveness of OHS Processes

At Karsan, we proactively manage risks by integrating advanced technologies such as artificial intelligence, robotic process automation (RPA), and machine learning.

- The Artificial Intelligence Supported Unsafe Behavior Detection System (Intenseye) automatically detects 20 different unsafe behaviors, such as lack of PPE (Personal Protective Equipment), speed violations, and dangerous driving, with 20 cameras installed throughout the factory and ensures that preventive measures are taken quickly with instant notifications. In 2024, the system detected approximately 25,100 unsafe behavior points, of which only 3,853 were reported as high-risk. With a rule identification rate of 93%, the system automatically transmits unsafe behaviors to the action module and obliges those responsible to take action within the solution time.

In 2024, to further enhance safety, we are launching three new projects:

1. AI-supported stop mechanisms at the entrance to the conveyor area,
2. Slowing down forklift movements and improving safety in driver-truck relations,
3. Preventing access to robotic lines without PPE.

- We plan to use machine learning to model accidents in collaboration with TÜBİTAK. This system aims to proactively take actions by predicting the day and severity of accidents. Additionally, we have transitioned to a digital management system with RPA integration, which will accelerate the processes of unsafe behavior and accidents, extending this system to our suppliers.
- We launched the QR Code Supported Risk Notification System so that our employees can easily report hazards in the field, and in 2024, we identified 116 unsafe behaviors through this system and turned them into actions.
- The artificial intelligence-supported forklift safety system, developed in cooperation with MESS, works with automatic stopping mechanisms to prevent forklifts from dangerously approaching pedestrian paths. In the paint shop processes, we provide additional safety with systems that stop conveyor movements if employees enter the area.
- To maximize the safety of our lone workers, we developed a smart bracelet-supported tracking system. This system continuously monitors employees' pulse data, ensuring immediate intervention in case of an emergency. If pulse data is unavailable for 5 seconds, the bracelet automatically triggers an SOS alert and sends an immediate notification to the security unit. This ensures a safer working environment for lone workers and allows for swift action in response to potential risks.
- We launched the Action Quality Monitoring System to measure the effectiveness of the measures we take. This system ensures continuous improvement by evaluating the quality of the actions taken during the risk management process. As of 2024, the average action quality score of 1,351 closed risks was calculated as 3.17.

OCCUPATIONAL HEALTH AND SAFETY

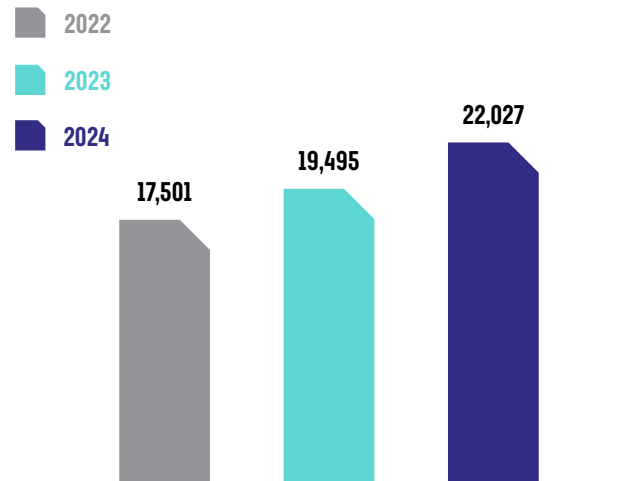


OHS Programs

At Karsan, we implement programs that involve all our employees in spreading the culture of occupational health and safety.

- **SMAT Days:** Managers and employees observe unsafe conditions and behaviors in the field and take necessary actions.
- **Safety Captain Application:** Every two weeks, an operator is selected as the OHS captain and leads activities to increase safety awareness.
- **Safety Patrol:** Weekly site tours are conducted with the management team to identify unsafe situations on-site.

OHS Training Provided to Employees (person*hour)



- **Near Miss and Hazard Reporting:** Employees can instantly report unsafe conditions via WhatsApp, M-Files, or QR code.

In this context, we are determined to achieve our goal of zero occupational accidents by increasing our innovative practices based on digitalization in the field of occupational safety.

OHS Training and Awareness Initiatives

In order to increase occupational safety awareness, we organize various trainings and competitions that ensure the active participation of our employees. Our training programs go beyond legal requirements, aiming to spread best practices in the industry and enhance employee awareness.

In 2024, we conducted a total of 22,027 person-hours of OHS training for our employees. These training sessions included legal compliance training, SMAT training, unit-specific safety training (such as for painting, welding, and assembly), emergency response training, fire safety, battery safety in electric vehicles, Safety SPOT, and daily safety briefing sessions.

In order to continuously test and improve our preparedness for emergencies, we conducted a total of 4 emergency drills in 2024, one of which was unannounced. Using the QR Code application, we collected data from all participants, reported the results to upper management, and took actions for identified non-compliance. The risks identified during the drills were integrated into the M-Files risk analysis, and monitoring processes were initiated.

Additionally, in collaboration with AFAD, we established a Basic Level Search and Rescue Team of 18 people, and the team has been certified.

SUPPLY CHAIN MANAGEMENT

RESILIENT SUPPLY CHAIN THROUGH LONG-TERM PARTNERSHIPS

**AS OF THE END OF 2024, WE HAVE
A TOTAL OF 1,083 SUPPLIERS,
INCLUDING 60 NEW ONES.**

We focus on making supply chain operations more efficient and effective in all our processes, from production to logistics, after-sales services to digitalization. Our supply chain management enhances the sustainability of our business processes and enables us to build strong, long-term partnerships with our suppliers.

At the same time, we launched the KARSAN ISP (Integrated Supplier Portal) System to increase the sustainability of our supply chain. This system enables performance monitoring of our suppliers and increases traceability by digitalizing order and delivery processes. In 2024, we started regular audits to assess the level of integration of our suppliers into the ISP system and the accuracy of their data flows. As of 2025, we aim for 75% of shipments to be managed through the system and for ISP to become a standard tool in performance evaluations.

With the Supplier Capacity Management System (SCMS), we analyze the production capacities of our suppliers in detail and ensure business continuity by identifying critical risks in advance. Within the scope of SCMS, we conduct periodic audits once a quarter and monitor the actions taken on a monthly basis.

SUPPLIER RISK AND SYSTEM MANAGEMENT (SRSM)

In 2024, we established the Supplier Risk and System Management (SRSM) Department, which analyzes the logistics risks of our suppliers, takes proactive measures, and improves processes. With a broad scope of responsibilities ranging from supplier logistics performance evaluations to capacity analysis, from risk management to digital process improvements, SRSM makes our supply chain management more systematic and proactive.

Thanks to this structure, we identify and measure logistics risks in advance and develop solutions to minimize them. Furthermore, we create a more transparent and sustainable business model by regularly monitoring supplier performances.

With the introduction of the SRSM function, we increased the rate of shipments sent with ASN (Advanced Shipment Notification) by 14%, eliminating manual processes and increasing our process efficiency. Through early detection of risks, we aim to prevent logistics losses and line downtime, thus strengthening operational efficiency and cost advantage in supply chain management.

Supplier Group	Supplier Class	Supplier Quality Scorecard Rating	Strategies
Group A	Priority Suppliers	80 < SQPS* <100 Points	First Priority in New Business Development
Group A	Active Suppliers	60 < SQPS <80 Points	New Business Can Be Developed Through Audit
Group A	Classified Suppliers	40 < SQPS <60 Points	Close Monitoring & New Business Restriction
Group A	Critical Suppliers	0 < SQPS <40 Points	Searching for Alternative Suppliers

*SQPS=Supplier Quality Performance Score

SUPPLY CHAIN MANAGEMENT

Our suppliers are an important part of our value chain. Looking at product-based carbon footprint results, our suppliers are responsible for approximately 35% of our environmental impact and carbon footprint. In this context, our 38 suppliers account for around 50% of this 35% impact. For this reason, we closely monitor the sustainability goals of our suppliers, ensure that they are evaluated by third parties, and work to identify joint emission reduction strategies.

At Karsan, we define the code of conduct for our suppliers through our [Code of Ethics Policy](#). In this context, we monitor environmental and social KPIs annually and conduct supplier audits once a year

together with the procurement team. In 2023, we ensured that our main suppliers were evaluated by Ecovadis. As of 2024, we will ensure that they are also audited by a third party. In our supplier selection processes, we prioritize sustainability criteria as well as basic factors such as quality, logistics, performance, and cost. We carry out the following processes before working with a new supplier:

- Pre-assessment and NDA process
- Proposal and feasibility study
- Supplier self-assessment process
- Risk assessment (including sustainability)
- Final decision and integration process

Before making our supplier selections, we make our first selections by identifying suppliers that meet our criteria in line with the information we receive through the self-assessment form we have submitted. Within the scope of performance assessment, there is a separate form where we track the performance of the suppliers we currently work with. In supplier performance assessments, we analyze factors such as quality management, environmental impact, logistics error rates, and cost in detail. These processes contribute to creating a sustainable supply network with our business partners. In 2024, we audited 6 suppliers. The scope of this audit is carried out to understand the process compliance of companies.

SUPPLY CHAIN MANAGEMENT

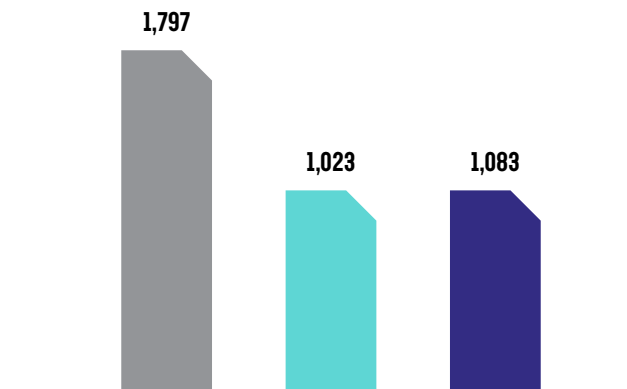
A STRATEGIC APPROACH TO SUPPLY CHAIN MANAGEMENT

At Karsan, we focus on strategies aimed at ensuring efficiency and increasing productivity in supply chain management. These strategies, shared annually by the Strategic Planning Department, are prepared based on the company's short, medium, and long-term goals and priorities.

- **Strategy 1:** Effective budget and operations management with a focus on finance
- **Strategy 2:** Optimization of "Order to Delivery" processes and making product delivery times competitive
- **Strategy 3:** Effective management of product, operations, and organizational efforts for North American market goals
- **Strategy 4:** Reducing product/guarantee/production costs and offering a competitive product range
- **Strategy 5:** Documenting corporate know-how with Karsan Academy and developing the Karsan Positive culture
- **Strategy 6:** Considering environmental and social criteria in procurement processes, Occupational Health and Safety (OHS)

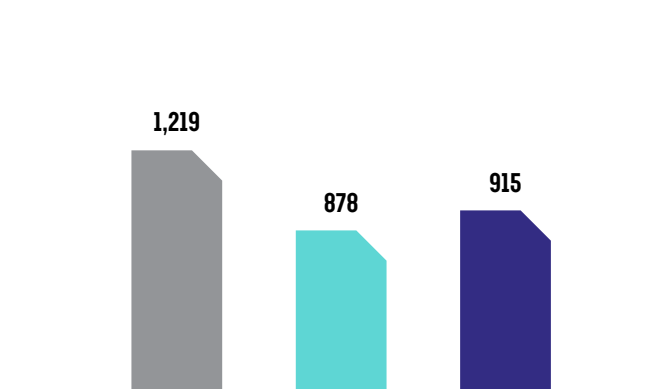
Total Number of Suppliers(*)

2022 2023 2024



Total Number of Local Suppliers(*)

2022 2023 2024



**The 2023 data on Total Supplier Count and Local Supplier Count was included in the sustainability report prior to last year's disclosure on the Public Disclosure Platform (PDP). For this reason, due to changes in these data, it has been revised with the current data this year.*

SUPPLY CHAIN MANAGEMENT

Logistics Management

Our logistics management is carried out under four main categories: internal logistics, external logistics, material supply, and logistics methods.

- **Internal Logistics:** Covers processes such as receiving materials, storing, addressing, and feeding the production line.
- **External Logistics:** Involves the process of shipping finished products to customers.
- **Material Supply:** Includes the procurement of materials and management of transportation operations.
- **Logistics Methods:** Involves determining product packaging, packaging maintenance, line layouts, stock area arrangements, and logistics feasibility studies.

Logistics Improvement Projects Implemented in 2024

- **Labor Saturation Analyses:** Labor analyses were conducted to focus on the largest losses, and personnel saturation was increased.
- **Warehouse Area Optimization:** Improvements in warehouse layout and design enabled more efficient use of existing space.
- **Line Feeding Activity Improvement:** By optimizing line-side layouts and feeding methods, labor and space savings were achieved.

Technology and Software Used in Supply Chain Management

- **Oracle:** Material flow management, including material stock control, order creation, administrative acceptance, stocking, line feeding, and more, is carried out with Oracle WMS. All import, export and logistics operations are managed through ERP. Oracle ERP system is used to create PBOM.

- **Mypack:** This application ensures packaging stock tracking and management for all suppliers and Karsan.
- **Telnet:** An application integrated with Oracle, used on handheld devices for managing operational processes.
- **OR Waybill Portal:** An application used for creating waybills for shipments such as scrap, returns, and sales to suppliers.
- **TeamCenter:** An application used for technical drawings, ECO (Engineering Change Order) controls, and designer outputs for materials.
- **MES Screens:** A system used as a reporting application.

Training Programs for Suppliers

We organize training programs to increase our suppliers' alignment with our processes, help them adapt to industry innovations, and support their development in line with common goals.

- **Supplier Day Event:** In this annual event, we share our performance expectations, sustainability goals, and quality standards with our suppliers.
- **ASN and ISP Training:** We organize comprehensive training sessions to ensure our suppliers effectively use the ASN (Advanced Shipping Notice) and ISP systems. These trainings aim to achieve full integration with digitalization processes, minimize error rates, and enhance operational efficiency.

We continue to build strong collaboration with our suppliers and a sustainable supply chain. Through our continuous improvement approach, we aim to develop our processes and provide more efficient, transparent, and resilient supply chain management.



SUPPLY CHAIN MANAGEMENT

**IN 2024, WE PROVIDED A
TOTAL OF 300 HOURS OF
TRAINING TO 350 SUPPLIERS.**

Supply Chain Management Applications 'Where Is My Order?' Portal

To make our purchasing processes more transparent and accessible, we launched the 'Where Is My Order?' portal. Karsan employees felt the lack of a platform where they could track the status of the products and services they requested. With our customer-focused approach and our vision of "One Step Ahead in the Future of Mobility," we developed this portal, allowing our employees to easily track order processes anytime and anywhere.

This user-friendly system enhances satisfaction, strengthens transparency in purchasing processes, and improves our operational efficiency. With the completion of this project at the end of 2023, we continue to improve the employee experience and make our business processes more efficient.

Green Procurement

In 2023, as part of our sustainability efforts, we launched the green procurement infrastructure project. Through the green procurement workshop we organized, we aimed to assess our suppliers from environmental, technological, and social perspectives and identify areas for improvement.

By 2024, we created an environmental, social, and governance (ESG) evaluation survey for our suppliers and included parameters such as carbon emissions and gender equality in our assessment questions. With this survey, we aim to analyze our suppliers' sustainability performance in a more comprehensive manner. Although the process of implementing a scoring system through independent auditors is not yet completed, we continue to work on developing a systematic evaluation approach.

Italy Process Development

We made a significant transformation to make our logistics processes in Italy more efficient. Previously, all customs operations were carried out in Trento, which required our vehicles to be transported first to the Trieste port, then to Trento, and finally to delivery points in Southern Italy. This process caused both time delays and unnecessary costs. In 2024, we introduced a new method that eliminated Trento and shifted our customs operations to the Trieste and Bari ports.

This change resulted in a freight savings of €800 per vehicle and €450 in customs benefits. By preventing a total of 115,000 km of unnecessary movement for the 110 vehicles to be shipped to Italy in 2024, we reduced carbon emissions. With the simplification of this process, our vehicles reach customers faster, and we have achieved significant cost and time advantages in our logistics operations. In the long term, we aim to maintain a sustainable and

efficient supply chain management for all sales to Italy by using this new method.

Purchasing Organizational Improvement

To manage our purchasing processes more effectively, we strengthened our organizational structure. As part of this, we created two new functions: Purchasing Engineering and Process Development Management and Cost Engineering Management. With the establishment of the Vehicle Material Cost and Cost Reduction structure, we have made our processes more efficient.

Thanks to this improvement, we are 100% in line with our objectives to optimize vehicle costs. Our organizational transformation has been recognized internationally, earning us the GLOBEE Bronze Award and the STEVIE Bronze Award.

TRANSPORT (Local)

To enhance the efficiency of our local shipment processes and optimize costs, we launched the TRANSPORT (Local) project. As part of this, we focused on increasing the number of milk-run companies by reducing the number of additional flights and strengthening cooperation with companies that are not actively shipping. Additionally, by actively using the H350 vehicle, we improved our operational efficiency.

Thanks to the system we implemented in 2024, we achieved a reduction in transportation costs. In the upcoming period, we aim to assess price compatibility with milk-run companies, increase vehicle occupancy rates, and minimize additional trips.

SUPPLY CHAIN MANAGEMENT

EFFICIENCY AND SMART SOLUTIONS IN THE SUPPLY CHAIN

TRANSPORT (Import)

To enhance efficiency and optimize costs in our import logistics processes, we implemented the TRANSPORT (Import) project. In this context, we aimed to increase the use of sea freight, particularly for shipments from China and the U.S., to reduce air cargo costs. For materials sourced from Europe, we strengthened road transportation through our partnership with Logex, minimizing the reliance on air cargo.

Through this strategic transformation, we optimized import logistics costs, significantly reducing air freight expenses. With the combined impact of our local and import transport projects, we achieved a total savings of 7 million Turkish lira. Throughout 2024, we will continue to focus on managing European shipments via road transport and maximizing sea freight usage, ensuring a sustainable and cost-effective logistics structure.

RobiOne

Our first Horizon EU project, RobiOne, is automating in-factory logistics processes to enhance efficiency and strengthen sustainability. Developed in collaboration with Robeff Technology and Leo Drive Technology, this project introduces an autonomous

load-carrying robot to optimize material supply and empty packaging collection processes.

Equipped with LIDAR and GNSS-based systems, our robot ensures fully autonomous navigation in both indoor and outdoor environments, independently planning the most efficient routes and setting flexible destination points. Within a 6–9 month period, we have optimized our logistics workforce, reducing operational costs. Our innovative approach earned us the “Project of the Year” and “Most Technological Project” awards. With RobiOne, we are taking another step toward digitalizing our logistics and advancing smart manufacturing.

In-Vault Quantity Increases and Green Supply Chain

To enhance supply chain efficiency and sustainability, we increased packaging quantities and implemented packaging transformation under the Green Supply Chain approach. Working closely with our suppliers, we increased the number of materials per package, reducing shipment frequency and improving transportation efficiency. Additionally, we transitioned certain components previously shipped in cardboard boxes to Karsan-owned, recyclable plastic packaging.

Through these efforts in 2024, we achieved an annual transportation cost saving of TRY 1,116,000 (€30,000). In 2025, we aim to continue increasing lot sizes and utilizing recyclable plastic/metal packaging, targeting an additional logistics cost saving of TRY 500,000.

Activities Planned for the Next Period

- **SAP Transition & Digitalization of Capacity Processes**
Starting in 2025, we aim to transition to the SAP system, transforming our manually tracked capacity management processes into a fully digital and integrated structure. This will enhance supplier capacity planning, minimize manual errors, and facilitate proactive decision-making.
- **Portal Integration for Shipment & Logistics Loss Reporting**
To track supplier-related logistics losses more effectively and efficiently, we are launching a new portal. This system will enable digital reporting of shipment and logistics errors, allowing for real-time corrective actions. As a result, our processes will become more transparent and traceable.
- **New Portal for Supplier Logistics Performance Tracking**
We are developing a dedicated Supplier Logistics Performance Portal to systematically monitor and evaluate supplier logistics performance. This portal will continuously track on-time deliveries, shipment accuracy, and logistics process efficiency, providing regular reports to suppliers. Strengthening collaboration through this initiative will ensure sustainable efficiency in logistics operations.

With these steps, we are digitalizing our supply chain management, creating a more efficient, fast, and traceable system.

CUSTOMER SATISFACTION

CONTINUOUS SUPPORT **THROUGH** **AN INNOVATIVE** SERVICE MODEL

We meticulously analyze both current and future customer needs to develop timely and effective solutions. Our customer-oriented initiatives provide direct communication channels for our customers to submit their requests, ensuring swift responses and a seamless service experience.

Customer satisfaction is at the core of our business model and value creation cycle. Through our quality policy, we aim to meet customer expectations at the highest level. In line with this goal, we reinforce our international competitiveness by increasing quality and efficiency in our business processes.

With 11 dealerships and 75 authorized service centers in Türkiye, along with 18 dealerships abroad, we offer uninterrupted service to our customers. Our After-Sales and Spare Parts Directorate leads our customer satisfaction efforts with a multidimensional approach. We closely monitor technological advancements with our strong R&D team and continuously enhance our innovation capabilities.

Our demo vehicle experience enables customers to explore the most suitable products and services before making a purchase.

To efficiently manage customer relationships, we utilize a CRM (Customer Relationship Management) system. Our customers are divided into two main groups: individual and corporate. All of our customers can contact us through the international call center at 444KRSN with any problem, complaint, or request they have about our products or services. Our After Sales Services (ASS) department takes a solution-oriented approach by quickly evaluating all requests received at the call center.

In 2024, we strengthened our services and added new services with the motto "We Are Where You Are" to increase customer satisfaction. In this context, we started to offer innovative solutions such as technical training programs, online help desks, remote diagnostics, "Flying Doctor" service, dedicated after-sales teams, spare parts centers, and international call centers.

CUSTOMER SATISFACTION

75

**AUTHORIZED SERVICE
CENTERS (DOMESTIC)**

Recognizing that customer and user expectations may vary, we listen carefully to the demands of these groups through various channels and address their expectations with a holistic approach. At the same time, we actively consider customer feedback in product and service design. Data obtained from customer surveys, field visits, and demo drives guide our product development processes. Thus, we aim to maximize satisfaction by offering customization opportunities in line with customer expectations.

Within the scope of sustainable products, we carry out customization and collaborations in line with customer demands. We support our customers' sustainability goals by developing environmentally friendly solutions such as electric, autonomous, and hydrogen vehicles. We also offer integrated and innovative solutions by developing joint projects with local infrastructure providers and energy companies.

With our customer satisfaction-oriented strategies, we continue to strengthen our fast, accessible, and affordable service approach.

Dealer Management

At Karsan, we approach our dealer network from two sides: domestic and international. While our domestic dealers enter their orders through the dealer automation system, we also monitor progress payments and bonuses through this system. We apply a similar system for our dealers abroad and support dealer performance with sales bonus practices.

In order to ensure dealer development and increase customer satisfaction, we provide training on new products and model changes and conduct factory visits, product presentations, and cost/benefit analyses for customers who are considering purchasing electric buses.

Our dealers operate under sales regional managers. Each regional manager regularly visits the dealers they are responsible for and audits their activities.

Through these audits, we aim to maximize customer satisfaction and service quality by increasing the efficiency of our dealer operations.

Dealer Management	2022	2023	2024
Total number of dealers (Domestic)	11	11	11
Total number of dealers (International)	16	17	18
Total number of authorized services (Domestic)	75	75	75



COMMUNITY INVESTMENTS

WE EMBRACE RESPONSIBILITY FOR SOCIAL GOOD

IN 2024, 30 OF OUR EMPLOYEES
BENEFITED FROM THE KIDOOLE
HOME CARE SUPPORT PROGRAM.

At Karsan, our Corporate Social Responsibility (CSR) approach is shaped on the axis of sustainability, social benefit, and employee volunteering. While determining our social responsibility projects, we take into account the feedback of our employees, social needs, and the priorities of our sector. In this regard, we focus on areas such as education, gender equality, workforce diversity, and social inclusion.

Before implementing our projects, we conduct a needs analysis to define our target audience, scope, and the impact we aim to create. We implement projects through our Social Responsibility Club, in which our employees directly participate, and through our collaborations, and we ensure continuous improvement by evaluating their effectiveness through participation rates and feedback. In 2024, we made charitable donations totaling TRY 98,000.

In the coming periods, we will continue to produce projects that benefit society and encourage our employees to contribute to CSR projects on a voluntary basis.

In 2024, we continued to support various social projects as part of our corporate social responsibility efforts.

- We collaborated with the Mor Salkim Women's Solidarity Association to conduct awareness-raising activities within the scope of combating violence against women.
- In cooperation with LÖSEV, we organized LSV booths, allowing our employees to make donations by purchasing products made by the mothers of children with leukemia.
- Through the Turkish Education Foundation (TEV), our employees had the opportunity to support education by donating wreaths on special occasions or funerals.
- We organized toy and stationery donation campaigns to contribute to children's education.
- Through our collaboration with Kidoole, we contributed to children's education and development and provided daycare support for our women employees with children aged 0-6.
- With the Kidoole Home Care Support Program, we assisted 30 of our employees. This program was designed in line with the principle of gender equality, covering both women and men employees. For men employees, the eligibility criteria for benefiting from the program were determined as having sole custody in cases of divorce or death. In order to help our employees maintain a work-life balance, we allocated a total of TRY 1.2 million in resources for this purpose in 2024.

BOARD OF DIRECTORS' ANNUAL REPORT

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INVESTOR RELATIONS ACTIVITIES

In our company, the Investor Relations Department operates directly under the Deputy General Manager of Financial Affairs and Finance.

İbrahim Onur Baysal- Investor Relations Director, Corporate Governance Committee Member

Seda Uludağ- Investor Relations Manager

The Investor Relations Department operates with the aim of providing accurate, timely, and consistent information about the company to existing and potential investors; enhancing the company's visibility and credibility; ensuring compliance with Corporate Governance Principles to reduce capital costs; and facilitating two-way communication between the Board of Directors and capital market participants. The department promptly responds to shareholders' inquiries and requests for information, except for confidential and trade-secret information, in coordination with relevant internal departments. The company's Disclosure Policy is based on the principles of treating all capital market participants equally in terms of access to information and conducting disclosures simultaneously and with consistent content. The Company promptly makes public disclosures on the Public Disclosure Platform in case of developments that may affect the exercise of shareholders' rights and shares information within the scope of the publicly disclosed content. Up-to-date information and explanations are made available to investors on the Company's website.

You can access our investor presentations, which include expectations for 2024 and future periods, via the links below.

<https://www.karsan.com/tr/yatirimci-iliskileri/sunumlar>

Investor Relations Unit Contact Information:

Phone No.: +90 224 484 21 80

Fax No.: +90 224 484 21 69

E-mail: yatirimciiliskileri@karsan.com.tr

POST-BALANCE SHEET EVENTS

On 10.01.2025, our company announced on the Public Disclosure Platform the signing of a contract with the Municipality of Craiova, Romania, for the sale of e-ATA.

On 16.01.2025, our company published a notification on the Public Disclosure Platform regarding the first coupon payment of the lease certificate issuance with ISIN code TRDDGERE2514.

On 20.01.2025, our company announced on the Public Disclosure Platform the signing of a contract with the Municipality of Constanța, Romania, for the sale of e-ATA.

On 20.01.2025, our company announced on the Public Disclosure Platform the update of the Company General Information Form.

On 24.01.2025, our company announced on the Public Disclosure Platform the signing of a contract for the sale of e-ATAK between Regione Campania and ACaMIR.

On 06.02.2025, our Company announced the Board of Directors' Decision on Debt Instrument Issuance and the Capital Markets Board Application for the Issuance Ceiling in the PDP.

REMUNERATION POLICY FOR THE BOARD OF DIRECTORS AND SENIOR MANAGEMENT

This policy document defines the remuneration system and practices for our Board of Directors, Company Leader, and Business Leaders, who comprise our senior management. In accordance with the Turkish Commercial Code and Article 13 of the Articles of Association of Karsan Otomotiv Sanayii ve Ticaret A.Ş., a fixed remuneration is determined each year at the Ordinary General Assembly meeting for the functions of Board membership, applicable to all members of the Board of Directors. Executive Board members receive additional payments in line with the senior management compensation policy, as detailed below. Executive members of the Board of Directors are also paid within the scope of the policy determined for senior executives as detailed below. In addition to the fixed remuneration determined at the General Assembly, members who are assigned to carry out certain functions outside the Board of Directors in order to contribute to the Company's activities may be provided with additional benefits within the framework of the opinion of the Corporate Governance Committee due to this function they undertake. Performance-based payment plans cannot be used in the remuneration of Independent Board Members. Expenses incurred by Board Members due to their contributions to the Company (such as transportation, telephone, insurance, etc.) may be covered by the Company.

Senior executive remuneration consists of two components: fixed and performance-based. Under our remuneration policy, salary and benefits management is designed and implemented to be fair, objective, performance-oriented, competitive, rewarding, and motivating. Fixed salaries for senior executives are determined in compliance with international standards and legal obligations, considering macroeconomic data, prevailing market compensation policies, company size, long-term objectives, and individual positions. The remuneration policy aims to increase the motivation and loyalty of employees by taking into account the wage balance within the Company and competitiveness in the market and to attract qualified employees who will enable the Company to achieve its strategic business goals. Bonuses for senior executives are calculated based on bonus base, company performance, and individual performance in a way to support the realization and exceeding of the Company's business targets and to encourage superior performance by rewarding sustainable success. Information on the criteria is summarized below:

- **Company Performance:** Company performance is assessed at the end of each period by measuring the financial and operational targets (such as market share, exports, international activities, efficiency, etc.) set for the company at the beginning of the year. When defining company targets, key principles include ensuring the sustainability of success and incorporating improvements compared to previous years.
- **Individual Performance:** The determination of individual performance considers the personal and collective goals, as well as key result indicators, set by senior executives in collaboration with their teams and managers. In addition to financial metrics, long-term sustainable improvements and adherence to Environmental, Social, and Corporate Governance (ESG) policies are also taken into account. The total amounts paid to senior executives and members of the Board of Directors during the year, determined in accordance with the above principles, are submitted to the shareholders for information and/or approval at the following general assembly meeting in accordance with the legislation.

DECLARATION OF INDEPENDENCE OF THE BOARD OF DIRECTORS

Karsan Otomotiv Sanayii ve Ticaret A.Ş. Independence Declaration of the Candidate for Board Member

In accordance with the Capital Markets Legislation, I hereby declare that I meet all of the following criteria to be considered as an “independent member” of the Board of Directors, and in this regard I hereby accept and declare that:

- a) Within the last five years, there has been no employment relationship with Karsan Otomotiv Sanayii ve Ticaret A.Ş. (the Company), its subsidiaries in which the Company holds management control or significant influence, or with the partners who hold management control of the Company or those legal entities controlled by such partners, including myself, my spouse, and my blood and in-law relatives up to the second degree, in any executive position that would carry significant duties and responsibilities. Furthermore, I declare that neither I nor any of the mentioned parties have held more than 5% of the capital or voting rights, or privileged shares, whether jointly or individually, or established any significant commercial relationship;
- b) I confirm that within the last five years, I have not worked as a partner (5% or more), held an executive position with significant duties and responsibilities, or served as a member of the board of directors in companies from which the Company purchases or sells services or products to a significant extent within the framework of the agreements made, especially in companies that audit (including tax audit, legal audit, and internal audit), rating, and consultancy of the Company, during the periods when the services or products are purchased or sold;
- c) As an independent board member, I possess the professional training, knowledge, and experience necessary to adequately perform the duties assigned to me;
- d) As of the date of my candidacy and during my term, I will not be employed full-time in any public institution or organization (except for university professorships, in accordance with the applicable regulations);

e) I am considered a tax resident in Türkiye under the provisions of the Income Tax Law No. 193, dated 31/12/1960;

f) I can make positive contributions to the activities of the Company, that I can maintain my impartiality in conflicts of interest between the Company and its shareholders, that I can make decisions freely while considering the rights of stakeholders, and that I possess strong ethical standards, professional reputation, and experience;

g) I commit to allocating sufficient time to the Company's affairs to be able to follow its operations and fully carry out the responsibilities of my duties;

h) I have not served as a Board Member for more than six years in the last ten years within the Company;

i) I have not served as an independent board member in more than three of the companies controlled by the Company or the shareholders who control the management of the Company and in more than five of the companies traded on the stock exchange in total;

j) I have not been registered and announced on behalf of the legal entity elected as a member of the board of directors;

k) In any situation that impairs my independence, I will immediately inform the Company's Board of Directors and resign from my position.

Nevzat TÜFEKÇİOĞLU

DECLARATION OF INDEPENDENCE OF THE BOARD OF DIRECTORS

Karsan Otomotiv Sanayii ve Ticaret A.Ş. Independence Declaration of the Candidate for Board Member

In accordance with the Capital Markets Legislation, I hereby declare that I meet all of the following criteria to be considered as an "independent member" of the Board of Directors, and in this regard I hereby accept and declare that:

- a) Within the last five years, there has been no employment relationship with Karsan Otomotiv Sanayii ve Ticaret A.Ş. (the Company), its subsidiaries in which the Company holds management control or significant influence, or with the partners who hold management control of the Company or those legal entities controlled by such partners, including myself, my spouse, and my blood and in-law relatives up to the second degree, in any executive position that would carry significant duties and responsibilities. Furthermore, I declare that neither I nor any of the mentioned parties have held more than 5% of the capital or voting rights, or privileged shares, whether jointly or individually, or established any significant commercial relationship;
- b) I confirm that within the last five years, I have not worked as a partner (5% or more), held an executive position with significant duties and responsibilities, or served as a member of the board of directors in companies from which the Company purchases or sells services or products to a significant extent within the framework of the agreements made, especially in companies that audit (including tax audit, legal audit, and internal audit), rating, and consultancy of the Company, during the periods when the services or products are purchased or sold;
- c) As an independent board member, I possess the professional training, knowledge, and experience necessary to adequately perform the duties assigned to me;
- d) As of the date of my candidacy and during my term, I will not be employed full-time in any public institution or organization (except for university professorships, in accordance with the applicable regulations);

e) I am considered a tax resident in Türkiye under the provisions of the Income Tax Law No. 193, dated 31/12/1960;

f) I can make positive contributions to the activities of the Company, that I can maintain my impartiality in conflicts of interest between the Company and its shareholders, that I can make decisions freely while considering the rights of stakeholders, and that I possess strong ethical standards, professional reputation, and experience;

g) I commit to allocating sufficient time to the Company's affairs to be able to follow its operations and fully carry out the responsibilities of my duties;

h) I have not served as a Board Member for more than six years in the last ten years within the Company;

i) I have not served as an independent board member in more than three of the companies controlled by the Company or the shareholders who control the management of the Company and in more than five of the companies traded on the stock exchange in total;

j) I have not been registered and announced on behalf of the legal entity elected as a member of the board of directors;

k) In any situation that impairs my independence, I will immediately inform the Company's Board of Directors and resign from my position.

Müfit Ataseven

DECLARATION OF INDEPENDENCE OF THE BOARD OF DIRECTORS

Karsan Otomotiv Sanayii ve Ticaret A.Ş. Independence Declaration of the Candidate for Board Member

In accordance with the Capital Markets Legislation, I hereby declare that I meet all of the following criteria to be considered as an "independent member" of the Board of Directors, and in this regard I hereby accept and declare that:

- a) Within the last five years, there has been no employment relationship with Karsan Otomotiv Sanayii ve Ticaret A.Ş. (the Company), its subsidiaries in which the Company holds management control or significant influence, or with the partners who hold management control of the Company or those legal entities controlled by such partners, including myself, my spouse, and my blood and in-law relatives up to the second degree, in any executive position that would carry significant duties and responsibilities. Furthermore, I declare that neither I nor any of the mentioned parties have held more than 5% of the capital or voting rights, or privileged shares, whether jointly or individually, or established any significant commercial relationship;
- b) I confirm that within the last five years, I have not worked as a partner (5% or more), held an executive position with significant duties and responsibilities, or served as a member of the board of directors in companies from which the Company purchases or sells services or products to a significant extent within the framework of the agreements made, especially in companies that audit (including tax audit, legal audit, and internal audit), rating, and consultancy of the Company, during the periods when the services or products are purchased or sold;
- c) As an independent board member, I possess the professional training, knowledge, and experience necessary to adequately perform the duties assigned to me;
- d) As of the date of my candidacy and during my term, I will not be employed full-time in any public institution or organization (except for university professorships, in accordance with the applicable regulations);

e) I am considered a tax resident in Türkiye under the provisions of the Income Tax Law No. 193, dated 31/12/1960;

f) I can make positive contributions to the activities of the Company, that I can maintain my impartiality in conflicts of interest between the Company and its shareholders, that I can make decisions freely while considering the rights of stakeholders, and that I possess strong ethical standards, professional reputation, and experience;

g) I commit to allocating sufficient time to the Company's affairs to be able to follow its operations and fully carry out the responsibilities of my duties;

h) I have not served as a Board Member for more than six years in the last ten years within the Company;

i) I have not served as an independent board member in more than three of the companies controlled by the Company or the shareholders who control the management of the Company and in more than five of the companies traded on the stock exchange in total;

j) I have not been registered and announced on behalf of the legal entity elected as a member of the board of directors;

k) In any situation that impairs my independence, I will immediately inform the Company's Board of Directors and resign from my position.

Ahmet Nezih Olcay

INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS

**KARSAN OTOMOTİV SANAYİİ VE TİCARET A. Ş.
AND ITS SUBSIDIARIES**

**CONVENIENCE TRANSLATION INTO ENGLISH OF
THE CONSOLIDATED FINANCIAL STATEMENTS
AT 31 DECEMBER 2024 TOGETHER WITH
AUDITOR'S REVIEW REPORT**

(ORIGINALLY ISSUED IN TURKISH)

CONVENIENCE TRANSLATION INTO ENGLISH OF INDEPENDENT AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH INDEPENDENT AUDITOR'S REPORT



To the General Assembly of Karsan Otomotiv Sanayii ve Ticaret A.Ş.

A. Audit of the consolidated financial statements

1. Our opinion

We have audited the accompanying consolidated financial statements of Karsan Otomotiv Sanayii ve Ticaret A.Ş. (the "Company") and its subsidiaries (collectively referred to as the "Group") which comprise the consolidated statement of financial position as at 31 December 2024, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements comprising a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2024, and its financial performance and its cash flows for the year then ended in accordance with Turkish Financial Reporting Standards ("TFRS").

2. Basis for opinion

Our audit was conducted in accordance with the Standards on Independent Auditing (the "SIA") that are part of Turkish Standards on Auditing adopted within the framework of the regulations of the Capital Markets Board and issued by the Public Oversight Accounting and Auditing Standards Authority (the "POA"). Our responsibilities under these standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We hereby declare that we are independent of the Group in accordance with the Ethical Rules for Independent Auditors (including Independence Standards) (the "Ethical Rules") the ethical requirements regarding independent audit in regulations issued by the POA; the regulations of the Capital Markets Board; and other relevant legislation are relevant to our audit of the financial statements. We have also fulfilled our other ethical responsibilities in accordance with the Ethical Rules and regulations. We believe that the audit evidence we have obtained during the independent audit provides a sufficient and appropriate basis for our opinion.

3. Key audit matters

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

CONVENIENCE TRANSLATION INTO ENGLISH OF INDEPENDENT AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH INDEPENDENT AUDITOR'S REPORT



Key Audit Matters	How the key audit matter was addressed in the audit
Accounting of development costs (See Notes 2.5, 3 and 13) The Group accounts for development costs in its consolidated financial statements in accordance with the relevant provisions of TAS 38, "Intangible Assets". The net book value of development costs classified as intangible assets other than goodwill in the Group's consolidated financial statements dated 31 December 2024 is TRY 2,328,718 thousand and has a significant size in the consolidated financial statements. The Group accounts for development costs, which mainly include personnel and raw material costs related to product development processes, for development projects that it has carried out within the scope of increasing production efficiency and capacity or reducing costs, for which it has completed feasibility studies and for which it is anticipated that they will provide future cash flows, as intangible assets other than goodwill. Capitalization is made by calculating the rates determined within the framework of future income expectations and recoverability assumptions made by the management and project managers and the time the personnel work on development activities. One of the most important management evaluations for projects in the development phase is the estimation of the market performance of the products to which the relevant project is related. The Group's management assesses whether there are any indications of impairment of development costs at each reporting date. As of 31 December 2024, the accounting for development costs has been considered a key audit matter by us, as the total value of development costs has a significant share in the Group's assets and there are significant management assumptions and judgements used in the calculation of development costs.	The following procedures were applied for the audit of development costs: • The Group management was inquired to understand how the criteria in the TAS 38, "Intangible Fixed Assets" standard were evaluated. The project managers regarding development costs were inquired to evaluate the details of the projects in question and the details of the feasibility studies conducted regarding the economic benefits they will provide in the future, as well as the appropriateness of the management evaluations. • Project-based expense details regarding development costs were obtained from the Group's Research and Development department, and the consistency of the data used was checked by comparing them with the Group's records using the sampling method. The contents of the expense details in question were evaluated, and it was assessed that the criteria for accounting development costs as intangible fixed assets other than goodwill, as stated in Note 2.5, were met. • Personnel costs associated with development costs were tested by verifying the personnel payrolls. Other costs associated with development costs were tested by sampling method. • By evaluating the results of development projects, interviews were held with the managers in the Group Sales department, sales performances of the products that started to be sold actively as a result of development projects were examined and the recoverability of the relevant development costs was evaluated. • Within the framework of inquiries with the Group management, it was assessed that the basic assumptions and other judgments that constitute the basis for the impairment judgments were reasonable. • The adequacy and appropriateness of the explanations in the consolidated financial statement footnotes regarding the accounting of development costs were assessed in accordance with TFRS.

CONVENIENCE TRANSLATION INTO ENGLISH OF INDEPENDENT AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH INDEPENDENT AUDITOR'S REPORT



Key Audit Matters	How the key audit matter was addressed in the audit
Fair value measurements of land and plots, buildings and land improvements (See Notes 2.5, 3, 12) The Group carries lands and plots, buildings and land improvements at their fair values in accordance with the relevant provisions of TAS 16 "Tangible Fixed Assets" in its consolidated financial statements. As a result of the valuations made by an independent professional valuation firm as of 30 September 2024, the values of the relevant lands and plots, buildings and land improvements have increased by TRY 130,644 thousand excluding the deferred tax effect and the total carrying value of these assets, which is formed after the deduction of the accumulated depreciation in the following three months and expressed (indexed) with the purchasing power on 31 December 2024, has become TRY 3,399,734 thousand. The value increase related to the revaluation of lands and plots, buildings and land improvements has been recognized in the tangible fixed assets accumulated revaluation increases account under equity as other comprehensive income in the consolidated statement of financial position, after deducting the deferred tax effect. The fair values of land and plots, buildings and land improvements depend on the valuation method used and the inputs and assumptions in the valuation model. Fair values can be directly affected by factors such as market conditions, the specific characteristics of each asset, its physical condition and geographical location. We considered the fair value determination of land and plots, buildings and land improvements as a key audit matter since the total amount of these assets constitutes a significant share of the Group's assets as of 31 December 2024 and the valuation techniques applied such as comparable comparison (market) and cost approaches in determining their fair values include significant assumptions and judgements such as comparable prices, construction costs per m2 and depreciation allowances that may lead to changes during the determination of fair value and are subjective.	We have performed following procedures regarding to the fair value determination of the lands and plots, buildings and land improvements: • The competence, adequacy and independence of the independent professional valuation firm appointed by the Group management have been evaluated. • Whether all of the lands and plots, buildings and land improvements have been subject to valuation has been checked by comparing the accounting records with the valuation reports. • The title deed records and ownership rates of lands and plots have been tested by sampling method. • The completeness and consistency of the data such as m2, location of the real estate and zoning status used by the independent professional valuation firm appointed by the Group management have been checked by comparing them with the Group's records based on sampling. • An expert has been included to evaluate the assumptions and methods used by the Group management. • The following audit procedures have been applied on samples made with the support of the auditor's expert: • Comparison of location, owner and square meter information regarding lands and plots, buildings and land improvements included in the reports with the title deed records, • Assessment of the nature of the real estate, • Assessment of the appropriateness of the market comparison method used in valuation for the relevant lands and plots, • Assessment of whether the lands and plots subject to value calculation in the market comparison method are similar to the Group's lands and plots, • Assessment of whether the estimates and assumptions such as square meter information, unit square meter costs and depreciation shares of the assets subject to calculation in the cost approach method used in the revaluation of buildings and land improvements are reasonable, • Checking whether the reports have been prepared in accordance with the basic valuation frameworks. The appropriateness and adequacy of the explanations in the consolidated financial statement footnotes regarding the determination of fair value of lands and plots, buildings and land improvements according to the relevant TFRS have been assessed.

CONVENIENCE TRANSLATION INTO ENGLISH OF INDEPENDENT AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH INDEPENDENT AUDITOR'S REPORT



Key Audit Matters	How the key audit matter was addressed in the audit
Application of TAS 29 - Financial Reporting in Hyperinflationary Economies (Note 2.1 ve 27) As explained in Note 2.1, TAS 29 "Financial Reporting in Hyperinflationary Economies" standard ("TAS 29") is applicable to the Group's consolidated financial statements for the year ended 31 December 2024. TAS 29 requires the restatement of consolidated financial statements according to the current purchasing power at the end of the reporting period. Therefore, transactions in 2024 and non-monetary balances at the end of the period have been restated to reflect the current price index as of the balance sheet date of 31 December 2024. The application of TAS 29 has led to changes in the Group's control activities, particularly those related to financial reporting. The preparation of consolidated financial statements using current purchasing power requires a series of complex procedures and transactions to ensure accurate results. For these reasons, considering the risk that the data used in the application of TAS 29 may not be accurate and complete and the additional audit effort required, the application of TAS 29 has been determined as a key audit matter by us.	The following audit procedures have been applied regarding the application of TAS 29 "Financial Reporting in Hyperinflationary Economies": • The processes and accounting policies regarding the application of TAS 29 designed and implemented by the management have been understood and evaluated. • The controls designed and implemented by the management during the application of TAS 29 have been understood and evaluated. • The appropriateness of the distinction between monetary and non-monetary items made by the management according to TFRS has been checked. • The details of non-monetary items have been provided and their historical costs and purchase dates have been tested with supporting documents using the sampling method. • The calculation methods used by the management have been evaluated and it has been checked that they have been used consistently in each period. • The general price index rates used in the calculations have been checked with the coefficients obtained from the Consumer Price Index in Türkiye published by the Turkish Statistical Institute. • The mathematical accuracy of the non-monetary items restated with inflation effects, the consolidated profit or loss and other comprehensive income statement and the consolidated cash flow statement have been tested. • The adequacy and appropriateness of the disclosures in the notes to the consolidated financial statements regarding the application of TAS 29 in accordance with TFRS have been evaluated.

CONVENIENCE TRANSLATION INTO ENGLISH OF INDEPENDENT AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH INDEPENDENT AUDITOR'S REPORT



4. Other matters

1. As part of our audit of the consolidated financial statements as at 31 December 2024 and for the year then ended, we also audited the adjustments described in Note 2.6 that were applied to amend the consolidated financial statements as at 31 December 2023 and for the year then ended. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the consolidated financial statements as at 31 December 2023 and for the year then ended of the Group other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the consolidated financial statements as at 31 December 2023 and for the year then ended of the Group taken as a whole.
2. The consolidated financial statements of the Group as of 31 December 2023 were audited by another firm of auditors whose report dated 18 April 2024 expressed an unmodified opinion on those statements.

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

The Group management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with TFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

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

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

Our aim is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an independent auditor's report that includes our opinion. Reasonable assurance expressed as a result of an independent audit conducted in accordance with SIA is a high level of assurance but does not guarantee that a material misstatement will always be detected. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an independent audit conducted in accordance with SIA, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement in the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Assess the internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

CONVENIENCE TRANSLATION INTO ENGLISH OF INDEPENDENT AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH INDEPENDENT AUDITOR'S REPORT



- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our independent auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes 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 provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence. We also communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

B. Other responsibilities arising from regulatory requirements

1. No matter has come to our attention that is significant according to subparagraph 4 of Article 402 of Turkish Commercial Code ("TCC") No. 6102 and that causes us to believe that the Company's bookkeeping activities concerning the period from 1 January to 31 December 2024 period are not in compliance with the TCC and provisions of the Company's articles of association related to financial reporting.
2. In accordance with subparagraph 4 of Article 402 of the TCC, the Board of Directors submitted the necessary explanations to us and provided the documents required within the context of our audit.
3. In accordance with subparagraph 4 of Article 398 of the TCC, the auditor's report on the early risk identification system and committee was submitted to the Company's Board of Directors on 11 March 2025.

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



Özgür Beşikcioğlu, SMMM
Independent Auditor Istanbul, 11 March 2025



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CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2024 AND 2023

[Amounts expressed in thousands of Turkish Lira ("TRY") in terms of the purchasing power of TRY as of 31 December 2024, unless otherwise stated.]

	Note References	31 December 2024	Restated 31 December 2023 (*)	Restated 31 December 2022 (*)
ASSETS				
Current Assets				
Cash and cash equivalents	4	1,178,181	1,482,888	106,414
Financial investments	31	-	170,978	256,545
Derivatives	30	60,664	194,884	259,436
Trade receivables		4,571,375	3,072,586	3,804,242
- Trade receivables from related parties	6	189,658	719	1,670
- Trade receivables from third parties	7	4,381,717	3,071,867	3,802,572
Other receivables		126,236	601,109	509,780
- Other receivables from third parties	8	126,236	601,109	509,780
Inventory	9	1,441,029	1,812,675	2,137,379
Prepaid expenses	10	200,788	462,393	324,031
Assets related to current period tax	28	6,127	6,070	6,436
Other current assets	18	58,685	159,998	314,662
Total current assets		7,643,085	7,963,581	7,718,925

	Note References	31 December 2024	Restated 31 December 2023 (*)	Restated 31 December 2022 (*)
Non-current Assets				
Trade receivables		71,360	319,165	469,521
- Trade receivables from third parties	7	71,360	319,165	469,521
Other receivables		290,644	479,043	670,974
- Other receivables from third parties	8	290,644	479,043	670,974
Financial investments		-	352,779	397,509
Derivatives	30	117,562	160,689	84,929
Investments in associates accounted for using equity method	11	51,848	-	-
Tangible assets	12	4,099,320	3,902,813	4,231,977
Right of use assets	14	51,926	57,271	82,036
Intangible assets		2,640,215	2,264,839	2,344,493
- Other intangible assets	13	2,640,215	2,264,839	2,344,493
Prepaid expenses	10	41,244	3,146	20,959
Deferred tax asset	28	115,453	327,930	-
Other non-current assets	18	-	156	126,912
Total non-current assets		7,479,572	7,867,831	8,429,310
Total assets		15,122,657	15,831,412	16,148,235

[*] See footnote 2.6.

The consolidated financial statements for the fiscal year ended 31 December 2024 were reviewed by the Audit Committee and approved by the Board of Directors on 11 March 2025. The General Assembly has the authority to amend the consolidated financial statements.

The following footnotes form an integral part of the consolidated financial statements.



CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2024 AND 2023

[Amounts expressed in thousands of Turkish Lira ("TRY") in terms of the purchasing power of TRY as of 31 December 2024, unless otherwise stated.]

	Note	31 December 2024	Restated 31 December 2023 [*]	Restated 31 December 2022 [*]
LIABILITIES				
Short Term Liabilities				
Short term borrowings	19	3,753,506	3,338,505	4,720,721
Short term part of long-term borrowings	19	683,934	1,023,680	1,117,681
Short term payables from leasing transactions	19	104,356	35,068	23,127
Trade payables		2,237,410	2,563,254	2,284,631
- Trade payables to related parties	6	172,962	158,050	114,628
- Trade payables to third parties	7	2,064,448	2,405,204	2,170,003
Employee benefits liabilities	17	148,749	112,845	85,900
Other payables		65,002	266,764	-
- Other payables to related parties	6	65,002	266,764	-
Deferred income [other than contractual obligations]	10	509,812	565,802	91,392
Current tax liability	28	6,581	-	5,232
Short term provisions		200,052	583,803	195,186
- Short term provisions for employee benefits	17	51,652	99,289	31,710
- Other short term provisions	16	148,400	484,514	163,476
Other short term liabilities	18	47,179	41,615	70,591
Total Current Liabilities	7,756,581	8,531,336	8,594,461	8,594,461

	Note	31 December 2024	Restated 31 December 2023 [*]	Restated 31 December 2022 [*]
Long Term Liabilities				
Long term borrowings	19	1,429,767	1,073,214	1,530,863
Long term borrowings from leasing transactions	19	12,030	25,099	38,659
Other payables		-	375,385	-
- Other payables to related parties	6	-	375,385	-
Deferred income	10	63,762	88,026	48,025
Long term provisions		370,244	507,326	513,073
- Long-term provisions for employee benefits	17	205,800	223,897	313,225
- Other long-term provisions	16	164,444	283,429	199,848
Deferred tax liability	28	-	-	641,319
Total Non-Current Liabilities		1,875,803	2,069,050	2,771,939
Total Liabilities		9,632,384	10,600,386	11,366,400
Equities of Parent Company		5,490,273	5,183,147	4,709,794
Paid-up capital	20	900,000	900,000	900,000
Capital adjustment differences	20	9,817,532	9,817,532	9,817,532
Share premiums/discounts		143,546	143,546	143,546
Other accumulated comprehensive income		944,682	538,490	621,301
- Items not to be re-classified under profit or loss		937,760	726,376	799,710
- Items to be reclassified to profit/losses		6,922	[187,886]	[178,409]
Restricted reserves	20	25,337	25,337	25,337
Accumulated losses		[6,396,308]	[6,797,922]	[6,797,922]
Net period profit/[loss]		55,484	556,164	-
Non-Controlling Interest		-	47,879	72,041
TOTAL EQUITY		5,490,273	5,231,026	4,781,835
LIABILITIES TOTAL		15,122,657	15,831,412	16,148,235

[*] See footnote 2.6.

The following footnotes form an integral part of the consolidated financial statements.



CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEARS ENDED 31 DECEMBER 2024 AND 2023

[Amounts expressed in thousands of Turkish Lira ("TRY") in terms of the purchasing power of TRY as of 31 December 2024, unless otherwise stated.]

	Note	1 January – 31 December 2024	Restated (*) 1 January– 31 December 2023
PROFIT OR LOSS			
Revenue	21	10,867,324	10,717,162
Cost of Sales [-]	21	[8,686,735]	[8,873,309]
GROSS PROFIT / [LOSS]		2,180,589	1,843,853
General and Administrative Expenses [-]	22	[580,831]	[523,204]
Marketing Expenses [-]	22	[940,964]	[1,139,501]
Research & Development Expenses [-]	22	[19,153]	[20,330]
Other Operating Incomes	23	935,020	2,409,790
Other Operating Expenses [-]	23	[558,650]	[955,417]
OPERATING PROFIT [LOSS]		1,016,011	1,615,191
Investing Income	24	235,770	49,038
Investing Expenses [-]	24	[244,343]	[117,452]
Shares of Profit/Loss of Investments Accounted for Using the Equity Method	11	[2,336]	-
OPERATING PROFIT [LOSS] BEFORE FINANCIAL EXPENSES		1,005,102	1,546,777
Financial Expenses [-]	26	[1,996,781]	[3,032,757]
Monetary Gain / [Loss]	21, 27	1,286,869	1,099,394
PRE-TAX PROFIT / [LOSS]		295,190	[386,586]
Tax Income/[Expenses]		[216,821]	918,588
Current Tax [Expense]	28	[14,323]	-
Deferred Tax Income/[Expense]	28	[202,498]	918,588
Net profit/[loss] for the period		78,369	532,002
Distribution of current profit/[loss] Non-controlling interests		22,885	[24,162]
Equity holders of the parent		55,484	556,164
For 100 shares with a nominal value of Kr 1 Earnings per share	29	0,062	0,618

[*] See footnote 2.6.

	Note	1 January – 31 December 2024	Restated (*) 1 January– 31 December 2023
Other comprehensive income/ [Expense]			
Net profit/[loss] for the period		78,369	532,002
Other comprehensive income / [expenses]:		66,813	[97,777]
To be re-classified under profit or loss, before tax			
Gains (losses) on revaluation of property, plant and equipment, before tax	12	130,644	[98,254]
Gains (losses) on remeasurements of defined benefit plans, before tax	17	[63,831]	477
Gains (losses) on remeasurements of defined benefit plans, tax effect		194,808	[35,695]
Currency translation differences before tax		[89,031]	69,174
Gains (losses) on cash flow hedge, before tax		283,839	[104,869]
Total other comprehensive income and expense, before tax		261,621	[133,472]
Total taxes on other comprehensive income/[expense] elements		[9,979]	50,661
Total taxes on other comprehensive income/ [expense] that will not be reclassified in profit or loss		[9,979]	24,444
Deferred tax income/[expense]	28	[9,979]	24,444
Total taxes on other comprehensive income to be reclassified in profit or loss		-	26,217
Deferred tax income/[expense]	28	-	26,217
Total other comprehensive income/[expense]		251,642	[82,811]
Total other comprehensive income		330,011	449,191
Distribution of total comprehensive income and expense:			
Non-controlling interests		22,885	[24,162]
Equity holders of the parent		307,126	473,353

[*] See footnote 2.6.

The following footnotes form an integral part of the consolidated financial statements.



CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED 31 DECEMBER 2024 AND 2023

(Amounts expressed in thousands of Turkish Lira ("TRY") in terms of the purchasing power of TRY as of 31 December 2024, unless otherwise stated.)

	Other Comprehensive Income and Expenses not to be Reclassified to Profit or Loss							Other Comprehensive Income and Expenses to be Reclassified to Profit or Loss				Accumulated Profits				
	Paid-up capital	Capital Adjustment Differences	Equity Contribution for Merger	Share Premiums / Discounts	Revaluation and Remeasurement Gains / Losses	Accumulated Remeasurement Gains/Losses of Defined Benefit Plans	Shares of Other Comprehensive Income of Investments Accounted through Equity Method that will not be Reclassified to Profit/Loss	Foreign Currency Translation Differences	Gains on fair Value Measurement of Financial Investments	Hedging Gains / Losses	Restricted Reserves	Previous Years' Losses	Net Period Profit / (Loss)	Equities of Parent Company	Non-controlling Interest	Equities
Balances as of 1 January 2023 –pre-reported	900,000	10,399,738	48,683	154,539	1,045,991	(91,731)	-	26,778	(154,550)	(205,187)	25,337	(5,413,881)	-	6,735,717	72,041	6,807,758
Adjustment (Footnote 2.6)	-	(582,206)	(48,683)	(10,993)	-	-	(154,550)	-	154,550	-	-	(1,384,041)	-	(2,025,923)	-	(2,025,923)
Balances as of 1 January 2023 – adjusted	900,000	9,817,532	-	143,546	1,045,991	(91,731)	(154,550)	26,778	-	(205,187)	25,337	(6,797,922)	-	4,709,794	72,041	4,781,835
Total Comprehensive Income / (Expense)	-	-	-	-	(73,692)	358	-	69,175	-	(78,652)	-	-	556,164	473,353	(24,162)	449,191
- Net profit/(loss) for the period	-	-	-	-	-	-	-	-	-	-	-	-	556,164	556,164	(24,162)	532,002
- Total other comprehensive income/(expense)	-	-	-	-	(73,692)	358	-	69,175	-	(78,652)	-	-	-	(82,811)	-	(82,811)
Balances as of 31 December 2023	900,000	9,817,532	-	143,546	972,299	(91,373)	(154,550)	95,953	-	(283,839)	25,337	(6,797,922)	556,164	5,183,147	47,879	5,231,026
Balances as of 1 January 2024 – pre-reported	900,000	10,399,738	48,683	154,539	972,299	(91,373)	-	95,953	(154,550)	(283,839)	25,337	(5,413,881)	919,080	7,571,986	47,879	7,619,865
Adjustment (Footnote 2.6)	-	(582,206)	(48,683)	(10,993)	-	-	(154,550)	-	154,550	-	-	(1,384,041)	(362,916)	(2,388,839)	-	(2,388,839)
Balances as of 1 January 2024 – adjusted	900,000	9,817,532	-	143,546	972,299	(91,373)	(154,550)	95,953	-	(283,839)	25,337	(6,797,922)	556,164	5,183,147	47,879	5,231,026
Transfers	-	-	-	-	-	-	154,550	-	-	-	-	401,614	(556,164)	-	-	-
Total Comprehensive Income / (Expense)	-	-	-	-	104,707	(47,873)	-	(89,031)	-	283,839	-	-	55,484	307,126	22,885	330,011
- Net profit/(loss) for the period	-	-	-	-	-	-	-	-	-	-	-	-	55,484	55,484	22,885	78,369
- Total other comprehensive income/(expense)	-	-	-	-	104,707	(47,873)	-	(89,031)	-	283,839	-	-	-	251,642	-	251,642
Acquisition or Disposal of Subsidiaries (Footnote 2.3)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(70,764)	(70,764)
Balances as of 31 December 2024	900,000	9,817,532	-	143,546	1,077,006	(139,246)	-	6,922	-	-	25,337	(6,396,308)	55,484	5,490,273	-	5,490,273

The following footnotes form an integral part of the consolidated financial statements.



CONSOLIDATED STATEMENTS OF CASH FLOW FOR THE YEARS ENDED 31 DECEMBER 2024 AND 2023

[Amounts expressed in thousands of Turkish Lira ("TRY") in terms of the purchasing power of TRY as of 31 December 2024, unless otherwise stated.]

	Note	1 January – 31 December 2024	Restated (*) 1 January – 31 December 2023
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) for the period from the activities carried out		78,369	532,002
Adjustments to reconcile the profit/(loss) for the period		1,951,125	1,876,156
Adjustments for depreciation and amortization expenses	12, 13, 14	545,719	542,273
Adjustments for impairment / reversal of impairment		[125,660]	49,527
- Adjustments for impairment of receivables	7	[89,535]	31,211
- Adjustments for impairment / reversal of inventory	9	[36,125]	18,316
Adjustments for provisions		299,745	931,406
- Adjustments related to provisions for employee benefits	16, 17	107,079	419,359
- Adjustments related to lawsuit and/or penalty provisions	16	11,006	5,017
- Adjustments related to warranty provisions [cancellation]	16	183,860	507,030
- Adjustments for other provisions		[2,200]	
Adjustments for interest (income) and expenses		1,191,345	1,336,158
- Adjustments to interest income	24	[83,535]	[49,038]
- Adjustments to interest expense	26	1,274,880	1,385,196
Adjustments for unrealized foreign exchange gains		469,430	1,032,128
Adjustments for fair value losses (gains) [+/-]		283,839	[104,869]
- Adjustments related to fair value losses (gains) of derivative financial instruments		283,839	[104,869]
Adjustments for tax expense	28	216,821	[918,588]
Adjustments for gains on disposal of fixed assets		[55,202]	-
- Adjustments for losses (gains) due to disposal of property, plant and equipment	24	[55,202]	
Adjustments related to losses (gains) from disposal of subsidiaries or joint ventures	24	[97,033]	-
Adjustments for losses/(gains) incurred due to the disposal of subsidiaries, joint ventures and financial investments or changes in their shares	24	244,343	117,452
Monetary loss / (gain)		[1,022,222]	[1,109,331]

	Note	1 January – 31 December 2024	Restated (*) 1 January – 31 December 2023
Changes in working capital		[1,124,482]	945,208
Adjustments for increase in trade receivables		[2,660,860]	[687,509]
- Decrease in trade receivables from related parties	6	[213,751]	241
- Increase in trade receivables from third parties	7	[2,447,109]	[687,750]
Adjustments related to the decrease/(increase) in other receivables related to operations		760,640	[353,015]
- Decreases (increases) in other receivables from third parties	8	760,640	[353,015]
Adjustments for increase (decrease) in inventories	9	379,139	361,538
Adjustment for increase / (decrease) in trade payables		522,111	961,723
- Decrease in trade payables to related parties	6	71,747	72,316
- Increase/(decrease) in trade payables to third parties	7	450,364	889,407
Adjustments related to the increase/(decrease) in other liabilities related to operations		[125,512]	662,471
- Increases (decreases) in other payables to related parties	6	[55,567]	49,620
- Increases (decreases) in other payables to third parties	8	[69,945]	612,851
Net cash flow from operations (+/-)		905,012	3,353,366
Taxes paid (+/-)		[9,054]	[1,017]
Other cash inflows (outflows) (+/-)		[235,376]	[230,566]
Payments related to employee benefit provisions	17	[114,144]	[60,658]
Net cash flow from operating activities		546,438	3,061,125

[*] See Footnote 2.6.

The following footnotes form an integral part of the consolidated financial statements.



CONSOLIDATED STATEMENTS OF CASH FLOW FOR THE YEARS ENDED 31 DECEMBER 2024 AND 2023

(Amounts expressed in thousands of Turkish Lira ("TRY") in terms of the purchasing power of TRY as of 31 December 2024, unless otherwise stated.)

	Note	1 January – 31 December 2024	Restated (*) 1 January – 31 December 2023
CASH FLOWS FROM FINANCIAL ACTIVITIES			
Cash inflows from sales that result in loss of control of subsidiaries		74,258	-
Cash inflows from the sale of property, plant and equipment and intangible assets		78,889	90,240
- Cash inflows from the sale of property, plant and equipment and intangible assets	12	78,889	90,240
Cash outflows from the sale of property, plant and equipment and intangible assets		(964,167)	(290,135)
- Cash outflows from purchase of tangible fixed assets	12	(234,847)	(54,624)
- Cash outflows from purchase of intangible assets	13	(729,320)	(235,511)
Interest earned	24	83,535	49,038
Other cash inflows (outflows)		118,423	-
Cash flows from financial activities (+/-)		(609,062)	(150,857)
CASH FLOWS FROM FINANCIAL ACTIVITIES			
Cash inflows from borrowings		8,460,287	9,710,152
- Cash inflows from bank borrowings	19	7,313,807	8,551,965
- Cash inflows from other financial borrowings		1,146,480	1,158,187
Cash outflows from borrowings		(7,097,265)	(9,587,745)

	Note	1 January – 31 December 2024	Restated (*) 1 January – 31 December 2023
- Cash outflows from bank borrowings	19	(6,048,259)	(9,352,023)
- Cash outflows from other financial borrowings	6,19	(1,049,006)	(235,722)
Cash outflows from debt payments arising from lease agreements	19	(54,328)	(41,385)
Interest paid		(1,127,177)	(1,307,934)
Net cash flows from financing activities (+/-)		181,517	(1,226,912)
Net increase / (decrease) in cash and cash equivalents before the effect of foreign currency translation differences)		118,893	1,683,356
Effects of exchange rate changes on cash and cash equivalents (+/-)		32,208	87,243
Effects of exchange rate changes on cash and cash equivalents		(455,808)	(394,125)
Net increase / (decrease) in cash and cash equivalents		(304,707)	1,376,474
Cash and cash equivalents at beginning of period	4	1,482,888	106,414
Cash and cash equivalents at end of period	4	1,178,181	1,482,888

(*) See Footnote 2.6.

The following footnotes form an integral part of the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2024 AND 2023

(Amounts expressed in thousands of Turkish Lira ("TRY") in terms of the purchasing power of TRY as of 31 December 2024, unless otherwise stated.)

NOTE 1 - ORGANIZATION AND FIELD OF ACTIVITY OF THE COMPANY

Karsan Otomotiv Sanayii ve Ticaret A.Ş. ["The Company" or "Karsan Otomotiv"] is incorporated in 1966 Bursa, Turkey. The Company was established in order to establish all kinds of auto assembly and bodywork facilities in Turkey, to purchase and participate in already established ones, to import automobiles for bodywork manufacturing, to make and sell all kinds of auto bodywork. The Company's fields of activity; to produce, import and export motor vehicles for various automotive brands and to provide industrial services to the automotive main and sub-industries.

The Company's General Directorate and production facilities are located at Hasanağa Organized Industrial Zone (HOSAB), Sanayi Caddesi, 16225, Nilüfer-Bursa.

The main shareholder of the Company and the party holding the main control is Kıraca Holding A.Ş. The Company is registered with the Capital Markets Board ("CMB") and its shares are traded on Borsa Istanbul A.Ş. ("BIST"). The Company's share ratio traded on the BIST is 39.44% [31 December 2023: 39.44%].

As of 31 December 2024 and 31 December 2023, Karsan Otomotiv's subsidiaries ["subsidiaries"] (hereinafter collectively referred to as the "Group") and the investments valued through equity management are as follows:

i. Subsidiaries Subject to Full Consolidation

	Field of Activity
1. Karsan İç ve Dış Ticaret A.Ş.	Sales and marketing
2. Karsan Europe S.R.L.	Sales and marketing
3. Karsan North America LLC	Sales and marketing [Inactive]

ii. Subsidiaries accounted according to the equity method

	Field of Activity
1. Hervout Corporate Industry SAS (*)	Sales and marketing
2. Hervout Corporate Lease SAS (*)	Sales and marketing

(*) See Footnote 2.3.

As of 31 December 2024, the Group's average number of employees during the year is 2,364 [31 December 2023: 2,496].

Approval of Consolidated Financial Statements

The consolidated financial statements for the accounting period of 1 January – 31 December 2024 were approved by the Board of Directors of Karsan Otomotiv Sanayii ve Ticaret A.Ş. on 11 March 2025. The General Assembly and the relevant regulatory bodies have the right to amend the financial statements prepared in accordance with the legal regulations and these consolidated financial statements.

NOTE 2 – CONSOLIDATED PRINCIPLES OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Basic Principles of Presentation

The Group's consolidated financial statements have been prepared in accordance with the provisions of the CMB's "Communiqué on Principles Regarding Financial Reporting in the Capital Market" ["Communiqué"] No. 14.1 of Series II, published in the Official Gazette dated 13 June 2013 and numbered 28676 ["Communiqué"], on the basis of the Turkish Financial Reporting Standards ["TFRS"] and its annexes and interpretations thereto, in line with the international standards published by the Public Oversight Accounting and Auditing Standards Authority ["KGK"]. TFRS is updated through communiqués in order to provide parallelism with the changes in International Financial Reporting Standards ["IFRS"]. The consolidated financial statements are presented in accordance with the formats set out in the "Announcement on TFRS Taxonomy" published by the CGK on 3 July 2024 and the Financial Statement Examples and Usage Guide published by the CMB.

The Company complies with the requirements of the Turkish Commercial Code ["TCC"], tax legislation and the Uniform Chart of Accounts issued by the Ministry of Finance in keeping accounting records and preparing its statutory financial statements. The financial statements of subsidiaries operating in foreign countries have been prepared in accordance with the laws and regulations applicable in the countries in which they operate. The consolidated financial statements are measured and presented in Turkish Lira ["TRY"], the functional currency of the Group, on a historical cost basis, excluding lands, plots and buildings from the group of tangible fixed assets shown at their fair values, and financial investments, financial assets and liabilities carried with their fair values. The consolidated financial statements are prepared by reflecting the corrections and classifications required for compliance with TFRS in the statutory records prepared on a historical cost basis. In addition, the Company has prepared its financial statements prepared pursuant to the TCC in accordance with the accounting policies set out in Footnote 2.5 in order to ensure accurate presentation in accordance with TFRS.

Going Concern

The consolidated financial statements have been prepared on a going concern basis, which assumes that the Group will realize the benefits from its assets and settle its liabilities within the next year and in the normal course of business. As of 31 December 2024, the Group has previous year losses amounting to TRY 6,241,758. In the period ending on the same date, a period loss of TRY 124,698 occurs. In addition, as of 31 December 2024, the Group's current assets are TRY 113,495 less than its short-term liabilities. In the budget and forecast studies for 2024, the Group Management expects an increase in operating profitability with the scale that will be formed from the growth in revenue and anticipates that this level will generate cash inflow to close the current working capital deficit. For these reasons, the Group management does not foresee any risk to net working capital for the Group's ability to continue as a going concern.

Currency translation

i. Functional and reporting currency

The financial statement items of each company of the Group are measured in the currency applicable in the main economy in which the company operates and operates ["functional currency"]. The consolidated financial statements are presented in TRY, the functional and reporting currency of the parent company.



NOTE 2 – CONSOLIDATED PRINCIPLES OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.1 Basic Principles of Presentation (continued)

ii. Transactions and Balance

Transactions made in foreign currency are converted into functional currency at the exchange rates on the day of the transaction. Exchange rate difference income and expenses arising from the realization of these transactions and the conversion of monetary assets and liabilities denominated in foreign currency at the end-of-period exchange rates are considered as cash flow and net investment protection and are included in the consolidated profit or loss and other comprehensive income statements, except for those tracked under equity. All FX profit and loss are presented in the consolidated profit or loss and other comprehensive income statement as financial income and expenses and other income and expenses from core operations.

iii. Translation of financial statements of subsidiaries in foreign countries

The financial statements of the subsidiaries registered in foreign countries have been prepared in accordance with the standards, laws and regulations of the countries in which they are located and have been adapted to the TAS/IFRS for an accurate presentation and content. The assets and liabilities of subsidiaries operating in foreign countries were converted into TRY using the exchange rates on the date of the financial position statement (balance sheet). The profit or loss and other comprehensive income statement items of these partnerships are converted into TRY using average exchange rates (if the average exchange rate does not logically reflect the exchange rate changes on the transaction dates, it is converted from the exchange rate on the dates of the transactions). Exchange rate differences arising as a result of the use of closing and average exchange rates are accounted for under the item "foreign currency conversion differences" in equity if they belong to the parent company.

The rates on the dates of the statement of financial position (balance sheet) and the relevant periods used for profit or loss and other comprehensive income statement items are as follows:

	31 December 2024	31 December 2023
EUR/TRY (Balance sheet date)	36.7362	32.5739
EUR /TRY (Average)	35.4893	25.7198

Financial reporting in high-inflation economies

With the announcement made by the Public Oversight Accounting and Auditing Standards Authority (KGK) on 23 November 2023, enterprises implementing TFRSs have started to implement inflation accounting in accordance with TAS 29 Financial Reporting Standard in High Inflation Economies as of their financial statements for the annual reporting period ending on or after 31 December 2023.

Pursuant to the CMB's decision dated 28 December 2023 and numbered 81/1820, it has been decided that issuers and capital market institutions subject to financial reporting regulations applying Turkish Accounting/Financial Reporting Standards will implement inflation accounting by applying the provisions of TAS 29, starting from their annual financial reports for the accounting periods ended as of 31 December 2023.

The revisions made pursuant to TAS 29 were made using the correction coefficient obtained from the Consumer Price Index ("CPI") in Turkey published by the Turkish Statistical Institute ("TurkStat"). As of 31 December 2024, the indices and correction coefficients used in the adjustment of the consolidated financial statements are as follows:

Date	Index	Correction coefficient	Three-Year Compounding Inflation rate
31 December 2024	2.684.55	1.00000	%291
31 December 2023	1.859.38	1.44379	%268
31 December 2022	1.128.45	2.37897	%156
31 December 2021	686.95	3.90792	%74

The main elements of the Group's adjustment for financial reporting purposes in high-inflation economies are as follows:

- The financial statements for the current period prepared in Turkish Lira are expressed by the purchasing power on the date of the financial position statement, and the amounts of the previous reporting periods are also expressed by adjusting according to the purchasing power at the end of the reporting period.
- Monetary assets and liabilities are not currently adjusted as they are expressed in terms of current purchasing power on the date of the statement of financial position. In cases where the inflation-adjusted value of non-monetary items exceeds the recoverable amount or the net realizable value, the provisions of TAS 36 and TAS 2 are applied, respectively.
- Non-monetary assets and liabilities and equity items that were not expressed in terms of current purchasing power on the date of the statement of financial position were adjusted using the relevant adjustment coefficients.
- All items in the consolidated profit or loss and other comprehensive income statements, except those for which non-monetary items on the balance sheet have an impact on the consolidated profit or loss and other comprehensive income statements, are indexed with coefficients calculated over the periods in which the income and expense accounts are first reflected in the financial statements.
- The impact of inflation on the Group's net monetary asset position in the current period is recorded in the net monetary position gains/(losses) account in the income statement. The impact of inflation on the Group's net monetary assets/liabilities position in the current period amounting to TRY 1,188,402 for the accounting period 1 January – 31 December 2024 was recognized as net monetary position gains in the consolidated profit or loss and other comprehensive income statement [1 January – 31 December 2023: net monetary position gains of TRY 1,099,394].

2.2 Changes in Turkish Financial Reporting Standards

New and revised standards and interpretations

As of 31 December 2024, the accounting policies adopted in preparation of the consolidated financial statements for the year ended 31 December 2024 are consistent with those of the previous financial year, except for the adoption of new and amended Turkish Accounting Standards ["TAS"/Turkish Financial Reporting Standards ["TFRS"] and TAS/TFRS interpretations effective as of 1 January 2024. The effects of these standards and interpretations on the financial position and performance of the Group are disclosed in the related paragraphs.

NOTE 2 – CONSOLIDATED PRINCIPLES OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.2 Changes in Turkish Financial Reporting Standards (Continued)

a. Standards, amendments, and interpretations applicable as of 31 December 2024:

- Amendment to TAS 1 – Non-current liabilities with covenants; effective from annual periods beginning on or after 1 January 2024. These amendments clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. The amendments also aim to improve information an entity provides related to liabilities subject to these conditions.
- Amendment to TFRS 16 – Leases on sale and leaseback; effective from annual periods beginning on or after 1 January 2024. These amendments include requirements for sale and leaseback transactions in TFRS 16 to explain how an entity accounts for a sale and leaseback after the date of the transaction. Sale and leaseback transactions where some or all the lease payments are variable lease payments that do not depend on an index or rate are most likely to be impacted.
- Amendments to TAS 7 and TFRS 7 on Supplier finance arrangements; effective from annual periods beginning on or after 1 January 2024. These amendments require disclosures to enhance the transparency of supplier finance arrangements and their effects on a company's liabilities, cash flows and exposure to liquidity risk. The disclosure requirements are the TASB's response to investors' concerns that some companies' supplier finance arrangements are not sufficiently visible, hindering investors' analysis.
- TFRS S1, 'General requirements for disclosure of sustainability-related financial information; effective from annual periods beginning on or after 1 January 2024. This standard includes the core framework for the disclosure of material information about sustainability-related risks and opportunities across an entity's value chain.
- TFRS S2, 'Climate-related disclosures'; effective from annual periods beginning on or after 1 January 2024. This is the first thematic standard issued that sets out requirements for entities to disclose information about climate-related risks and opportunities.

The above changes have not had a material impact on the Group's financial position or performance. Standards and amendments that have been published as of 31 December 2024 but have not yet entered into force and are not related to the Group's activities are not given above.

b. Standards, amendments, and interpretations that are issued but not effective as of 31 December 2024:

TFRS codification has been preserved in the standards that have been newly published by the International Accounting Standards Board but have not yet been introduced into the legislation by the Public Oversight Accounting and Auditing Standards Authority.

- TFRS 17, 'Insurance contracts'; effective from annual periods beginning on or after 1 January 2023. This standard replaces TFRS 4, which currently permits a wide range of applications. TFRS 17 will fundamentally change the accounting for all entities that issue insurance contracts and investment contracts with discretionary participation features.

- Amendments to TAS 21 – Lack of Exchangeability; effective from annual periods beginning on or after 1 January 2025. An entity is impacted by the amendments when it has a transaction or an operation in a foreign currency that is not exchangeable into another currency at a measurement date for a specified purpose. A currency is exchangeable when there is an ability to obtain the other currency [with a normal administrative delay], and the transaction would take place through a market or exchange mechanism that creates enforceable rights and obligations.
- Amendment to TFRS 9 and TFRS 7 – Classification and Measurement of Financial Instruments; effective from annual reporting periods beginning on or after 1 January 2026 [early adoption is available]. These amendments:
 - clarify the requirements for the timing of recognition and derecognition of some financial assets and liabilities, with a new exception for some financial liabilities settled through an electronic cash transfer system;
 - clarify and add further guidance for assessing whether a financial asset meets the solely payments of principal and interest (SPPI) criterion;
 - add new disclosures for certain instruments with contractual terms that can change cash flows [such as some instruments with features linked to the achievement of environment, social and governance (ESG) targets]; and
 - make updates to the disclosures for equity instruments designated at Fair Value through Other Comprehensive Income (FVOCI).
- Annual improvements to TFRS – Volume 11; Annual improvements are limited to changes that either clarify the wording in an Accounting Standard or correct relatively minor unintended consequences, oversights or conflicts between the requirements in the Accounting Standards. The 2024 amendments are to the following standards:
 - TFRS 1 First-time Adoption of International Financial Reporting Standards;
 - TFRS 7 Financial Instruments: Disclosures and its accompanying Guidance on implementing TFRS 7;
 - TFRS 9 Financial Instruments;
 - TFRS 10 Consolidated Financial Statements; and
 - TAS 7 Statement of Cash Flows.
- TFRS 18 Presentation and Disclosure in Financial Statements; effective from annual periods beginning on or after 1 January 2027. This is the new standard on presentation and disclosure in financial statements, with a focus on updates to the statement of profit or loss. The key new concepts introduced in TFRS 18 relate to:
 - the structure of the statement of profit or loss;
 - required disclosures in the financial statements for certain profit or loss performance measures that are reported outside an entity's financial statements [that is, management-defined performance measures]; and
 - enhanced principles on aggregation and disaggregation which apply to the primary financial statements and notes in general

NOTE 2 – CONSOLIDATED PRINCIPLES OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.2 Changes in Turkish Financial Reporting Standards (Continued)

- TFRS 19 Subsidiaries without Public Accountability: Disclosures; effective from annual periods beginning on or after 1 January 2027. Earlier application is permitted. This new standard works alongside other TFRS Accounting Standards. An eligible subsidiary applies the requirements in other TFRS Accounting Standards except for the disclosure requirements and instead applies the reduced disclosure requirements in TFRS 19. TFRS 19's reduced disclosure requirements balance the information needs of the users of eligible subsidiaries' financial statements with cost savings for preparers. TFRS 19 is a voluntary standard for eligible subsidiaries. A subsidiary is eligible if:
 - Not having accountability liability to public and,
 - it has to have an ultimate or intermediate parent that produces consolidated financial statements available for public use that comply with TFRS Accounting Standards.

The impact of these changes and new standards on the Group's financial position and performance is assessed. It is expected that the application of the above standards and interpretations will not have a material impact on the Group's consolidated financial statements in the future.

2.3 Consolidation Principles

Full Consolidation Principles

The consolidated financial statements contain the accounts of the Group and its subsidiaries in accordance with the principles described below. The financial statements of the companies covered by the consolidation have been prepared as of 31 December 2024, with the dates of the consolidated financial statements, applying uniform accounting policies in accordance with TFRS and providing the same representation. The accounting policies of the subsidiaries have been revised to be consistent with the Group's policies when necessary.

All entities over which the Group has control are subsidiaries of the Group. The Group controls the business in the event that it is exposed to or entitled to variable returns due to its relationship with the business, and at the same time has the opportunity to influence these returns with its power over the business. From the moment the control over the subsidiary passes to the Group, the subsidiary in question is included in the scope of consolidation. From the moment the control over the subsidiary ends, the subsidiary in question is excluded from the scope of consolidation.

The balance sheets and income statements of the companies included in the consolidation were consolidated using the full consolidation method, and all significant debt/credit balances and buy/sell transactions between them were mutually deleted. The subsidiary amounts and the equity capital of the subsidiary company were mutually written off. Profits and losses arising from intra-group transactions recognized in assets are mutually written off, while unrealized losses are written off when the transaction does not indicate an impairment of value in the transferred asset.

The table below shows the subsidiaries and controlling interests of the Group that are included in the consolidation as of 31 December 2024 and 31 December 2023:

Subsidiaries	Place of activity and establishment	Current currency	Group's share in the capital rate and vote Entitlement rate [%]	
			31 December 2024	31 December 2023
Karsan İç ve Dış Ticaret A.Ş.	Türkiye	TL	100	100
Karsan Europe S.R.L.	İtalya	Avro	100	100
Karsan North America LLC (*)	A.B.D.	ABD Doları	100	100

(*) As explained in footnote 1, Karsan North America LLC was not included in the financial statements as of 31 December 2024 and 31 December 2023 by full consolidation method due to its inactivity.

The share of non-controlling shares in the subsidiary's net assets and current period consolidated profit or loss and comprehensive income or expenses are further classified as "non-controlling shares" in the consolidated profit or loss and other comprehensive income and expense and consolidated equity change statements. As of 31 December 2024, the Group has no non-controlling shares.

Disposal of Subsidiaries

Changes in the share of capital in the Group's subsidiaries that do not result in loss of control are recognized as equity transactions. The carrying values of the Group's shares and non-controlling shares are adjusted to reflect changes in subsidiary shares. The difference between the amount adjusted for non-controlling shares and the fair value of the consideration received or paid shall be recognized as the Group's share in direct equity.

In the event of loss of the Group's control over the subsidiaries, the Group's shares in the subsidiaries shall be measured at their fair value at the date of loss of control, and the difference between them and their carrying value shall be recorded as profit or loss. Fair value is the initial purchase value for the purpose of later accounting for the shares held in jointly managed partnerships and financial assets. In addition, amounts previously recognized as other comprehensive income in respect of this company shall be recognized as if the relevant assets or liabilities had been disposed of by the Group. This may mean that amounts previously recognized as other comprehensive income should be classified as profit and loss.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill) and liabilities of the subsidiary and any non-controlling interest. Amounts previously recognized in other comprehensive income in relation to that subsidiary are accounted for as if the Company had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred directly to retained earnings in accordance with TFRS). The fair value of the investment remaining after the sale of the subsidiary at the date on which control is lost is regarded as the fair value on initial recognition as determined in accordance with TFRS 9 Financial Instruments or, where applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

NOTE 2 – CONSOLIDATED PRINCIPLES OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.3 Consolidation Principles (Continued)

Investments in subsidiaries accounted for using the equity method

The subsidiary is accounted for using the equity method and is initially accounted for at cost consideration. These are undertakings over which the Group has between 20% and 50% voting rights or has significant influence over which it has no control. Unrealized earnings in transactions between the group have significant impact, but are not subject to control. Unrealized gains from transactions between the Group and its subsidiaries are eliminated to the extent of the Group's share in the subsidiaries; Unrealized losses are also eliminated unless the transaction provides evidence of impairment of the transferred asset. The Group's share of the profits or losses of its subsidiaries after acquisition is recognized in the comprehensive income statement. Dividends to be received from affiliates are accounted for by deducting them from the carrying value of the investment.

Subsidiary stock purchases that do not result in a loss of material business or gain of control are recognized as goodwill for the difference between the fair value of the subsidiary's identifiable net assets and the fair value paid for the acquisition of the asset as of the date of the acquisition.

The accounting policies of the invested entity, whose equity was accounted for by the share acquisition method, have been amended accordingly in order to ensure consistency with the accounting policies implemented by the Group, when necessary.

Unless the Group has incurred an obligation or made a commitment in this regard in relation to the subsidiary, the equity method is not continued upon the zero registered value of the investment in the subsidiary or the end of the Group's significant influence. The registered value of the investment on the date of the end of the significant impact is shown as the cost after that date. In proportion to the reduction in the share ratio in the subsidiary that does not result in the loss of significant activity, the amounts previously recognized in the comprehensive income/ [expense] are associated with the net period profit/ [loss] and accumulated profit in accordance with the relevant TFRS provisions.

Increases or decreases in participation amounts that do not arise from total comprehensive income/expense changes are accounted for by associating them with the relevant equity items. The carrying value of the investment, which is accounted for by the equity allocation method, is tested for impairment in accordance with the policy described in Footnote 2.4.

The table below shows the subsidiaries and shareholding structure as of 31 December 2024:

Associate	Shareholders/Vote Right (%)		
	2024	2023	2022
Hervout Corporate Industry SAS ["HCI"] ^(*) ^(**)	20	50	50
Hervout Corporate Lease SAS ["HCL"] ^(*) ^(**)	20	50	50

[*] Since HCI owns all of HCL's shares, the Group's indirect shareholding in HCL is 50%. As of

31 December 2023, the Group has a direct and indirect 50% voting interest in HCL and controls HCI and HCL under the shareholders' agreement between the Company and HCI's other partners, and HCI and HCL are treated as subsidiaries and are recognized in the consolidated financial statements by the full consolidation method.

[**] As of 1 October 2024, the Group's 50% direct stake in HCI has been transferred to BYmyCAR Importer, a 100% subsidiary of Cosmobilis Group, for 30% of HCI's shares. BYmyCAR Importer acquired a 50% stake in HCI, which was owned by the other partner of HCI, and now has a total of 80% of the shares in HCI. As a result of the transaction, the Group's share in HCI's shareholding structure became 20%, and the Group's control over HCI and HCL was lost, and it continues to have significant influence in these companies. For this reason, the Group's investments in HCI and HCL are recognized as investments valued by the equity method as of 31 December 2024 [Footnote 11].

2.4 Accounting Policies and Changes and Errors in Predictions

Changes in accounting policy resulting from the initial implementation of a new standard are applied retrospectively or prospectively, if any, in accordance with the transitional provisions. Changes that do not include any transitional provisions, significant changes in the accounting policy or accounting errors detected are applied retrospectively and the financial statements of the previous period are revised [Footnote 2.6]. The Group does not have any significant changes in its accounting policies for the accounting period of 1 January – 31 December 2024.

If the changes in accounting estimates are for only one period, they are applied in the period in which the change is made and if they are for future periods, they are applied both in the period in which the change is made and prospectively in future periods. The Group has not made any significant changes in accounting estimates in the current year.

Significant accounting errors detected are applied retrospectively and the consolidated financial statements of the previous period are reissued. Material accounting errors identified during the Group's current accounting period are described in footnote 2.6.

2.5 Summary of Significant Accounting Policies

Related Parties

For the purpose of these consolidated financial statements, the shareholders who have control, joint control and significant influence over the Group, Kıraca Holding, which is the ultimate shareholder of the Group, the members of the Board of Directors, senior executives, and the companies that have control, joint control or significant influence over these persons are defined as related parties [Footnote 6].

For the purpose of the consolidated financial statements, the following parties are deemed and referred to as related parties.

a) A related party is a person or entity that is related to the entity that prepares its financial statements [the group].

- i) has control or joint control over the group; or
- ii) has significant influence over the group; or
- iii) is a member of the key management personnel of the group or a parent of the Company.



NOTE 2 – CONSOLIDATED PRINCIPLES OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.5 Summary of Significant Accounting Policies (Continued)

Related Parties (Continued)

b) An entity is related to a group if any of the following conditions are met:

- (i) the entity and the group are members of the same group (i.e. every parent, subsidiary and fellow subsidiary is related to each other); and
- (ii) the group is an associate or joint venture of the other entity (or of a member of a group of which the other entity is a member); or
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third party and the other entity is an associate of the third party.
- (v) The entity has a post-employment benefit plan for the benefit of employees of the group or a group related to the group. If the group itself has such a plan, the sponsoring employers are also related to the group.
- (vi) If 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 a parent of the entity).

A related party transaction is a transfer of resources, services or obligations between a group and a related party, whether or not consideration is received.

Revenue

In accordance with TFRS 15 "Revenue from Customer Contracts Standard", the Group recognizes revenue in its consolidated financial statements under the five-stage model below [Footnote 21].

- Defining contracts with customers
- Defining performance obligations in contracts
- Determining the transaction price in contracts
- Allocation of the transaction price to performance obligations
- Revenue recognition

The Group evaluates the goods or services promised in each contract with customers and assesses whether the goods or services represent a separate performance obligation.

For each performance obligation, it is determined at the inception of the contract whether the performance obligation is to be satisfied over time or at a specified point in time. When the Group transfers control of a good or service over time and therefore fulfils the performance obligations associated with the related sales over time, the Group recognizes revenue over time by measuring the progress towards complete fulfilment of those performance obligations.

When the Group fulfils its performance obligation by transferring a promised good or service to a customer, the Group recognizes the transaction price corresponding to this performance obligation as revenue in the consolidated financial statements. The goods or services are transferred when (or as) the customers obtain control of the goods or services.

According to this model, first of all, the goods or services promised in each contract made with the customers are evaluated and each commitment made to transfer the goods or services in question is determined as a separate performance obligation. Afterwards, it is determined whether the performance obligations will be fulfilled over time or at a certain time. If the Group transfers control of a good or service over time and therefore fulfils its performance obligations related to the relevant sales over time, it measures the progress towards the full fulfillment of such performance obligations and includes the revenue in the financial statements over time. Revenue related to performance obligations, which are commitments for the transfer of goods or services, are recognized when the control of the goods or services is in the hands of the customers.

The Group recognizes a contract with a customer as revenue if all of the following conditions are met:

- a) The parties to the contract have approved the contract (in accordance with written, oral or other commercial practices) and undertake to perform their own actions,
- b) The Group can define the rights related to the goods or services to be transferred by each party,
- c) The Group can define payment terms for the goods or services to be transferred,
- d) The contract is commercial in nature,
- e) It is likely that the Group will collect remuneration for goods or services to be transferred to the customer. When assessing whether a price is likely to be collectible, the business only considers the customer's ability to pay that price on due date and his intention to do so.

Revenue from product sales

The Group earns revenue mainly from the sales of Karsan and other branded products (buses, minibuses, passenger cars) that it produces. Revenue is recorded when control of the products is transferred to the customer. In addition, there are legal warranty commitments given by the Group to its customers with the products, the duration of which varies between 2-5 years depending on the product sold and the country of sale. These statutory warranty commitments are commitments that are required by law, do not have a price independent of the product and cannot be sold independently, and are not considered as a product or service separate from the sale of the product.

Revenue is recorded when the control of the products has been transferred, the collection of the price payable is likely, the relevant costs to be incurred and the possible return amounts of the goods can be reliably estimated, there is no ongoing management efficiency on the goods subject to sale, and the amount of revenue can be reliably measured. If a discount is likely to be granted and its amount can be reliably measured, the amount of the discount is recorded as soon as the revenue is recorded. The Group considers the following while assessing transfer of control of the goods or services sold to the customer;

- The Group's right to collect the goods,
- the customer's legal ownership of the goods,
- transfer of possession of goods,
- Ownership of the significant risks and returns brought by the ownership of the goods,
- the conditions of the customer's acceptance of the goods.



NOTE 2 – CONSOLIDATED PRINCIPLES OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.5 Summary of Significant Accounting Policies (Continued)

Revenue (Continued)

For each performance obligation, the Group determines whether it has fulfilled its performance obligation over time at the beginning of the contract or whether it has fulfilled the performance obligation at a certain point in time. The Group records the proceeds from product sales in its financial statements following the transfer of control to the customer. In the event that the Group is entitled to collect a price that directly corresponds to the value of the completed performance from its customers to the customer [at the delivery of the products], the Group includes the revenue equal to the amount it is entitled to invoice in the financial statements.

Sales of vehicles with Karsan brand

The Group recognizes revenue from own brand vehicles in the consolidated financial statements at the time of sale in accordance with the above mentioned policy.

Revenue from extended warranty and maintenance service sales

The Group sells warranties and maintenance services for its products for periods starting from the end of the statutory warranty period. The price of the additional commitments is considered to be a separate contractual service from the products sold. Therefore, the Group recognizes the service to be provided for the sale of extended warranties and maintenance services as a separate performance obligation.

Bus sales (Tenders)

The Group recognizes the tender revenue under public [municipal] tenders in the consolidated financial statements upon delivery of the buses. The Group provides five-year after-sales maintenance and repair services within the scope of the tenders and recognizes the cost of such services in the consolidated financial statements simultaneously with the maintenance and repair provision revenue. In the case of maintenance package sales, the Group transfers control of the service over time and therefore fulfills its performance obligations related to such sales over time and includes the revenue in the financial statements over time by measuring the progress towards the full fulfillment of this performance obligation.

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

Dividend and interest income:

Dividend income from equity investments is recognized when the right to receive dividends is established [as long as the Group will receive the economic benefits and the income can be measured reliably].

Interest income on financial assets is recognized when it is probable that the Group will receive the economic benefits and the income can be measured reliably. Interest income is accrued over the remaining life of the financial asset using the effective interest rate that discounts estimated future cash inflows over the expected life of the asset to its carrying amount.

Inventory

Inventories are stated at the lower of cost and net realizable value. Cost, including an appropriate proportion of fixed and variable overheads, is allocated to inventories using the most appropriate method for each class of inventory, with the majority being valued using the weighted average method. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale. When the net realizable value of inventories is less than cost, inventories are written down to net realizable value and the expense is recognized in the income statement in the year of the write-down or loss. An impairment loss is reversed when the circumstances that previously caused inventories to be written down to net realizable value no longer exist or when there is evidence of an increase in net realizable value due to changes in economic conditions. The amount of the reversal is limited to the amount of the previously recognized impairment loss.

Tangible fixed assets

Land and plots and buildings, land improvements expressed [indexed] with the purchasing power as of 31 December 2024. As of September 30, 2024, they are reflected in the consolidated financial statements with their net values after deducting the accumulated depreciation in the following three months, based on their reasonable values determined in the valuation studies carried out by the independent professional valuation company. With land and plots as of 31 December 2024 All other tangible fixed assets, except buildings, land improvements, are reflected in the consolidated financial statements with their net value after deducting accumulated depreciation and impairment, if any, from the cost of acquisition expressed by purchasing power [indexed] as of 31 December 2024 [Footnote 12]. As of the date of revaluation, the accumulated depreciation of the relevant tangible asset subject to valuation is netted with the cost of the asset and tracked over the revalued net book value in subsequent periods.

Increases in the carried values of land and plots, buildings, land improvements as a result of revaluation are credited to the account of tangible fixed asset revaluation increases/decreases under equity in the consolidated financial position statement, deducting the deferred tax effect. Valuation increases in respect of assets that were previously reflected in the profit or loss and other comprehensive income statement will be credited to the consolidated profit or loss statement in the amount of such impairment that was reflected in the profit or loss and other comprehensive income statement. Decreases corresponding to the increases of the same asset in the fund in the previous period are deducted from the fund; All other decreases are reflected in the consolidated profit or loss statement. Each year, the difference between the depreciation calculated on the revaluation amount [profit or loss and depreciation reflected in the other comprehensive income statement] and the depreciation allocated over the pre-revaluation cost of the asset is transferred from the tangible fixed asset revaluation increases/decreases account to the profits of the previous year, minus the deferred tax effect.

Buildings, land improvements, machinery, facilities and devices are capitalized and depreciated as soon as they are brought to the necessary state and place in order to operate in line with the objectives of the management. The scrap value of tangible fixed assets is estimated to be not significant. In each reporting period, the scrap value and approximate economic life of tangible fixed assets are reviewed, and the necessary adjustments are reflected prospectively.



NOTE 2 – CONSOLIDATED PRINCIPLES OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.5 Summary of Significant Accounting Policies (Continued)

Tangible fixed assets (Continued)

Land and plots are not depreciated, assuming they have eternal life. Depreciation was calculated by applying the linear depreciation method on tangible fixed assets that were revalued or expressed with the purchasing power on the date of the financial position statement (balance sheet), except for the investments made with land and plots. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The depreciation periods for tangible fixed assets, reflecting their estimated economic life, are as follows:

Useful lives

Land improvements	5-25 years
Buildings	4-50 years
Machinery and equipment	3-25 years
Vehicles	4-5 years
Fixtures	6-5 years
Leasehold improvements	5 years

Advances made for the purchase of tangible fixed assets are tracked under prepaid expenses under other fixed assets until the relevant asset is capitalized. Expenditures after capitalization are added to the cost of the relevant asset or reflected in the financial statements as a separate asset if they are of a nature to increase the future economic benefit of the relevant tangible asset and the cost of the relevant expenditure is measured reliably.

Tangible fixed assets: Movable values are reviewed for impairment in conditions that indicate that they may be more than their recoverable value. For impairment detection, assets are grouped at the lowest level, which are cash-generating units (cash-producing unit). If the value of a tangible fixed asset is more than its recoverable value, the book value is reduced to its recoverable value by setting aside a provision. The recoverable value is the greater of the net selling price after deducting the value of the tangible asset in use or the expenses incurred for the sale of the asset.

Normal maintenance and repair expenditures on tangible fixed assets are recognized as expenses. Investment expenditures that increase the future benefits of the tangible asset by expanding its capacity are added to the cost of the tangible asset.

The profit or loss obtained in the disposal of tangible fixed assets is determined according to the value of the tangible asset and recorded in the income and expense accounts from investment activities (Footnote 24). In the disposal of a revalued tangible asset, the revaluation fund related to the disposed tangible asset is transferred to the profits of previous years.

Leasing transactions

Group in the case of a lessee

The Group assesses whether an arrangement is, or contains, a lease at the inception of the arrangement. The Group recognizes the right-of-use asset and the related lease liability for all leases in which it is the lessee, except for short-term leases (leases with terms of 12 months or less) and leases of low-value assets. For these leases, the Group recognizes lease payments as an operating expense on a straight-line basis over the lease term, unless there is another systematic basis that better reflects the timing of the economic benefits to be obtained from the leased assets.

On initial recognition, lease liabilities are measured at the present value of the minimum lease payments, discounted at the lease's effective interest rate. If this rate is not predetermined, the Group uses an alternative borrowing rate determined by the Group.

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

- Fixed lease payments (essentially fixed payments) less any lease incentives;
- Variable lease payments linked to an index or rate, initially measured by reference to an index or rate at the inception of the lease;
- The amount of debt expected to be paid by the lessee under residual value guarantees;
- The exercise price of payment options if the lessee would reasonably exercise the payment options; and
- The lease termination penalty, if there is a right to terminate the lease during the lease term.

The lease liability is presented as a separate line item in the consolidated balance sheet. Lease liabilities are subsequently measured by increasing the net carrying amount to reflect the interest on the lease liability (using the effective interest method) and decreasing the net carrying amount to reflect the lease payments made. The Group remeasures the lease liability (and makes appropriate changes to the related right of use asset) when

- There is a change in the lease term or in the assessment of the exercise of a purchase option, the lease liability is remeasured by discounting the revised lease payments using the revised discount rate;
- The lease liability is remeasured by discounting the revised lease payments at the original discount rate when there is a change in the lease payments due to changes in the index, the interest rate or a change in the expected payment of the committed residual value (a revised discount rate is used when the change in the lease payments is due to a change in the variable interest rate);
- A lease is modified and the lease modification is not accounted for as a separate lease, the lease liability is restated by discounting the revised lease payments using the revised discount rate.

The Group has not made any such changes during the periods presented in the financial statements.

NOTE 2 – CONSOLIDATED PRINCIPLES OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.5 Summary of Significant Accounting Policies (Continued)

Leasing transactions (Continued)

Right of use assets comprise the initial measurement of the corresponding lease liability, lease payments made on or before the commencement date and other direct initial costs. These assets are subsequently measured at cost less accumulated depreciation and impairment losses.

A provision is recognized in accordance with TAS 37 when the Group incurs costs necessary to dismantle and remove a leased asset, restore the site on which the asset is located or restore the underlying asset to working order in accordance with the terms of the lease. These costs are included in the related right of use asset unless they are incurred to produce inventories.

Right of use assets are depreciated over the shorter of the lease term and the useful life of the underlying asset. The associated right-of-use asset is depreciated over the useful life of the host asset when ownership of the underlying asset is transferred or when the Group intends to exercise a purchase option based on the cost of the right-of-use asset. Depreciation commences at the inception of the lease.

Right of use assets are presented as a separate line item in the consolidated statement of financial position.

The Group applies TAS 36 to determine whether right-of-use assets are impaired and recognizes all identified impairment losses as described in the 'Tangible Fixed Assets' policy.

Variable rents that are not dependent on an index or rate are excluded from the measurement of the lease liability and the right of use asset. Related payments are recognized as an expense in the period in which the underlying event or events giving rise to the payments occur and are included in 'other expenses' in the income statement.

As a practical expedient, TFRS 16 allows a lessee to account for all leases and non-lease elements as a single lease and not to present the non-lease elements separately. The Group has not made use of this practical expedient.

Group - as lessor

Financial leasing transactions

Financial activities include finance lease transactions in which the Group is the lessor under TFRS 16 - "Leases". The Group has evaluated the terms of the contract signed with Renault within the scope of TFRS 16 - Leases.

(a) The agreement depends on the investment financed by the Group.

(b) The agreement transferred the right to use the investment to Oyak Renault Otomobil Fabrikaları A.Ş.

(c) The right to control the investment and the products produced through the investment has been fully transferred to Renault.

(d) Lease payments for the investment can be made separately from other payments.

As a result, the Group has classified these investments as finance leases, where all risks are transferred to Oyak Renault Otomobil Fabrikaları A.Ş. Under finance leases, the leased asset is recognized as a receivable equal to the net lease investment. Finance income from finance leases is recognized as a fixed periodic rate of return on the net investment in the leased asset. Lease payments received are deducted from the gross amount of the lease investment to reduce principal and unearned finance income (Note: 7). Unearned finance income is the difference between the gross lease investment and the present value of the gross investment at the interest rate implicit in the lease. The implied interest rate is the discount rate at the inception of the lease that equals the sum of the minimum lease payments and the unguaranteed salvage value to the fair value of the leased asset plus the initial costs.

Revenue recognized at the beginning of the lease term is the fair value of the leased asset or, if lower, the present value of the minimum lease payments to be received by the lessor, calculated using a market interest rate. The cost of sales recognized at the beginning of the lease term is the cost of the leased asset. The difference between the sales revenue recognized by the Group and the cost of sales is the gain on sale.

Intangible fixed assets

Intangible assets include acquired rights, information systems, project costs related to the development of new products, and computer software. Intangible assets are reflected from the cost value by deducting the accumulated amortization and impairment, if any. Intangible assets are depreciated by the linear depreciation method over their estimated useful life for a period not exceeding 5 years after the date of acquisition. In order for intangible assets to be capitalized, the economic benefit of the relevant asset to the business in the future must be determinable and the cost of the asset must be reliably measured. In the event of impairment, the registered value of intangible assets is reduced to their recoverable value.

Intangible Fixed Assets Acquired

Purchased intangible assets include assets with a limited life and are indicated by the amount after deducting accumulated amortizations and accumulated impairments from their cost value. These assets are amortized on a straight-line basis over their estimated useful lives. The estimated useful lives and the amortization method are reviewed at each year-end and the effects of any changes in estimates are accounted for prospectively. Purchased intangible assets are amortized by applying the linear depreciation method within an average of 5-10 years from the date of acquisition.

Computer software

Acquired computer software is capitalized at the time of acquisition and at the cost incurred from the time of acquisition until the software is ready for use. These costs are amortized over their useful lives [1-5 years]. Costs associated with the development and maintenance of computer software are recognized in the income statement in the period in which they are incurred. Costs that are directly attributable to the development of identifiable and unique software products controlled by the Group and that will generate economic benefits in excess of costs for more than one year are recognized as intangible assets. Costs include the cost of the employees who develop the software and a proportion of production overheads.



NOTE 2 – CONSOLIDATED PRINCIPLES OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.5 Summary of Significant Accounting Policies (Continued)

Intangible fixed assets (continued)

Internally generated Intangible Fixed Assets– Research & Development Expenses

Capitalized development costs represent expenditure incurred within the Group for the development of vehicles produced. Internally generated intangible fixed assets are capitalized at cost when it is probable that future economic benefits will flow to the Group.

Research costs are recognized in the income statement in the period in which they are incurred.

Internally generated intangible assets arising from development activities (or the development phase of an internal project) are only recognized when all of the following conditions are met:

- It is technically feasible to complete the intangible asset so that it is ready for use or sale, the intention to complete, use or sell the intangible asset
- The intangible asset can be used or sold
- It is clear how the asset is likely to generate future economic benefits,
- Adequate technical, financial and other resources are available to complete the development of the intangible asset and to use or sell the asset; and
- The development costs of the asset can be measured reliably during the development process.

The amount of an internally generated intangible fixed asset is the total expenditure incurred from the date on which the intangible asset meets the recognition criteria described above. Where internally generated intangible assets are not recognized, development expenditure is recognized as an expense in the period in which it is incurred.

Subsequent to initial recognition, internally generated intangible assets, like separately acquired intangible assets, are carried at cost less accumulated amortization and accumulated impairment losses.

The capitalized development expense is amortized by applying the linear depreciation method within 5 years, which is the expected life expectant with the start of commercial production of the product.

Derecognition of intangible assets

An intangible fixed asset is derecognized when it is disposed of or when no future economic benefits are expected from its use or disposal. The gain or loss arising on derecognition of an intangible asset is calculated as the difference, if any, between the net proceeds from the disposal of the asset and its carrying amount. This difference is recognized in the income statement when the asset is derecognized.

Impairment of intangible fixed assets other than tangible fixed assets and goodwill

At each reporting date, the Group reviews the carrying amounts of its tangible and intangible fixed assets to determine whether there is any impairment in value. If assets are impaired, the recoverable amount of the assets, if any, is measured to determine the amount of impairment. When the recoverable amount of an asset cannot be measured, the Group measures the recoverable amount of the cash-generating unit associated with the asset. If a reasonable and consistent basis of allocation can be determined, the assets of the company are allocated to the cash-generating units. Where this is not possible, Group assets are allocated to the smallest cash-generating unit for the purpose of determining a reasonable and consistent basis of allocation.

If the recoverable amount of an asset (or cash-generating unit) is less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized directly in the income statement unless the asset is carried at revalued amount. In this case, the impairment loss is recognized as a revaluation decrease.

If an impairment loss is reversed in a subsequent period, the carrying amount of the asset (or its cash-generating unit) is increased to reflect the revised estimate of its recoverable amount.

The increased carrying amount should not exceed the carrying amount that the asset (or its cash-generating unit) would have had if no impairment loss had been recognized for the asset in prior periods. A reversal of an impairment loss is recognized immediately in profit or loss, unless the asset is carried at a revalued amount. A reversal of an impairment loss on a revalued asset is recognized as a revaluation increase.

Borrowing costs and financial borrowings

Loans received are recorded at their reasonable value at the time of receipt with their net value after deducting transaction costs. Loans received are shown at the cost value discounted using the effective interest method. The difference between the remaining amount after deducting transaction costs and the discounted cost value is reflected in the consolidated profit or loss and other comprehensive income statement using the effective interest method as the cost of financing during the loan period. When the cost of financing arising from the loans taken out is incurred, it is reflected in the consolidated profit or loss and other comprehensive income statement [Footnote 26]. If the maturities of the loans are less than 12 months from the date of the statement of financial position, they are shown in the short-term liabilities, and if they are more than 12 months, they are shown in the long-term liabilities. Financial liabilities are classified as short-term liabilities if the Group does not have an unconditional right to defer repayment within 12 months from the date of the consolidated statement of financial position.

The fees paid for credit agreements and limits are reflected in the consolidated financial statements as transaction costs in accordance with the above principles, in cases where it is highly likely that the relevant limit will be used in whole or in part within the scope of the said agreement.

NOTE 2 – CONSOLIDATED PRINCIPLES OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.5 Summary of Significant Accounting Policies (Continued)

Financial instruments

Financial assets and financial liabilities are recognized in the Group's balance sheet when the Group becomes a party to the contractual provisions of the financial instrument. Financial assets and financial liabilities are initially recognized at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and liabilities (other than financial assets and liabilities at fair value through profit or loss) are added to or deducted from the fair value of those financial assets and liabilities on initial recognition. Transaction costs that are directly attributable to the acquisition or issue of financial assets and liabilities are recognized directly in the income statement.

Financial assets

Financial assets that are traded in the normal course of business are recognized or derecognized on the trade date.

The Group classifies its financial assets as either at amortized cost, at fair value through other comprehensive income or at fair value through profit or loss on subsequent recognition based on (a) the entity's business model for managing financial assets and (b) the characteristics of the contractual cash flows of the financial asset. When an entity changes its business model for managing financial assets, it reclassifies all affected financial assets. The reclassification of financial assets is applied prospectively from the date of reclassification. In such cases, no adjustment is made to previously recognized gains, losses (including impairment gains or losses) or interest.

Classification of financial assets

Financial assets that meet the following conditions are subsequently measured at amortized cost:

- the financial asset is held within a business model whose objective is to collect the contractual cash flows; and
- the contractual terms of the financial asset give rise to cash flows at specified dates that are solely payments of principal and interest on the principal outstanding.

Financial assets that meet the following conditions are measured at fair value through other comprehensive income:

- The financial asset is held within a business model whose objective is to collect the contractual cash flows and sell the financial asset; and
- the contractual terms of the financial asset give rise to cash flows at specified dates that are solely payments of principal and interest on the principal outstanding.

If a financial asset is not measured at amortized cost or fair value through other comprehensive income, it is measured at fair value through profit or loss.

On initial recognition, the Group may make an irrevocable election to recognize subsequent changes in the fair value of an investment in an equity instrument that is not held for trading in other comprehensive income.

(i) Amortized cost and effective interest method

Interest income on financial assets carried at amortized cost is calculated using the effective interest method. The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period. This income is calculated by applying the effective interest rate to the gross carrying amount of the financial asset, with the exception of:

- financial assets that were credit impaired at acquisition or origination. For such financial assets, the entity applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.
- financial assets that were not credit-impaired financial assets when acquired or originated but subsequently become credit-impaired financial assets. For such financial assets, the entity applies the effective interest rate to the amortized cost of the asset at subsequent reporting dates.

Interest income is subsequently recognized using the effective interest method for debt instruments measured at amortized cost and at fair value through other comprehensive income.

(ii) Financial assets at fair value through profit or loss

Financial assets that do not meet the criteria to be measured at amortized cost or at fair value through other comprehensive income are measured at fair value through profit or loss.

Financial assets at fair value through profit or loss are measured at fair value at the end of each reporting period and all changes in fair value are recognized in the income statement, unless the financial assets are designated as hedging instruments [see policy on hedge accounting].

(iii) Equity instruments at fair value through other comprehensive income

On initial recognition, the Group may make an irrevocable election to recognize subsequent changes in the fair value of an investment in an equity instrument that is not held for trading in other comprehensive income.

A financial asset is classified as held for trading if it is

- acquired with the intention of selling in the near term; or
- on initial recognition, is part of a portfolio of specific financial instruments that the Group manages together and there is recent evidence that the Group has a pattern of short-term profit-taking; or
- a derivative instrument (other than a financial guarantee contract or a derivative that is a designated and effective hedging instrument).



NOTE 2 – CONSOLIDATED PRINCIPLES OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.5 Summary of Significant Accounting Policies (Continued)

Financial assets (Continued)

Investments in equity instruments at fair value through other comprehensive income are initially recognized at fair value plus transaction costs. Gains and losses arising from changes in fair value are subsequently recognized in other comprehensive income and accumulated in the revaluation reserve. On disposal of an equity investment, the cumulative gain or loss is transferred to retained earnings.

Dividends on equity instruments are recognized in profit or loss in accordance with TFRS 9, unless they represent a partial recovery of the cost of the investment. Dividends are recognized in the income statement in 'Income from investing activities'.

The Group has reclassified changes in the fair value of equity instruments that are not held for trading purposes to other comprehensive income, as disclosed in Note 30.

Foreign exchange gains and losses

The carrying amount of financial assets denominated in a foreign currency is determined in that foreign currency and translated at the exchange rate at the end of each reporting period. In particular

- Exchange differences on financial assets carried at amortized cost that are not part of a designated hedging relationship are recognized in the income statement;
- Exchange differences arising on the amortized cost of debt instruments that are measured at fair value through other comprehensive income and that are not part of a designated hedging relationship are recognized in the income statement. All other exchange differences are recognized in other comprehensive income;
- for financial assets at fair value through profit or loss that are not part of a designated hedging relationship, exchange differences are recognized in the income statement; and
- Exchange differences on equity instruments measured at fair value through other comprehensive income are recognized in other comprehensive income.

Impairment of financial assets

The Group recognizes an allowance in the financial statements for expected credit losses on debt instruments, lease receivables, trade receivables, assets arising from contracts with customers and investments in financial guarantee contracts that are carried at amortized cost or fair value through other comprehensive income. The amount of expected credit loss is revised at each reporting date to reflect changes in credit risk since the initial recognition of the financial asset.

The Group uses the simplified approach for trade receivables and assets arising from contracts with customers that do not have a significant financing element and calculates impairment losses at an amount equal to the expected credit loss over the life of the related financial assets.

For all other financial instruments, the Group recognizes lifetime expected credit losses if there has been a significant increase in credit risk since initial recognition. However, if the credit risk of the financial instrument has not increased significantly since initial recognition, the Group recognizes an allowance equal to 12 months of expected credit losses for that financial instrument

Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, the loss given default (i.e. the magnitude of the loss given default) and the amount at risk at default. The assessment of probability of default and loss given default is based on historical data adjusted by forward-looking information. The amount at risk of default of financial assets is the gross carrying amount of the assets at the balance sheet date.

The expected credit loss on financial assets is the present value of the difference between all contractually agreed cash flows that the Group expects to collect as they fall due and all cash flows that the Group expects to lose (all cash losses), calculated using the initial effective interest rate (or credit-adjusted effective interest rate for financial assets that were credit impaired at acquisition or origination).

Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the financial asset expire or it transfers the financial asset and substantially all the risks and rewards of ownership of the financial asset to another entity.

When a financial asset carried at amortized cost is derecognized, the difference between the carrying amount of the asset and the consideration received or receivable is recognized in the income statement. In addition, on derecognition of a debt instrument measured at fair value through other comprehensive income, the cumulative gain or loss previously recognized in the revaluation reserve is reclassified to the income statement. On derecognition of an equity instrument that the Group has elected to designate upon initial recognition as at fair value through other comprehensive income, the cumulative gain or loss previously accumulated in the revaluation reserve is not recognized in the income statement but is transferred directly to retained earnings.

Financial liabilities

An entity measures a financial liability at fair value on initial recognition. On initial recognition of liabilities other than those at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the liability are added to fair value.

On subsequent recognition, the entity classifies all financial liabilities as at amortized cost, with the exception of the following

(a) financial liabilities at fair value through profit or loss: These liabilities, including derivatives, are subsequently measured at fair value.

NOTE 2 - CONSOLIDATED PRINCIPLES OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

2.5 Summary of Significant Accounting Policies (Continued)

Financial assets (Continued)

[b] Financial liabilities that arise when the transfer of a financial asset does not meet the derecognition criteria or when the continuing relationship approach is applied: When the Group continues to recognize an asset in the financial statements to the extent of its continuing involvement, it also recognizes a corresponding liability in the financial statements. The transferred asset and the associated liability are measured to reflect the rights and obligations that the Group continues to retain. The liability associated with the transferred asset is measured in the same way as the net carrying amount of the transferred asset.

The entity does not reclassify financial liabilities.

Derecognition of financial liabilities

The Group derecognizes financial liabilities only when the Group's obligations have been discharged or cancelled or have expired. The difference between the carrying amount of the derecognized financial liability and the amount paid or payable, including any non-cash assets transferred or liabilities assumed, is recognized in the income statement

Derivative financial instruments

Detailed information on derivative financial instruments is given in Note 29.

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured at fair value at each reporting date. The resulting gain or loss is recognized in the income statement unless the derivative is designated and effective as a hedging instrument.

A derivative with a positive fair value is recognized as a financial asset and a derivative with a negative fair value is recognized as a financial liability. Derivative instruments are not offset and are not presented on a net basis unless the Group has a legal right and intention to offset the recognized amounts. A derivative instrument is recognized as a non-current asset or liability when it has a remaining maturity greater than 12 months and is not expected to be realized or settled within 12 months. Other derivatives are classified as current assets or liabilities.

Hedge accounting

The Group designates certain derivative financial instruments as hedges of foreign currency risk and interest rate risk arising from fair value hedges, cash flow hedges or, where appropriate, hedges of net investments in foreign operations. Foreign currency hedges of firm commitments are accounted for as cash flow hedges.

At the inception of the hedge relationship, the Group documents the relationship between the hedging instrument and hedged item, together with its risk management objectives and strategies for managing the various hedges. The Group also makes the following assessments of the effectiveness of the hedging instrument at inception and on an ongoing basis

- there is an economic relationship between the hedged item and the hedging instrument;
- the credit risk effect does not drive the changes in value arising from the economic relationship; and
- the hedging relationship is the same as the ratio of the amount of the hedged item that the Group actually hedges to the amount of the hedging instrument that the Group actually uses to hedge that amount

If the hedging relationship does not meet the hedge effectiveness criteria for the hedge ratio, but the risk management objectives for that designated hedging relationship remain the same, the Group changes the hedge ratio of the hedging relationship to meet the required criteria [e.g. by rebalancing the hedge]. For all hedging relationships that include forward contracts, the Group designates as the hedging instrument the entire fair value measurement risk of the forward contracts [i.e. including the forward elements].

Details of the fair values of derivative financial instruments used for hedging purposes are disclosed in Notes 29 and 31.

Earnings per Share

Earnings per share as reported in the consolidated income statement are calculated by dividing the net profit by the weighted average number of shares outstanding during the year.

In Turkey, companies may increase their share capital by distributing "bonus shares" to shareholders out of retained earnings. Such bonus share distributions are treated as shares issued for the purpose of calculating earnings per share. Accordingly, the weighted average number of shares used in the earnings per share calculations is calculated taking into account the retrospective effect of such share distributions.



NOTE 2 – CONSOLIDATED PRINCIPLES OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.5 Summary of Significant Accounting Policies (Continued)

Events after the reporting period

Events after the date of the statement of financial position include all events between the date of the statement of financial position and the date of authorization for publication of the statement of financial position, even if they occur after the announcement of profit or other selected financial information has been made public. The Group adjusts the amounts recognized in the financial statements when events that require adjustment occur after the statement of financial position date. Matters that do not require adjustment after the date of the statement of financial position are disclosed in the footnotes to the consolidated financial statement if they are matters that affect the economic decisions of the users of the financial statements [Footnote 35].

Provisions, contingent assets and liabilities

Provisions are recognized when the Group has a present obligation as a result of a past event, it is probable that the Group will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the most reliable estimate of the expenditure required to settle the obligation at the balance sheet date, taking into account the risks and uncertainties associated with the obligation. If the provision is measured using the estimated cash flows required to settle the present obligation, the carrying amount of the provision is the present value of those cash flows.

When some or all of the economic benefits required to settle provision are expected to be received from a third party, the receivable is recognized as an asset when it is virtually certain that the reimbursement will be received and the amount of the receivable can be reliably measured.

The Group sells warranty obligations for its products for the period from the end of the statutory warranty period. The price of additional repair and maintenance services, other than warranty services, is determined separately from the products sold and is considered to be a separate contractual service. Therefore, the Group recognizes the service to be provided as a result of sales of repair and maintenance services as a separate performance obligation [Note 16].

Warranties

Warranty expenses are recorded as a result of the estimates of the repair and maintenance costs incurred by the companies for the goods they produce and sell, the labor and material expenses incurred by the authorized services without charging the customer within the scope of the warranty, the maintenance expenses undertaken by the companies and the return and repair levels that may be in question in the following years regarding the products whose revenue is recorded as income in the current year.

Segment reporting of financial information

Segment reporting is organized to be consistent with the reporting to the Group's chief operating decision maker. The Group's chief operating decision maker is responsible for making decisions about resources to be allocated to the segments and for assessing the performance of the segments. Segments included in 'Other' have been aggregated for segment reporting purposes as they do not meet the quantitative thresholds to be a reportable segment.

A reportable segment is an industry segment or a geographical segment for which segment information is required to be disclosed. Business segments are those that provide a particular good or service or a group of related goods or services and that are subject to risks and returns that are different from those of other segments of the Group. Geographical segments are segments of the Group that provide goods or services within a particular economic environment and are subject to risks and returns that are different from those of other segments operating in other economic environments.

For an industry or geographical segment to be identified as a reportable segment, its reported revenue, including sales to external customers and intersegment sales or transfers, must be 10 percent or more of the total revenue of all operating segments, internal and external, or 10 percent or more of the total reported profit or loss, or its assets must be 10 percent or more of the total assets of all industry or geographical segments. If management believes that segment information is useful to users of the financial statements, business or geographical segments that do not meet either of the above quantitative thresholds may also be considered reportable segments and information about them may be disclosed separately [Note 4].

Government grants and assistance

Government grants are not recognized until there is reasonable assurance that the entity will comply with the conditions attached to the grants and that the grants will be received.

Government grants are recognized in the income statement on a systematic basis over the period in which the costs that the grants are intended to compensate for are recognized as expenses. Government grants that are financing instruments should be recognized in the balance sheet as unearned income and released to the income statement on a systematic basis over the useful lives of the related assets, rather than being recognized in the income statement as an offset to the cost that they finance.

Government grants that are intended to compensate for expenses or losses already incurred or that provide the entity with immediate financial assistance without incurring future costs are recognized in the income statement in the period in which they become receivable.

The benefit of a loan from the government at a lower interest rate than the market rate is considered to be a government grant. The benefit of the lower interest rate is measured as the difference between the initial carrying amount of the loan and the gain realized.

NOTE 2 – CONSOLIDATED PRINCIPLES OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.5 Summary of Significant Accounting Policies (continued)

Cash flow statement

The cash flow statement classifies and presents the cash flows for the period into operating, investing and financing activities. Cash flows from operating activities represent cash flows from the Group's operations. Cash flows related to investment activities indicate the cash flows used by the Group in its investment activities (fixed asset investments) and received from these activities. Cash flows related to financing activities indicate the resources used by the Group in its financing activities and the repayments of these resources. Cash and cash equivalents include cash and bank deposits, as well as short-term, highly liquid investments with a maturity of 3 months or less, the amount of which can be easily converted into specific cash. In line with the "Implementation Guide on Financial Reporting in High-Inflation Economies" published by the KGK, monetary position gain losses on cash and cash equivalents were displayed in the cash flow statement, and in line with the 3rd approach in the implementation guide, the effect of inflation on cash flows arising from operating, investment and financing activities should be attributed to the relevant activity class and inflation in cash and cash equivalents. The effect was presented separately.

Taxes calculated on corporate income

Turkish tax legislation does not allow a parent company and its subsidiary to file a consolidated tax return. Therefore, the provisions for taxes, as reflected in the accompanying consolidated financial statements, have been calculated on a separate entity basis.

Income tax expense represents the sum of current tax payable and deferred tax

Current Tax

The current tax liability is based on the taxable profit for the period. The taxable profit differs from the profit reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and also excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantially enacted at the balance sheet date.

Deferred Tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their corresponding tax bases, using the balance sheet liability method. Deferred tax liabilities are recognized for all taxable temporary differences, while deferred tax assets arising from deductible temporary differences are recognized to the extent that it is probable that future taxable profit will be available against which the deductible temporary difference can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for all taxable temporary differences associated with investments in subsidiaries and associates and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from taxable temporary differences associated with such investments and interests are recognized to the extent that it is probable that there will be sufficient taxable profit against which to utilize the benefits of the temporary differences and it is probable that the temporary differences will reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realized, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the balance sheet date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities, when they relate to income taxes levied by the same taxation authority and when the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax

Tax is recognized in the income statement except to the extent that it relates to items recognized directly in equity. Otherwise the tax is recognized in equity together with the related transaction.



NOTE 2 – CONSOLIDATED PRINCIPLES OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.5 Summary of Significant Accounting Policies (continued)

Employee benefits

[i] Short-term benefits for employees

Short-term benefit obligations provided to employees are expense as the relevant service is provided. An obligation is recorded for amounts expected to be paid in short-term cash where the Company is obliged to pay, arising out of legal or implied acceptance as a result of the past services of its employees, and where this obligation can be reliably estimated.

According to the Labor Law applicable in Turkey, employers are obliged to pay the wages for the annual leave periods entitled but not used by the employees to themselves or their beneficiaries over the sum of the gross wage and other contractual benefits on the date of termination of the contract, in the event that the employment contract is terminated for any reason. Unused leave provision is the total amount of undiscounted obligation that corresponds to the vacation days that all employees are entitled to but have not yet used as of the reporting date. Obligations arising from unused leave entitlements are accrued during the periods in which they are entitled.

[ii] Other long-term benefits for employees

Severance pay provision refers to the present value of the estimated total provision of the Group's possible future liabilities arising from the retirement of the personnel in accordance with the Turkish Labor Law. In accordance with the social legislation valid in Turkey and the Turkish Labor Law; The Group is obliged to pay severance pay collectively to each employee who has completed at least one year of service, who has been dismissed or retired due to reasons other than voluntarily leaving the job or terminating the employment contract as a result of inappropriate behavior. The defined social assistance obligation is discounted according to its net present value in accordance with actuary assumptions and reflected in the financial statements. Actuary gains and losses arising from changes in actuary assumptions used to measure such provision are reflected in the consolidated financial statements by associating them with other comprehensive income statements.

Capital and dividends

Ordinary shares are classified as capital. The capital increase to existing shareholders is recorded at the nominal value at which it is approved. Dividends distributed on ordinary shares are recorded as profit distribution in the period in which they are announced. In the event that the number of existing ordinary shares or potential ordinary shares increases as a result of capitalization, bonus issuance or share splitting, or decreases as a result of a share merger, without causing a change in equity, the calculation of earnings per ordinary share for all offered periods is corrected retrospectively.

2.6 Comparative Information and Correction of Previous Financial Statements

The Group's consolidated financial statements as of 31 December 2023, prepared pursuant to TFRS, were approved by the General Assembly on 4 June 2024. The Group's management identified errors in the consolidated financial statements after the approval of the consolidated financial statements, and in this context, the following corrections have been made and additional information is included in the footnotes to the consolidated financial statements.

In order to enable the determination of financial position and performance trends, the Group's consolidated financial statements are prepared in comparison with previous periods. Regarding the rearrangement of its consolidated financial statements, the Group submitted its consolidated statement of financial position as of 31 December 2024 with the consolidated statement of financial position as of 31 December 2023 and 2022; The consolidated statement of profit or loss and other comprehensive income, the consolidated statement of cash flows, and the consolidated statement of changes in shareholders' equity for the period 1 January – 31 December 2023 compared to the period 1 January – 31 December 2023 has arranged.

Comparative information to ensure compliance with the presentation of consolidated financial statements in the current period is reclassified when deemed necessary and significant differences are explained. In this context, the Group's consolidated statements of financial position as of 31 December 2023 and 2022, as well as the consolidated profit or loss and other comprehensive income statements and consolidated cash flow statements for the period 1 January – 31 December 2023, and the significant adjustments made in accordance with TAS 8 "Accounting Policies, Changes and Errors in Accounting Estimates" are explained below. These adjustments have no impact on the consolidated financial statements for the accounting period ended 31 December 2024.

The Group has submitted footnote disclosures for accounts with adjustments to its consolidated financial statements for 31 December 2023 and 2022, in comparison with the disclosures on 31 December 2024 and those dates. Footnote disclosures for accounts with no adjustments in the consolidated financial statements for 31 December 2023 and 2022 are presented only in comparison with the disclosures dated 31 December 2024 and 31 December 2023.



NOTE 2 – CONSOLIDATED PRINCIPLES OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.6 Comparative Information and Correction of Previous Financial Statements (Continued)

	Previously reported 31 December 2023 [*]	Adjustments and classifications regarding previous period	Restated 31 December 2023	Previously reported 31 December 2022 [*]	Adjustments and classifications regarding previous period	Restated 31 December 2022	Explanation Reference Regarding Adjustments
ASSETS							
Cash and Cash Equivalents	1,482,888	-	1,482,888	106,414	-	106,414	
Financial Investments	170,978	-	170,978	256,545	-	256,545	
Trade Receivables	3,343,525	[270,939]	3,072,586	3,871,668	[67,426]	3,804,242	C
Receivables from Financial Operations	179,640	[179,640]	-	167,599	[167,599]	-	D
Other Receivables	421,469	179,640	601,109	342,181	167,599	509,780	D
Derivatives	194,884	-	194,884	259,436	-	259,436	
Inventory	1,812,675	-	1,812,675	2,137,379	-	2,137,379	
Prepaid Expenses	462,393	-	462,393	324,031	-	324,031	
Assets Related to Current Period Tax	6,070	-	6,070	6,436	-	6,436	
Other Current Assets	250,216	[90,218]	159,998	368,007	[53,345]	314,662	C
Liquid Assets Total	8,324,738	[361,157]	7,963,581	7,839,696	[120,771]	7,718,925	
Fixed Assets							
Financial investments	352,779	-	352,779	397,509	-	397,509	
Trade receivables	319,165	-	319,165	469,521	-	469,521	
Receivables from Financial Operations	479,043	[479,043]	-	670,974	[670,974]	-	D
Other Receivables	-	479,043	479,043	-	670,974	670,974	D
Derivatives	160,689	-	160,689	84,929	-	84,929	
Tangible Fixed Assets	5,939,613	[2,036,800]	3,902,813	5,908,880	[1,676,903]	4,231,977	A, D
Right of Use Assets	57,271	-	57,271	82,036	-	82,036	
Intangible Fixed Assets	1,771,065	493,774	2,264,839	2,210,605	133,888	2,344,493	A, D
Prepaid Expenses	3,146	-	3,146	20,959	-	20,959	
Deferred Tax Asset	971,057	[643,127]	327,930	-	-	-	B
Other Non-current Assets	156	-	156	126,912	-	126,912	
Fixed Assets Total	10,053,984	[2,186,153]	7,867,831	9,972,325	[1,543,015]	8,429,310	
EQUITIES TOTAL	18,378,722	[2,547,310]	15,831,412	17,812,021	[1,663,786]	16,148,235	

[*] The amounts reported in the previous period were expressed on the basis of the purchasing power of TRY as of 31 December 2024.

NOTE 2 – CONSOLIDATED PRINCIPLES OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.6 Comparative Information and Correction of Previous Financial Statements (Continued)

	Previously reported 31 December 2023 [*]	Adjustments and classifications regarding previous period	Restated 31 December 2023	Previously reported 31 December 2022 [*]	Adjustments and classifications regarding previous period	Restated 31 December 2022	Explanation Reference Regarding Adjustments
LIABILITIES							
Short Term Liabilities							
Short Term Borrowings	3,338,505	-	3,338,505	4,720,721	-	4,720,721	
Short Term Part of Long-Term Borrowings	1,023,680	-	1,023,680	1,117,681	-	1,117,681	
Short Term Payables from Leasing Transactions	35,068	-	35,068	23,127	-	23,127	
Trade Payables	2,710,069	[146,815]	2,563,254	2,284,631	-	2,284,631	C
Employee Benefits Liabilities	112,845	-	112,845	85,900	-	85,900	
Other Payables	266,764	-	266,764	-	-	-	
Deferred Income	565,802	-	565,802	91,392	-	91,392	
Current Tax Liability	-	-	-	5,232	-	5,232	
Short Term Provisions	528,323	55,480	583,803	195,186	-	195,186	C
Other Short Term Liabilities	41,615	-	41,615	70,591	-	70,591	
Short Term Liabilities	8,622,671	[91,335]	8,531,336	8,594,461	-	8,594,461	
Long Term Liabilities							
Long Term Borrowings	1,073,214	-	1,073,214	1,530,863	-	1,530,863	
Other Payables	375,385	-	375,385	-	-	-	
Deferred Income	88,026	-	88,026	48,025	-	48,025	
Long Term Payables from Leasing Transactions	25,099	-	25,099	38,659	-	38,659	
Long Term Provisions	574,462	[67,136]	507,326	513,073	-	513,073	C
Deferred Tax Liability	-	-	-	279,183	362,114	641,319	B
Long Term Liabilities	2,136,186	[67,136]	2,069,050	2,409,825	362,114	2,771,939	
LIABILITIES TOTAL	10,758,857	[158,471]	10,600,386	11,004,286	362,114	11,366,400	



NOTE 2 – CONSOLIDATED PRINCIPLES OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.6 Comparative Information and Correction of Previous Financial Statements (Continued)

	Previously reported 31 December 2023	Adjustments and classifications regarding previous period	Restated 31 December 2023	Previously reported 31 December 2022	Adjustments and classifications regarding previous period	Restated 31 December 2022	Explanation Reference Regarding Adjustments
EQUITIES							
Equities of Parent Company							
Paid-up Capital	900,000	-	900,000	900,000	-	900,000	
Capital Adjustment Differences	10,399,738	[582,206]	9,817,532	10,399,738	[582,206]	9,817,532	B
Equity Contribution for Merger	48,683	[48,683]	-	48,683	[48,683]	-	B
Share Premiums/Discounts	154,539	[10,993]	143,546	154,539	[10,993]	143,546	B
Other accumulated comprehensive income							
items not to be re-classified under profit or loss	880,926	[154,550]	726,376	954,260	[154,550]	799,710	
Other accumulated comprehensive income							
items to be re-classified under profit or loss	[342,436]	154,550	[187,886]	[332,959]	154,550	[178,409]	
Restricted Reserves	25,337	-	25,337	25,337	-	25,337	
Accumulated Losses	[5,413,882]	[1,384,041]	[6,797,922]	[5,413,881]	[1,384,041]	[6,797,922]	A, B, C
Net Period Profit [Loss]	919,080	[362,916]	556,164	-	-	-	B, C
Non-controlling Interest	47,879	-	47,879	72,041	-	72,041	
Total equity	7,619,864	[2,388,839]	5,231,026	6,807,758	[2,025,923]	4,781,835	
LIABILITIES TOTAL	18,378,721	[2,547,310]	15,831,412	17,812,044	[1,663,809]	16,148,235	



NOTE 2 – CONSOLIDATED PRINCIPLES OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.6 Comparative Information and Correction of Previous Financial Statements (Continued)

	Previously Reported 1 January -31 December 2023	Adjustments and classifications regarding previous period	Restated January -31 December 2023	Explanation Reference Regarding Adjustments
PROFIT OR LOSS KISMI				
Revenue	10,897,255	[180,093]	10,717,162	C
Cost of Sales [-]	[9,031,790]	158,481	[8,873,309]	C
Gross profit from financial activities	398,452	[398,452]	-	D
Gross profit/[loss]	2,263,917	(420,064)	1,843,853	
General and Administrative Expenses [-]	[523,204]	-	[523,204]	
Marketing Expenses [-]	[1,139,501]	-	[1,139,501]	
Research & Development Expenses [-]	[20,330]	-	[20,330]	
Other Operating Incomes	1,620,555	789,235	2,409,790	C, D
Other operating expenses [-]	[105,889]	[849,528]	[955,417]	D
Operating profit/[loss]	2,095,548	(480,357)	1,615,191	
Income from investing activities	49,038	-	49,038	
Expenses from investing activities [-]	[117,452]	-	[117,452]	
Operating profit/[loss] financial income	2,027,134	(480,357)	1,546,777	
Financial expenses [-]	[3,431,209]	398,452	[3,032,757]	D
Monetary position gains/[losses]	1,099,394	-	1,099,394	
Profit/[loss] before tax	(304,681)	(81,905)	(386,586)	
Tax expense for the period	1,199,598	[281,010]	918,588	
- Tax expense for the period	-	-	-	
- Deferred tax income/[expense]	1,199,598	[281,010]	918,588	B
Profit/[loss]	894,917	(362,915)	532,002	
Equity holders of the parent	919,079	[362,915]	556,164	C
Non-controlling interests	[24,162]	-	[24,162]	
Other comprehensive income/losses	(82,811)	-	(82,811)	
Total comprehensive income	812,106	(362,915)	449,191	

NOTE 2 – CONSOLIDATED PRINCIPLES OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.6 Comparative Information and Correction of Previous Financial Statements (Continued)

Adjustments:

- [A] In its revised consolidated financial statements as of 31 December 2023 and 31 December 2022; During the implementation of TAS 29 regarding investments in tangible fixed assets, the Bank made the following adjustments by associating it with the losses of previous years as of 31 December 2022 (as of the earliest balance sheet date presented):
- Due to errors in the accounting of borrowing costs TRY [287,057].
 - TRY [1,255,969] due to errors in impairment accounting of investment costs related to projects that have become idle in previous years.

These adjustments have no impact on the consolidated profit or loss and other comprehensive income statement and consolidated cash flow statements for the accounting period 1 January – 31 December 2024.

- [B] In its revised financial statements as of 31 December 2023 and 31 December 2022, the Group made mathematical errors in indexations during the implementation of TAS 29 for the following financial statement items, and these corrections were made by associating them with the losses of previous years as of 31 December 2022 (as of the earliest balance sheet date presented).
- TRY 582,205 related to errors in capital adjustment differences.
 - TRY 10,993 for errors in premiums/discounts related to shares.
 - Regarding errors in deposits and guarantees given TRY [33,146].
 - Regarding errors in goodwill recognized in the past period TRY [68,164].
 - Regarding errors in deferred tax assets/liabilities TRY [386,278]. The effect of the said adjustment [281,010] on the TRY amount was the effect of deferred tax expense in the consolidated profit or loss and other comprehensive income statement for the accounting period of 1 January – 31 December 2023.

- [C] In accordance with the principle of periodicity, the Group made the following adjustments in its revised financial statements as of 31 December 2023, by associating the following corrections due to the following errors with the losses of previous years:
- On trade receivables related to the periodicity adjustment in revenue accruals related to price differences carried over from previous years from customers TRY (66,792).
 - TRY 10,496 on trade receivables related to the periodicity adjustment of price difference (sales discount) fees and exchange rate difference calculations from customers.
 - On current assets related to the periodicity adjustment of VAT receivables made to foreign customers that cannot be collected TRY [90,218].
 - On commercial payables related to the accounting of invoices from overseas suppliers TRY [146,811].
 - TRY 11,680 on the provisions allocated for the calculations of the employees within the scope of EYT in severance pay calculations. In addition, within the scope of the said adjustment, the provision amounting to TRY 55,479, which was classified as long-term provisions, was classified as short-term.

These adjustments have no impact on the consolidated profit or loss and other comprehensive income statement for the accounting period 1 January to 31 December 2024, as well as the net profit for the period and the consolidated cash flow statements.

- [D] In its revised financial statements as of 31 December 2023 and 31 December 2022, the Group stated its receivables from financial sector activities amounting to TRY 658,683 to its other receivables, its revenues related to financial leasing transactions, which it classified as gross profit from financial sector activities amounting to TRY 398,452, to its financing expenses account, its additional equity contribution to the merger of TRY 48,683 within its shareholders' equity, to previous years' losses and 716. In order to make a gross representation of the exchange difference expense from commercial activities amounting to TRY 706 and the exchange difference income related to the core activities and the exchange difference expense related to the core activities, it has classified and made its representational adjustments in the consolidated profit or loss and other comprehensive income statement for the year 1 January – 31 December 2023. These adjustments have no impact on the consolidated profit or loss and other comprehensive income statement for the accounting period 1 January to 31 December 2024, as well as the net profit for the period and the consolidated cash flow statements.

In the consolidated profit or loss and other comprehensive income statement for the period ended 1 January - 31 December 2023, the earnings per share figure of 100 units calculated on the net profit of the parent company previously reported was TRY 1,021, and as a result of the restatement of the consolidated financial statements of the previous period, the earnings per share figure calculated over the revised net profit for the period was presented as TRY 0.618.



NOTE 2 – CONSOLIDATED PRINCIPLES OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.6 Comparative Information and Correction of Previous Financial Statements (Continued)

Adjustments to the consolidated statement of cash flows for the period ended 1 January - 31 December 2023

In line with the "Implementation Guide on Financial Reporting in High-Inflation Economies" published by the KGK, monetary position gain losses on cash and cash equivalents were displayed in the consolidated cash flow statement, and in line with the 3rd approach in the implementation guide, the effect of inflation on cash flows arising from operating, investment and financing activities should be attributed to the relevant activity class and cash and cash equivalents. The effect of inflation was presented separately. In addition to these classifications, the effects of the above-mentioned adjustments to the consolidated statement of financial position for 31 December 2023 on the cash flow statement for the year ended 31 December 2023 were also taken into account. The effects of all these fixes are described in the following table.

	Previously reported 31 December 2023	Adjustments and classifications regarding previous period	Restated 31 December 2023
Cash flows from operating activities	1,942,305	1,118,820	3,061,125
- Net profit for the year	894,919	[362,917]	532,002
- Adjustments related to the reconciliation of profit for the period	[1,064,967]	2,854,741	1,789,774
- Changes in working capital	2,197,261	[1,396,237]	801,024
- Income from activities	2,027,213	1,095,587	3,122,800
Cash flows from investing activities	[619,874]	469,017	[150,857]
Cash flows from financing activities	[150,974]	[1,075,938]	[1,226,912]
Effects of exchange rate changes on cash and cash equivalents	87,243	-	87,243
Inflation effect on cash and cash equivalents	117,774	[511,899]	[394,125]
Net increase/[decrease] in cash and cash equivalents	1,376,474	-	1,376,474
Cash and cash equivalents at the beginning of the period	106,414	-	106,414
Cash and cash equivalents at the end of the period	1,482,888	-	1,482,888

NOTE 3 - SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of consolidated financial statements requires the disclosure of the amounts of assets and liabilities reported as of the balance sheet date, the disclosure of contingent assets and liabilities, and the use of estimates and assumptions that may affect the amounts of income and expenses reported during the accounting period. Despite the fact that it is based on the best information of the Group management on current events and transactions, actual results may differ from assumptions. The Group's key accounting assumptions and estimates include:

a) Tax expense for the period and deferred tax

Many related transactions and calculations, the effects of which on the final tax amount are not finalized, take place in the normal course of business, and such situations require the use of important judgments during the determination of income tax provision. The Group records the tax liabilities incurred by the additional taxes estimated to be paid as a result of tax events. In cases where the final tax results related to these issues differ from the amounts initially recorded, these differences may affect the income tax provision and deferred tax balances in the periods in which they are determined [Footnote 28].

The Group did not recognize deferred tax assets on deductible financial losses, details of which are set out in Footnote 28, because taxable profits are unlikely to be generated in future periods.

As of 31 December 2024, the Group's deferred tax assets were recognized for the amount of contribution to the investment that was entitled but not benefited within the scope of tax deduction and carried over to the following periods. The Group capitalizes the R&D expenditures it has made within the scope of the law numbered 5746 in its legal books. The earnings of the Group from the investments linked to the incentive certificate are subject to corporate tax at discounted rates from the accounting period in which the investment is partially or fully operated until the amount of contribution to the investment is reached. In this context, as of 31 December 2024, deferred tax assets amounting to TRY 483,034 were recognized in the consolidated financial statements within the scope of investment incentive discounts, R&D discounts and cash capital increase interest deductions that the Group may benefit from in the future [31 December 2023: TRY 498,565].

b) Warranty provisions

The Group calculates its warranty provisions on the basis of the expense per vehicle projections it has created, taking into account the expenses incurred in the past period, and the planned developments in technical and financial terms. When calculating the provision, assumptions about the future are made based on the number of vehicles subject to the warranty, the warranty period and the warranty claims made in the past [Footnote 16].

c) Useful lives of property, plant and equipment, intangible assets and right-of-use assets

At the end of each reporting period, the Group reviews the estimated useful life of tangible and intangible assets and right-of-use assets. In determining the useful life of an asset, the Group also takes into account the situation where the assets become technically and/or commercially unusable as a result of changes or developments in the market. There may be changes in assumptions due to the availability of new information in future periods, and the effects of such changes are reflected in the consolidated financial statements going forward.

d) Revaluation amounts of land and plots and buildings and land improvements arrangements

The frequency of revaluation activities is determined in such a way as to ensure that the carried values of the tangible fixed assets being revalued do not differ significantly from their fair value as of the end of the relevant reporting period. The frequency of revaluation studies depends on the change in the fair value of tangible fixed asset items. In cases where the fair value of a revalued asset is considered to be materially different from its carried value, the revaluation study must be repeated, and this study is carried out for the entire asset class in which the revalued asset is located as of the same date. On the other hand, it is not considered necessary to repeat revaluation studies every year for tangible fixed assets whose fair value changes are insignificant.

NOTE 3 - SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (Continued)

In this context, as a result of the evaluations made by the Group management, the land and plots, buildings and land improvements were reflected in the consolidated financial statements based on their fair values determined in the valuation studies carried out by Vakıf Gayrimenkul Değerleme ve Danışmanlık A.Ş. as of September 30, 2024 (Footnote 12). However, the net value of land and plots, buildings, land improvements expressed by the purchasing power as of 31 December 2024 (indexed) as of September 30, 2024, after deducting the accumulated depreciation in the following three months, is based on the fair values of the relevant tangible fixed assets as of 31 December 2024. It has been evaluated that it will converge.

Due to the fact that there is no purchase/sale that may set a precedent in the environment, the peer comparison method for land and plots and the cost approach method for buildings, land improvements are used in the relevant fair value calculations, and the details of the relevant methods and assumptions are as follows:

- In fair value calculations, the most effective and efficient use evaluation was made and the current usage purposes were determined as the most effective and efficient use, and the peer comparison method was used for lands and plots, and the cost approach method was used for buildings, land improvements .
- In the peer comparison method, the existing market information was used, and the price adjustment was made within the framework of the criteria that may affect the market value, taking into account the similar real estates that have been recently put on the market in the region, and the average m2 sales value was determined for the lands subject to the report. The precedents found were compared within criteria such as location, size, zoning status, physical characteristics, real estate marketing companies were interviewed for the current evaluation of the real estate market, and the existing information of the independent professional valuation company was used.
- In the cost approach method, the value of the real estate is determined by adding the investment costs on the land to the land value after depreciation [subtracting the depreciation share after adding any interest or gain]. The peer comparison method described above was also used to calculate the land value from the components discussed in the cost approach method.

The values that may occur during the realization of buying/selling transactions may differ from these values.

e) Accounting for development costs

For the development projects that it has carried out within the scope of increasing production efficiency and capacity or reducing costs, for which it has completed feasibility studies and foresees that it will provide cash flow in the future, the Company recognizes the development costs, which mainly include the costs of the personnel working and the raw materials used related to the product development processes, as intangible assets other than goodwill. One of the most important management considerations for projects in the development phase is the forecast of the future revenue market performance of the products to which the project is related (Footnote 13). There may be changes in assumptions due to the availability of new information in future periods, and the effects of such changes are reflected in the consolidated financial statements going forward.

As of 31 December 2023, construction in progress amounting to TRY 523,423 [31 December 2023: TRY 591,806] consists of tangible and intangible assets related to ongoing projects. Assets under construction and development costs that are no longer expected to generate future economic benefits are amortized as an expense during the period. Management has made its best estimate of the economic benefits to be derived from the investments in excess of their carrying amounts.

f) Provision for bad debts

Impairment provisions calculated for trade receivables are determined as a result of estimates made by taking into account the surety and guarantees received from customers, past payment performance and creditworthiness information of customers, and maturity analyses of receivable balances (Footnote 7). As a result of all these evaluations, the determination of doubtful receivables and the determination of the reserve amounts reserved for these receivables also include the assumptions and estimates of the management. In addition, the Group has chosen to apply the "simplified approach" defined in the TFRS 9 standard within the scope of impairment calculations of its trade receivables, which are accounted for at amortized cost in its consolidated financial statements and do not contain a significant financing component. With this approach, the Group measures the loss provisions for trade receivables at an amount equal to the "lifetime expected credit losses" in cases where trade receivables are not depreciated for certain reasons [other than realized impairment losses].

In cases where the final results of these estimates differ from the amounts initially recorded, these differences may affect the profit or loss statement with the impairment provision of trade receivables in the periods in which they are determined. If there is a change in the estimates, it is accounted for prospectively.

g) Impairment of inventories

Inventory impairment is determined in accordance with the Group's accounting policy and is calculated by assessing the period of inactivity of the inventories and possible impairment.

NOTE 4 - CASH AND CASH EQUIVALENTS

	31 December 2024	31 December 2023
Cash	-	-
Bank	1,077,172	1,295,317
- Time deposit	168,100	12,994
- Demand deposit	909,072	1,282,323
Checks received	44,216	140,870
Other cash and cash equivalents	56,793	46,701
	1,178,181	1,482,888

As of 31 December 2024, time deposits amounting to TRY 168,100 [31 December 2023: TRY 12,994] are denominated in TRY, with a maturity of 1-3 days [31 December 2023: 1-3 days], with interest rates of 46% for deposits in TRY [31 December 2023: 40% for deposits in TRY].

NOTE 4 - CASH AND CASH EQUIVALENTS

The details of demand deposits are as follows:

Currency	31 December 2024	31 December 2023
EUR	885,855	1,087,240
TRY	14,957	132,396
USD	6,493	797
RON	1,104	17,113
GBP	663	256
CAD	-	44,521
	909,072	1,282,323

The credit risks of the banks in which the Group holds deposits are assessed on the basis of independent data and no significant credit risks are foreseen. The market values of cash and cash equivalents are approaching their carried value.

As of 31 December 2024, the Group has blocked deposits of TRY 80,479 [31 December 2023: TRY 237].

The maturity of the received cheques, which are classified as cash and cash equivalents, is less than 3 months. Other cash and cash equivalents include credit card receivables related to spare parts sales.

NOTE 5 - SEGMENT REPORTING

A reportable segment is an industry segment or a geographical segment for which segment information is required to be disclosed. Business segments are those that provide a particular good or service or a group of related goods or services and that are subject to risks and returns that are different from those of other segments of the Group. Geographical segments are those that provide goods or services within a particular economic environment and that are subject to risks and returns that are different from those of the Group's other segments operating in other economic environments.

The Group's principal activity is the manufacture of motor vehicles and related equipment and spare parts. The Group has four operating segments, which include information used by the Group's management to evaluate performance and decide on the allocation of resources. These operating segments are Karsan branded products, where the Group reports on commercial vehicles produced under its own brand; industrial and spare parts sales, where the Group reports on spare parts, tractor cab and primer coating operations; and other branded sales, where the Group reports on commercial vehicles produced for other brands. While operating profit or loss is included in the regular assessment of segment performance, other operating income and expenses are not allocated. The majority of the Group's assets and liabilities are located in Turkey. In addition, segment assets and liabilities have not been reported as there is no periodic disclosure of assets and liabilities to the chief operating decision maker. The Group management analyzes the financial data through the consolidated financial statements prepared in accordance with TFRS.

Group management follows the Group's activities in terms of domestic and international sales, and the Group's geographical divisions include sales to domestic and international customers. Details of domestic and international sales are presented in Footnote 21.



NOTE 5 - SEGMENT REPORTING (Continued)

1 January - 31 December 2024	Total	Karsan Branded Products	Industrial and Spare parts	Other Branded Sales	Other
Revenue	10,867,324	6,909,840	648,753	2,903,788	404,943
Cost of Sales [-]	[8,686,735]	[5,168,230]	[394,410]	[2,613,667]	[510,428]
Gross Profit/(loss) from Trade Operations	2,180,589	1,741,610	254,343	290,121	(105,485)
Gross profit/(loss)	2,180,589	1,741,610	254,343	290,121	(105,485)
Marketing Expenses [-]	[940,964]	[796,343]	[106,729]	[36,435]	[1,457]
General and Administrative Expenses [-]	[580,831]	[338,790]	[22,773]	[218,247]	[1,021]
Research & Development Expenses [-]	[19,153]	[19,116]	[37]	-	-
Other Operating Incomes	935,020	590,923	175,692	161,757	6,648
Other Operating Expenses [-]	[558,650]	[353,061]	[104,971]	[96,646]	[3,972]
Operating profit/(loss)	1,016,011	825,223	195,525	100,550	(105,287)
1 January - 31 December 2023	Total	Karsan Branded Products	Industrial and Spare parts	Other Branded Sales	Other
Revenue	10,717,162	5,958,576	540,181	3,673,369	545,036
Cost of Sales [-]	[8,873,309]	[4,471,415]	[340,396]	[3,475,213]	[586,285]
Gross Profit/(loss) from Trade Operations	1,843,853	1,487,161	199,785	198,156	(41,249)
Gross profit/(loss)	1,843,853	1,487,161	199,785	198,156	(41,249)
Marketing Expenses [-]	[1,139,501]	[1,062,472]	[77,029]	-	-
General and Administrative Expenses [-]	[523,204]	[384,504]	[15,816]	[122,884]	-
Research & Development Expenses [-]	[20,330]	[20,330]	-	-	-
Other Operating Incomes	2,409,790	2,308,975	-	100,815	-
Other Operating Expenses [-]	[955,417]	[947,740]	-	[7,677]	-
Operating profit/(loss)	1,615,191	1,381,090	106,940	168,410	(41,249)

NOTE 6 - RELATED PARTY DISCLOSURES

Transactions between the Company and its subsidiaries that are related parties of the Company are not disclosed in this note since they are eliminated on consolidation.

The details of transactions between the Group and other related parties are disclosed below.

31 December 2024				
	Receivables		Payables	
	Short term	Long term	Short term	Short term
Balances with related parties	Trade	Trade	Trade	Other
Hervouet Corporate Industry SAS	185,968	-	[104,852]	-
Kırpart Otomotiv Parçaları San. ve Tic. A.Ş.	1,621	-	-	-
Kıraça Holding A.Ş.	355	-	[15,492]	[65,002]
Karland Otomotiv A.Ş.	48	-	[561]	-
Sirena Marine Denizcilik ve Ticaret A.Ş.	-	-	[43,323]	-
Kök Ziraat Turizm San. ve Tic. A.Ş.	-	-	[5,124]	-
Kırsan Turizm ve Otomotiv San. ve Tic. A.Ş.	-	-	[3,610]	-
Other	1,666	-	-	-
	189,658	-	[172,962]	[65,002]

31 December 2023				
	Receivables		Payables	
	Short term	Long term	Short term	Short term and long term
Balances with related parties	Trade	Trade	Trade	Other
Kıraça Holding A.Ş.	-	-	[99,480]	[642,149]
Karsan Otomotiv Sanayi Mamülleri Pazarlama A.Ş.	-	-	[485]	-
Karland Otomotiv A.Ş.	719	-	-	-
Karsan North America LLC	-	-	[4,544]	-
Sirena Marine Denizcilik ve Ticaret A.Ş.	-	-	[31,433]	-
Kök Ziraat Turizm San. ve Tic. A.Ş.	-	-	[12,349]	-
Kırsan Turizm ve Otomotiv San. ve Tic. A.Ş.	-	-	[7,192]	-
Karsan USA	-	-	[2,426]	-
Kar İnşaat Taahhüt San. ve Tic. A.Ş.	-	-	[141]	-
	719	-	[158,050]	[642,149]

Trade receivables from related parties usually arise from sales transactions and have an approximate maturity of 2-3 months. Commercial debts to related parties usually arise from purchase transactions and have an approximate maturity of 2-3 months. As of 31 December 2024 and 2023, the recorded value of short-term trade receivables from related parties and short-term trade payables to related parties is approaching amortized cost values.

As of 31 December 2024 and 2023, other debts arise from non-commercial debts provided by Kıraça Holding to the Group, and the interest rate applied to these debts is 22% as of 31 December 2024 and is planned to be repaid to the shareholders in cash within the following year.



NOTE 6 - RELATED PARTY DISCLOSURES (Continued)

1 January - 31 December 2024							
Related Party Transactions	Service Procurement	Purchases	Sales	Interest Earned	Interest Paid	Leasing Expense	Other Income/(Costs)
Kıraça Holding A.Ş. ^(*)	[27.627]	-	2.403	-	[43.417]	-	[7.264]
Kırsan Turizm ve Otomotiv San.ve Tic. A.Ş. ^(***)	[47.984]	-	-	-	-	-	-
Karland Otomotiv A.Ş.	-	[216]	8.032	-	-	-	[3.970]
Kök Ziraat Turizm San. ve Tic. A.Ş. ^(****)	[7.920]	-	-	-	[3.023]	[14.789]	-
Hervouet Corporate Industry SAS ^(*****)	-	-	196.256	-	-	-	-
Sirena Marine Denizcilik ve Ticaret A.Ş. ^(**)	[285]	[83.051]	-	-	-	-	-
Total related party transactions	[83.816]	[83.267]	206.691	-	[46.440]	[14.789]	[11.234]
1 January - 31 December 2023							
Related Party Transactions	Service Procurement	Purchases	Sales	Interest Earned	Interest Paid	Leasing Expense	Other Income/(Costs)
Kıraça Holding A.Ş. ^(*)	[41.066]	-	-	-	[182.142]	[1.922]	[1.686]
Kırsan Turizm ve Otomotiv San.ve Tic. A.Ş. ^(***)	[47.560]	-	-	-	-	-	-
Karland Otomotiv A.Ş.	[2.261]	[173]	977	-	-	-	[9]
Kök Ziraat Turizm San. ve Tic. A.Ş. ^(****)	[7.733]	-	-	-	-	[12.685]	[4.450]
Kar İnşaat Taahhüt San. ve Tic. A.Ş.	[92]	-	-	-	-	-	-
Sirena Marine Denizcilik ve Ticaret A.Ş. ^(**)	-	[80.366]	3	-	-	-	[6]
Karsan Otomotiv Sanayi Mamülleri Pazarlama A.Ş.	[24]	[1.572]	-	-	-	-	370
Total related party transactions	[98.736]	[82.111]	980	-	[182,142]	[14,607]	[5,781]

NOTE 6 - RELATED PARTY DISCLOSURES (Continued)

[*] The Group receives information systems, human resources, financial and other consultancy services from Kırça Holding.

[**] The Group supplies Sirena Marine with certain interior components, molds and equipment for the production of minibuses, midibuses and buses.

[***] The Group receives services from Kırzan Turizm for advertising, social activities and travel expenses.

[****] The Group pays monthly rent to Kık Ziraat A.Ş. for the office in Istanbul. Security, natural gas, maintenance, repairs, cleaning and other common expenses of the office are invoiced monthly by Kık Ziraat A.Ş. In addition, the factory building in Bursa Organized Industrial Zone is rented from Kık Ziraat A.Ş.

[*****] See note 2.3. The Group sells Karsan branded products to HCI, based in France.

Benefits provided to senior management:

The Company's senior management consists of the members of the Board of Directors, the Executive Committee and the Company's General Manager and Deputy General Managers. The benefits provided to key management personnel include salaries, bonuses, health insurance and transportation. The benefits provided to key management personnel during the period were as follows:

	1 January - 31 December 2024	1 January - 31 December 2023
Wages and other short-term benefits	58,780	28,448
	58,780	28,448

NOTE 7 - TRADE RECEIVABLES AND PAYABLES**a) Trade receivables:**

As of the balance sheet date, the details of the Group's trade receivables are as follows:

Short term trade receivables	31 December 2024	31 December 2023	31 December 2022
Trade receivables from third parties	4,381,122	3,066,957	3,999,395
Trade receivables due from related parties	189,658	719	1,670
Checks and notes received from third parties	883	-	404
Income accruals (*)	72,657	176,975	16,744
Provision for doubtful trade receivables [-]	[60,139]	[112,678]	[135,508]
Provision for expected loss [-]	[12,806]	[59,387]	[78,463]
	4,571,375	3,072,586	3,804,242

(*) Income accruals consist of price difference income accrued in relation to the Group's projects.

Long-term trade receivables	31 December 2024	31 December 2023	31 December 2022
Trade receivables	71,360	319,165	469,521
	71,360	319,165	469,521

Trade receivables represent amounts due from customers for goods sold or services rendered in the normal course of business. Trade receivables consist of short-term trade receivables with maturities generally between 30 and 60 days and long-term receivables in Euro currency with restructured terms and conditions between 2026 and 2028. As of 31 December 2023 and 2022, a significant portion of the receivables classified as long-term receivables were collected before their maturity in 2024. The Group holds its trade receivables to collect the contractual cash flows and accordingly they are measured at amortized cost using the effective interest method.

The movement table for the expected loss provision is as follows:

	2024	2023
Beginning of the term - 1 January	[59,387]	[78,463]
Expense for the period	-	[1,299]
Reversals of provisions	28,327	-
Monetary gain/(loss)	18,254	20,375
End of term - December 31	[12,806]	[59,387]



NOTE 7 - TRADE RECEIVABLES AND PAYABLES (Continued)

The Group measures impairment of trade receivables based on lifetime expected credit losses. Expected credit losses on trade receivables are estimated using an allowance matrix, which is developed by analyzing customers' historical defaults, analyzing their current financial position, and taking into account the general economic conditions of the industry in which the customer operates and conditions at the reporting date. There have been no significant changes in management's estimates and assumptions during the period.

The movement schedule for the Group's allowance for impairment on trade receivables is as follows:

	2024	2023
Beginning of the term – 1 January	(112,678)	(135,508)
Provisions during the period	-	(29,912)
Reversals of provisions	61,208	-
Monetary gain/(loss)	[8,669]	52,742
End of term – December 31	[60,139]	(112,678)

The Group's experience in the collection of trade receivables in previous years shows that the provisions set aside are sufficient. For this reason, the Group's management believes that there is no additional trade receivables risk other than the provision set aside for possible collection losses. The credit risk assessment for trade receivables is explained in Footnote 32. The Group subjects some of its invoice receivables to irrevocable and irrevocable factoring transactions. Trade receivables that are subject to irrevocable factoring transactions are taken off the balance sheet and the difference between them and the collected amounts is recognized as expenses related to factoring transactions in financing expenses. The amounts obtained from financial institutions against trade receivables subject to recourse factoring transactions are presented as financial obligations in the consolidated statement of financial position [Footnote 19], and expenses related to the relevant financial obligations are recognized as expenses related to factoring transactions in financing expenses [Footnote 26].

The allowance for doubtful trade receivables is determined based on past experience of bad debts. As of 31 December 2024, and the restated 31 December 2023 and 31 December 2022, the details of trade receivables according to their maturities are as follows:

Time to maturity:	31 December 2024	31 December 2023	31 December 2022
Overdue receivables	1,056,465	1,859,366	2,100,701
0 - 30 days maturity	1,062,193	374,632	422,610
31 - 90 days maturity	986,652	536,180	869,005
91 - 180 days maturity	393,166	136,084	248,897
181 - 365 days maturity	1,072,899	166,324	163,029
365 days and above	71,360	319,165	469,521
	4,642,735	3,391,751	4,273,763

Time to maturity:	31 December 2024	31 December 2023	31 December 2022
0 - 30 days maturity	237,084	353,152	1,471,184
31 - 90 days maturity	266,300	355,861	378,127
91 - 180 days maturity	94,931	752,358	180,084
181 - 365 days maturity	393,714	206,957	71,306
365 days and above	64,436	191,038	-
	1,056,465	1,859,366	2,100,701

As of 31 December 2024, 2023 and 2022, the carrying value of short-term trade receivables approaches their amortized cost value.

As of the balance sheet date, the details of the Group's trade payables are as follows:

Short-term trade payables	31 December 2024	31 December 2023	31 December 2022
Trade payables to third parties	2,064,448	2,405,204	2,170,003
Trade payables to related parties	172,962	158,050	114,628
	2,237,410	2,563,254	2,284,631

The average payment term of the Group's trade payables is 90-120 days [31 December 2023: 90-120 days]. As of 31 December 2024, 2023 and 2022, the carrying value of short-term trade payables approaches their amortized cost value.

NOTE 8 - OTHER RECEIVABLES AND PAYABLES

Other receivables from unrelated parties	31 December 2024	31 December 2023	31 December 2022
Financial lease receivables from unrelated parties ^(*)	91,369	179,641	167,600
VAT receivables	-	347,109	312,128
Deposits and guarantees given	34,867	74,359	30,052
	126,236	601,109	509,780
Other long-term receivables from unrelated parties	31 December 2024	31 December 2023	31 December 2022
Financial lease receivables from unrelated parties ^(*)	290,644	479,043	670,974
	290,644	479,043	670,974

[*] Consists of receivables classified as finance lease receivables as a result of the evaluation of the investments made in relation to the contract signed with OEM customer of the group, following the conclusion that the terms of the contract in question include other receivables transaction within the scope of TFRS 16 Leases. Total as of 31 December 2024 EUR 10,399 [31 December 2023: EUR 14,006].

**NOTE 8 - OTHER RECEIVABLES AND PAYABLES (Continued)**

The payment schedule for receivables from financial leasing transactions is as follows:

	31 December 2024		31 December 2023	
	Financial leasing receivables	Total receivables	Financial leasing receivables	Total receivables
2024	-	-	179,641	179,641
2025	132,059	132,059	179,641	179,641
2026	132,059	132,059	179,641	179,641
2027	117,895	117,895	119,761	119,761
		382,013		658,684
Other short-term liabilities		31 December 2024	31 December 2023	
Other payables to related parties [Note 6]		65,002	266,764	
		65,002	266,764	

Other long-term liabilities	31 December 2024	31 December 2023
Other payables to related parties [Note 6]	-	375,385
	-	375,385

NOTE 9 - INVENTORY

	31 December 2024	31 December 2023
Raw materials and supplies	879,601	1,078,322
Semi-finished products	190,172	292,588
Products	137,014	139,147
Commercial goods	233,634	228,442
Goods in transit	2,864	112,557
Provision for impairment of inventory [-]	[2,256]	[38,381]
	1,441,029	1,812,675

In the period of 1 January - 31 December 2024, a total of TRY 4,601,507 [1 January - 31 December 2023: TRY 3,971,136] was expense in the cost of goods sold account [Footnote 25].

As of the periods ended 31 December 2024 and 2023, the movement of the stock impairment provision is as follows:

	2024	2023
Beginning of term - 1 January	(38,381)	(20,065)
Increase during the period	-	[18,316]
Reversals of provisions	36,125	-
End of term - 31 December	(2,256)	(38,381)

A significant portion of inventory write-downs relate to products, and inventory write-down expenses are recognized in the cost of sales account.



NOTE 10 - PREPAID EXPENSES AND DEFERRED INCOME

Short Term Prepaid Expenses	31 December 2024	31 December 2023
Advances provided	182,497	454,225
Prepaid expenses	18,291	8,168
	200,788	462,393

As of 31 December 2024 and 2023, a significant portion of short-term prepaid expenses include advance payments made for inventory purchases.

Long Term Prepaid Expenses	31 December 2024	31 December 2023
Advances provided	40,074	3,146
Prepaid expenses	1,170	-
	41,244	3,146

As of 31 December 2024 and 2023, a significant portion of long-term prepaid expenses include advance payments made for purchases of property, plant and equipment.

Short-Term Deferred Income [other than contractual obligations]	31 December 2024	31 December 2023
Advances received ^(*)	478,707	486,949
Prepayments ^(**)	31,105	78,853
	509,812	565,802
Long Term Deferred Income [other than contractual obligations]	31 December 2024	31 December 2023
Prepayments ^(**)	63,762	88,026
	63,762	88,026

[*] It consists of advances received from customers regarding the sales of Karsan branded vehicles, and it is envisaged that sales will be realized within the following 1 year.

[**] Prepayments represent the portion of customer service fees received in advance

NOTE 11 - INVESTMENTS ACCOUNTED FOR BY EQUITY METHOD

Investments		Share Rate % 31 December 2024	Share Rate % 31 December 2023	31 December 2024	31 December 2023
Hervouet ["HCI"]	Corporate	Industry	20	-	51,848
				51,848	-

As of 1 October 2024, the Group's 50% direct stake in HCI has been transferred to BYmyCAR Importer, a 100% subsidiary of Cosmobilis Group, for 30% of HCI's shares. BYmyCAR Importer acquired a 50% stake in HCI, which was owned by the other partner of HCI, and now has a total of 80% of the shares in HCI. As a result of the transaction, the Group's share in HCI's shareholding structure became 20%, and the Group's control over HCI and HCL was lost, and it continues to have significant influence in these companies. For this reason, the Group's investments in HCI and HCL are recognized as investments valued by the equity method as of 31 December 2024 [Footnote 11]. The Group sold a 30% stake in HCI for TRY 74,268 and recognized the subsidiary sale profit of TRY 97,033 [Footnote 24] in the consolidated profit or loss and other comprehensive income statement as income from investment activities.

HCI's balance sheet and summary profit or loss statements as of 31 December 2024 and 31 December 2023, which are accounted for according to the equity method, are presented below.

31 December 2024	Total assets	Total liabilities (excluding equity)	Revenue	Net profit / (loss) for the period	Direct and indirect ownership %	Group share in net assets
HCI	749,603	686,221	778,079	13,270	%20	51,848

The movement of investments accounted for by the equity method is as follows:

	2024	2023
Beginning of period	-	-
Additions	49,512	-
Profits/[losses] shares	2,336	-
End of period	51,848	-



NOTE 12 - TANGIBLE FIXED ASSETS

	1 January 2024	Additions	Disposals	Transfers	Foreign currency translation differences	Revaluation	Transfer of accumulated depreciation before valuation	31 December 2024
Cost								
Land	2,235,220	-	-	-	-	107,581	-	2,342,801
Land Improvements	61,958	-	-	1,430	-	5,654	[1,380]	67,662
Buildings	1,003,708	13,057	-	-	-	17,409	[29,511]	1,004,663
Property, Plant & Equipment	814,181	41,049	-	52,073	-	-	-	907,303
Vehicles	60,323	106,459	[72,680]	-	2,493	-	-	96,595
Fixtures	24,148	11,164	-	35,138	30	-	-	70,480
Special Costs	21,077	-	-	30,219	-	-	-	51,296
Construction in Progress	244,701	63,118	-	[118,860]	-	-	-	188,959
	4,465,316	234,847	[72,680]	-	2,523	130,644	[30,891]	4,729,759
Accumulated Depreciation								
Land Improvements [-]	-	[4,497]	-	-	-	-	1,380	[3,117]
Buildings [-]	-	[41,786]	-	-	-	-	29,511	[12,275]
Property, Plant & Equipment [-]	[508,194]	[72,100]	-	-	-	-	-	[580,294]
Vehicles [-]	[35,564]	[14,539]	48,993	-	[498]	-	-	[1,609]
Fixtures [-]	[12,236]	[7,087]	-	-	[7]	-	-	[19,330]
Special Costs [-]	[6,509]	[7,306]	-	-	-	-	-	[13,814]
	[562,503]	[147,315]	48,993	-	[505]	-	30,891	[630,439]
Net book value	3,902,813							4,099,320

A significant portion of the additions to tangible fixed assets in 2024 includes the Group's vehicle purchases and plant, machinery and equipment investments. In 2024, the cost of borrowing for tangible fixed asset purchases has not been capitalized.



NOTE 12 - TANGIBLE FIXED ASSETS (Continued)

	1 January 2023	Additions	Disposals	Transfers (*)	Foreign currency translation differences	Revaluation	Transfer of accumulated depreciation before valuation	31 December 2023
Cost								
Land	2,333,474	-	-	-	-	[98,254]	-	2,235,220
Land Improvements	74,408	-	-	-	-	-	[12,450]	61,958
Buildings	836,089	251,127	-	7,186	-	-	[90,694]	1,003,708
Property, Plant & Equipment	803,630	2,571	-	3,604	4,376	-	-	814,181
Vehicles	60,323	-	-	-	-	-	-	60,323
Fixtures	17,910	4,240	-	-	1,998	-	-	24,148
Special Costs	13,234	7,843	-	-	-	-	-	21,077
Construction in Progress	563,262	-	[90,240]	[228,321]	-	-	-	244,701
	4,702,330	265,781	[90,240]	[217,531]	6,374	[98,254]	[103,144]	4,465,316
Accumulated Depreciation								
Land Improvements [-]	-	[12,450]	-	-	-	-	12,450	-
Buildings [-]	-	[90,694]	-	-	-	-	90,694	-
Property, Plant & Equipment [-]	[434,121]	[72,620]	-	-	[1,453]	-	-	[508,194]
Vehicles [-]	[22,882]	[12,682]	-	-	-	-	-	[35,564]
Fixtures [-]	[8,945]	[3,964]	-	-	673	-	-	[12,236]
Special Costs [-]	[4,405]	[2,104]	-	-	-	-	-	[6,509]
	[470,353]	[194,514]	-	-	[780]	-	103,144	[562,503]
Net book value	4,231,977							3,902,813

[*] It has been transferred to intangible assets.

A significant portion of the additions to tangible fixed assets in 2023 include the Group's investments in production buildings. In 2023, the cost of borrowing for tangible fixed asset purchases was not capitalized.



NOTE 12 - TANGIBLE FIXED ASSETS (Continued)

As of 31 December 2024, a mortgage and movable pledge of EUR 57,000 or equivalent TRY 2,123,498 was established on the Group's tangible fixed assets [31 December 2023: TRY 1,036,522 and TRY 173,255 for EUR 22,000].

As of 31 December 2024, the Group has depreciation and amortization expenses totaling TRY 545,719 [31 December 2023: TRY 561,623], including TRY 147,315 for tangible fixed assets [31 December 2023: TRY 194,514], TRY 44,460 for right-of-use assets [31 December 2023: TRY 30,115], and TRY 353,944 for intangible assets [31 December 2023: TRY 336,994]. TRY 414,898 [31 December 2023: TRY 506,322] of the depreciation and amortization expenses for the current period was reflected in the cost of sales, TRY 53,022 [31 December 2023: TRY 37,373] was reflected in general administration expenses, TRY 65,187 [31 December 2023: TRY 10,570] was reflected in marketing expenses, and TRY 12,612 [31 December 2023: TRY 7,358] was reflected in research and development expenses.

The land and plots and buildings and land improvements owned by the Group are shown at their fair value on the date of revaluation. As of 30 September 2024 and 2023, the fair value of the land and plots and buildings and land improvements owned by the Group was carried out by a valuation company independent of the Group. As of 30 September 2024 and 2023, the fair value hierarchy for land and plots owned by the Group is 2. Level [Footnote 33]. The revaluation fund is not taken into account in capital growth and distribution of profits to partners. The Group netted the deferred tax liability for the difference between the value on the records and the market and recognized tangible fixed assets as revaluation increases in equity. The movements of tangible fixed assets revaluation increases in the reported periods are as follows:

	2024	2023
Beginning of period – 1 January	972,299	1,045,991
Increase due to revaluation of land and plots	107,581	[98,254]
Increase due to revaluation of buildings	23,063	-
Net deferred tax impact on current period revaluation increases/decreases	[25,937]	24,562
End of period – 31 December	1,077,006	972,299

NOTE 13 - INTANGIBLE FIXED ASSETS

	1 January 2024	Additions	Transfers	Foreign currency translation differences	31 December 2024
Cost					
Rights	325,981	-	97,610	-	423,591
Development costs	3,431,161	-	700,093	-	4,131,254
Ongoing development costs (*)	591,806	729,320	[797,703]	-	523,423
	4,348,948	729,320	-	-	5,078,268

Accumulated Amortization Share					
Rights [-]	[78,479]	[33,615]	-	-	[112,094]
Development costs [-]	[2,005,630]	[320,329]	-	-	[2,325,959]
	[2,084,109]	[353,944]	-	-	[2,438,053]
Net book value	2,264,839				2,640,215

	1 January 2023	Additions	Transfers	Foreign currency translation differences	31 December 2023
Cost					
Rights	313,164	663	-	12,154	325,981
Development costs	3,199,241	14,389	217,531	-	3,431,161
Ongoing development costs (*)	588,878	2,928	-	-	591,806
	4,101,283	17,980	217,531	12,154	4,348,948

Accumulated Amortization Share					
Rights [-]	[51,858]	[16,946]	-	[9,675]	[78,479]
Development costs [-]	[1,704,932]	[300,698]	-	-	[2,005,630]
	[1,756,790]	[317,644]	-	[9,675]	[2,084,109]
Net book value	2,344,493				2,264,839

(*) Includes costs related to ongoing product development projects.

Intangible assets include the costs of software used and the costs of in-house development. A significant part of the entries to development costs include development costs, which mainly consist of personnel and material expenses related to newly acquired customer and product projects.

NOTE 14 – RIGHT OF USE ASSETS

The movement table of right-of-use assets for the year ending 31 December 2024 is as follows:

	1 January 2024	Additions	Disposals	Changes to the lease	31 December 2024
Cost					
Buildings	144,501	22,832	-	16,283	183,616
	144,501	22,832	-	16,283	183,616
Accumulated Amortization Share (-)					
Buildings (-)	[87,230]	[44,460]	-	-	[131,690]
	[87,230]	[44,460]	-	-	[131,690]
Net book value	57,271				51,926

The movement table of right-of-use assets for the year ending 31 December 2023 is as follows:

	1 January 2023	Additions	Disposals	Changes to the lease	31 December 2024
Cost					
Buildings	139,151	-	-	5,350	144,501
Vehicles	5,444	-	[5,444]	-	-
	144,595	-	[5,444]	5,350	144,501
Accumulated Amortization Share (-)					
Buildings (-)	[57,115]	[30,115]	-	-	[87,230]
Vehicles (-)	[5,444]	-	5,444	-	-
	[62,559]	[30,115]	5,444	-	[87,230]
Net book value	82,036				57,271

NOTE 15 - GOVERNMENT GRANTS AND ASSISTANCE

The Company's application to obtain an "R&D Centre" certificate within the scope of Law No. 5746 on Supporting Research, Development and Design Activities was evaluated by the Ministry of Industry and Technology and the Company was granted an "R&D Centre" certificate with effect from 22 July 2019.

The application for "Investment Incentive Certificate" submitted to the General Directorate of Incentive Implementation and Foreign Capital of the Ministry of Industry and Technology of the Republic of Turkey to link the investment planned by the Company within the scope of product diversification to the Investment Incentive Certificate was approved on 6 October 2021. The final visa of the Incentive Certificate No. 528260 was completed on 26 March 2024 and the realized investment amount is TRY 207,369. The support elements related to the 4th Region provided for the investment evaluated within the framework of "Regional Incentive Practices" are as follows:

- Insurance Premium Employer's share
- Total amount of investment contribution
- VAT exemption
- Interest subsidy
- Customs duty exemption

NOTE 16 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

Other Short Term Provisions	31 December 2024	31 December 2023
Provision for warranty expenses (*)	114,385	168,551
Litigation provision (**)	18,574	10,927
Provision for sales discounts (***)	6,301	4,596
Provisions for collective bargaining agreements (****)	-	279,566
Other	9,140	20,874
	148,400	484,514
Long Term Provisions	31 December 2024	31 December 2023
Provision for warranty expenses (*)	164,444	283,429
	164,444	283,429

[*] The Group provides warranty services for vehicles sold under warranty for a period of time after the date of sale, which varies depending on the vehicle model.

[**] Provisions for various litigation risks of the Group.

[***] Consists of price difference discounts granted by the Group to dealers.

[****] Consists of pay provisions for the part of the period covered by the Group's collective bargaining agreement for the period from September 2023 to 31 August 2025. All of the provisions in question were paid in 2024.

NOTE 16 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Continued)

Movements in the provision for warranty expenses during the period are as follows:

	2024	2023
Beginning of term – 1 January	451,980	330,344
Additional provision	208,939	561,036
Payments	[235,376]	[230,566]
Provision cancelled	[25,079]	[54,006]
Monetary gain/[loss]	[121,635]	[154,828]
End of term – December 31	278,829	451,980

The movement of provision for litigation during the period is as follows:

	2024	2023
Beginning of term – 1 January	10,927	5,909
Additional provision [Note 20]	11,006	7,340
Monetary gain/[loss]	[3,359]	[2,322]
End of term – December 31	18,574	10,927

Movements in the provision for collective bargaining agreements during the period are as follows:

	2024	2023
Beginning of term – 1 January	279,566	-
Additional provision [Note 20]	-	337,041
Payments	[228,257]	-
Monetary gain/[loss]	[51,309]	[57,475]
End of term – 31 December	-	279,566

The Group's collateral/pledge/mortgage ("CPM") position for 31 December 2024 and 2023 is as follows:

31 December 2024	TRY Equivalent	Turkish Lira	US Dollar	EUR	Romanian Leu	Zloty
A. Total amount of GLMs given on behalf of its own legal entity						
- Guarantee	3,204,784	606,631	3,126	65,403	10,670	150
- Mortgage	2,123,498	-	-	57,700	-	-
- Letter of Credit	-	-	-	-	-	-
B. Total amount of GLMs given in favor of subsidiaries included in the scope of full consolidation						
- Guarantee	-	-	-	-	-	-
- Lien	-	-	-	-	-	-
- Mortgage	-	-	-	-	-	-
C. Total amount of GLMs given for the execution of ordinary commercial activities in order to ensure the debts of other third parties						
- Guarantee	1,509	-	-	41	-	-
- Lien	-	-	-	-	-	-
- Mortgage	-	-	-	-	-	-
D. Total amount of other GLMs given						
i. Total amount of GLMs given in favor of the main shareholder						
- Guarantee	-	-	-	-	-	-
- Lien	-	-	-	-	-	-
- Mortgage	-	-	-	-	-	-
ii. Total amount of GLMs given in favor of other group companies not included in the scope of items B & C						
- Guarantee	-	-	-	-	-	-
- Lien	-	-	-	-	-	-
- Mortgage	-	-	-	-	-	-
iii. GLMs given in favor of third parties not included in the scope of item C						
- Guarantee	-	-	-	-	-	-
- Lien	-	-	-	-	-	-
- Mortgage	-	-	-	-	-	-
Total	5,329,792	606,631	3,126	123,144	10,670	150



NOTE 16 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (CONTINUED)

31 December 2023	TRY Equivalent	Turkish Lira	US Dollar	EUR	Romanian Leu	Zloty
A. Total amount of GLMs given on behalf of its own legal entity						
- Guarantee	3.801.033	132.424	4.400	71.082	13.887	-
- Mortgage	1.209.777	173.255	-	22.000	-	-
- Letter of Credit	45.466	-	-	965	-	-
B. Total amount of GLMs given in favor of subsidiaries included in the scope of full consolidation						
- Guarantee	-	-	-	-	-	-
- Lien	-	-	-	-	-	-
- Mortgage	-	-	-	-	-	-
C. Total amount of GLMs given for the execution of ordinary commercial activities to ensure the debts of other third parties						
- Guarantee	1.914	-	-	-	-	79
- Lien	-	-	-	-	-	-
- Mortgage	-	-	-	-	-	-
D. Total amount of other GLMs given						
i. Total amount of GLMs given in favor of the main shareholder						
- Guarantee	-	-	-	-	-	-
- Lien	-	-	-	-	-	-
- Mortgage	-	-	-	-	-	-
ii. Total amount of GLMs given in favor of other group companies not included in the scope of items B & C						
- Guarantee	-	-	-	-	-	-
- Lien	-	-	-	-	-	-
- Mortgage	-	-	-	-	-	-
iii. GLMs given in favor of third parties not included in the scope of item C						
- Guarantee	-	-	-	-	-	-
- Lien	-	-	-	-	-	-
- Mortgage	-	-	-	-	-	-
Total	5,058,189	305,679	4,400	94,047	13,887	79

As of 31 December 2024, the ratio of other TRIs issued by the Group to the Group's equity is 0% [31 December 2023: 0%].

As of 31 December 2024, from letters of guarantee in the amount of TRY 606,941 [31 December 2023: TRY 305,679], USD 3,215 [31 December 2023: USD 4,400], 10,670 RON [31 December 2023: 13,887 Romanian Leu], 150 Polish Zlotys and 123,425 Euros [31 December 2023: EUR 94,047] issued to Customs directorates, tax offices and other public institutions, EUR 57,700 [31 December 2023: €22,000] [31 December 2023: £173,255 and €22,000].

NOTE 17 - EMPLOYEE BENEFITS

Employee Benefits	31 December 2024	31 December 2023	31 December 2022
Provision for employment termination benefits	205,800	223,897	313,225
Employee benefit liabilities	148,749	112,845	85,900
Provision for unused vacations	51,652	43,809	31,710
Short-term severance pays provisions	-	55,480	-
	406,201	436,031	430,835
Employee Benefits Liabilities		31 December 2024	31 December 2023
Wages payable to employees		87,056	40,588
Social security contributions		61,693	72,257
		148,749	112,845
Short Term Provisions for Employee Benefits	31 December 2024	31 December 2023	31 December 2022
Provision for unused vacations	51,652	43,809	31,710
Short-term severance pays provisions (*)	-	55,480	-
	51,652	99,289	31,710
Long-Term Provisions for Employee Benefits	31 December 2024	31 December 2023	31 December 2022
Provision for severance pay:	205,800	223,897	313,225
	205,800	223,897	313,225

(*) As of 31 December 2023, the Group recognized its severance pay obligations as short-term provisions within the scope of the contracts signed with its employees within the scope of the EYT regulation.

Under Turkish labor law, the Group is required to pay termination benefits to any employee who has completed at least one year of service and whose employment is terminated without just cause, who is called up for military service, who dies or who retires after completing 25 years [20 in women] of service and reaching retirement age [58 for women and 60 for men]. The compensation to be paid is one month's salary for each year of service and as of 31 December 2024, the severance payment liability is subject to a monthly cap of TRY 41,828.42 [31 December 2023: TRY 23,489.83]. There is no legal requirement to fund the termination benefit obligation and there are no funding requirements. The present value of the probable liability that will need to be paid in return for severance pay in case of retirement of employees is estimated by taking into account actuarial assumptions. TAS 19 Employee Benefits requires the use of actuarial methods to estimate the Group's obligations under defined benefit plans. The present value of the probable liability to be paid in return for severance pay in the event of retirement of employees is calculated by taking into account actuarial assumptions.



NOTE 17 - EMPLOYEE BENEFITS (CONTINUED)

Accordingly, the following actuarial assumptions were used in calculating the provision:

	31 December 2024	31 December 2023
Inflation rate [%]	23.75%	23.62%
Discount rate [%]	4.5%	3.82%

The basic assumption is that the ceiling provision set for each year of service increases in proportion to inflation. Thus, the applied discount rate shows the real rate adjusted for the expected effects of inflation. The Company's severance pay provision is calculated on the basis of TRY 46,655.43 [1 January 2024: TRY 35,058.58], which is effective as of 1 January 2025, as the severance pay ceiling is adjusted every six months.

The movement table of severance pay provisions is as follows:

	2024	2023
Beginning of term – 1 January	223,897	313,225
Service cost	49,244	26,878
Interest cost	49,992	63,452
Payments	[114,144]	[60,658]
Actuarial loss/[gain]	63,831	477
Monetary gain/[loss]	[67,020]	[119,477]
End of term – December 31	205,800	223,897

NOTE 18 - OTHER ASSETS AND LIABILITIES

	31 December 2024	31 December 2023
Other Liquid Assets		
Carried forward VAT	37,280	26,958
Other liquid assets	21,405	133,040
	58,685	159,998
Other Fixed Assets		
Deposits and guarantees given	-	156
	-	156
Other Short-Term Liabilities		
Taxes and funds payable	45,473	40,506
Other	1,706	1,109
	47,179	41,615

NOTE 19 – BORROWINGS

	31 December 2024	31 December 2023
Short-term borrowings		
Short-term bank borrowings	2,827,814	2,604,294
Short-term portion of long-term borrowings	683,934	1,023,682
Bonds and sukuk	751,883	565,846
Factoring debts	173,809	168,363
Lease liabilities	104,356	35,068
	4,541,796	4,397,253
Long-term borrowings		
Long-term bank borrowings	1,429,767	1,073,214
Lease liabilities	12,030	25,099
	1,441,797	1,098,313

TRY 86,579 of the liabilities arising from short-term leasing transactions consist of financial leasing transactions related to vehicle purchases, and the effective interest rate is 29.09%.

Other financial liabilities amounting to TRY 173,809 [31 December 2023: TRY 168,363] as of 31 December 2024 include short-term financial obligations to financial institutions related to factoring and credit insurance transactions. The carried values of these obligations converge to their reasonable values.

As of 31 December 2024 and 2023, the details of bank loans are as follows:

	31 December 2024		
Currency Type	Weighted average annual effective interest rate [%]	Short term	Long term
Bank loans (EUR)	5.16	2,345,510	1,396,322
Bank loans (Turkish Lira)	48.79	1,166,238	33,445
Bonds and Sukuk (Turkish Lira)	50.92	751,883	-
Factoring debts (Turkish Lira)	58.23	173,809	-
Lease liabilities (Turkish Lira)	36.85	104,356	12,030
		4,541,796	1,441,797
	31 December 2023		
Currency Type	Weighted average annual effective interest rate [%]	Short term	Long term
Bank loans (EUR)	9.41	2,604,068	1,052,159
Bank loans (Turkish Lira)	27.81	1,023,908	21,055
Bonds and Sukuk (Turkish Lira)	50.86	565,846	-
Factoring debts (Turkish Lira)	54.61	168,363	-
Lease liabilities (Turkish Lira)	24.90	35,068	25,099
		4,397,253	1,098,313

NOTE 19 – BORROWINGS (CONTINUED)

The repayment schedule of bank loans is as follows:

	31 December 2024	31 December 2023
Within 1 year	3,511,748	3,627,976
1-2 years	555,212	162,182
2-3 years	389,879	106,511
3-4 years	211,605	804,521
4-5 years	187,623	-
5 years and above	85,448	-
	4,941,515	4,701,190

The movement table for bank loans during the reported periods is as follows:

	2024	2023
Beginning of term – 1 January	4,701,190	6,797,983
Cash inflows from borrowings	7,313,807	8,551,965
Cash outflows from debt payments	[6,048,259]	[9,352,023]
Change in interest accrual	42,190	141,303
Exchange rate difference	381,371	1,152,904
Monetary gain/(loss)	[1,448,784]	[2,590,942]
End of term – December 31	4,941,515	4,701,190

The movement table for leasing liabilities during the reported periods is as follows:

	2024	2023
Beginning of term – 1 January	60,167	61,786
Cash inflows from borrowings	61,173	-
Cash outflows from debt payments	[54,328]	[18,679]
Interest expense	22,817	11,213
Monetary gain/(loss)	26,557	5,847
End of term – December 31	116,386	60,167

As of 31 December 2024, and 31 December 2023, the breakdown of the Group's variable and fixed interest rate bank loans is as follows:

	31 December 2024	31 December 2023
Fixed interest financial liabilities		
Borrowings	3,318,327	4,674,489
Liabilities arising from leasing transactions	116,386	60,167
	3,434,713	4,734,656

	31 December 2024	31 December 2023
Variable interest financial liabilities		
Borrowings	2,548,880	760,910
	2,548,880	760,910

As of 31 December 2024, variable rate loans are denominated in Euros and have a variable interest rate of Euribor +4.75-5%, consisting of loans with principal and interest payments every 1 - 6 months [31 December 2023: Loans denominated in euros and Euribor with a variable interest rate of +4.75-5%, with principal and interest payments every 1 - 6 months]. Variable rate loans have a maturity period of up to 2030.

On 31 December 2024, if the interest rate on variable rate financial liabilities had been 1% higher/lower and all other variables had remained constant, the interest expense would have been TRY 25,488 higher/lower [31 December 2023: TRY 7,342 would have been higher/lower].

As of 31 December 2024, the Group has a nominal TRY 200,000 and a discounted TRY 212,058 lease certificate with a weighted annual effective interest rate of 47%, a lease certificate with a maturity date of 6 August 2025, a nominal annual effective interest rate of TRY 250,000, a discounted TRY 275,920 with a weighted annual effective interest rate of 51%, and a nominal TRY 250,000 discounted lease certificate with a weighted annual effective interest rate of 54% and a financial bond with a maturity date of 22 August 2025.

As of 31 December 2024 and 2023, the carryover and reasonable values of the loans are as follows:

	Carrying value		Fair value	
	31 December	31 December	31 December	31 December
	2024	2023	2024	2023
Bank loans	4,941,515	4,701,190	5,246,451	4,991,298

The fair value of bank loans was determined by the discounted cash flow method using weighted average effective interest rates of 5.00% per annum for Euro loans and 46.34% per annum for TRY loans [31 December 2023: 4.79% per annum for Euro loans and 24.25% p.a. for TRY loans].

As of 31 December 2024, a long-term loan of EUR 35,000 thousand with an interest rate of EUR6M + 3.90% was used, with an interest payment of TRY 1,288,084 every six months. Pursuant to the loan agreement signed with the financial institution, there are a number of key performance indicators that the Group must provide, and the Group is obliged to provide these performance indicators as of the end of each year until the end of the loans until the end of 2030. The Group has provided these indicators as of 31 December 2024.

NOTE 20 - CAPITAL, RESERVES AND OTHER EQUITY ITEMS

The paid-up capital structure of the Company as of 31 December 2024 and 2023 is as follows:

	31 December 2024		31 December 2023	
	Share ratio %	Amount	Share ratio %	Amount
Kıraça Holding A.Ş.	58.51	526,590	58.51	526,590
Public part	39.44	354,960	39.44	354,960
Other	2.05	18,450	2.05	18,450
Paid-in capital	100	900,000	100	900,000
Capital adjustment differences		9,817,532		9,817,532
Total	100	10,717,532	100	10,717,532

As of 31 December 2023, the Group's share capital consists of 6,558,338,851 Group A shares and 83,441,661,149 Group B shares. The nominal value of the shares is TRY 0.01 per share. All shares issued were paid for in cash. A significant portion of Group A shares belong to Kıraça Holding A.Ş.

Pursuant to Article 8 of the Company's Articles of Association, Group A shareholders have the privilege of electing five of the seven members of the Board of Directors, if the Board of Directors consists of seven members, and six of the nine members of the Board of Directors, if the Board of Directors consists of nine members, from among the candidates nominated by Group A shareholders.

The details of restricted reserves separated from profit are as follows:

	31 December 2024	31 December 2023
Legal Reserves	25,337	25,337
	25,337	25,337

The General Legal Reserve is appropriated from the statutory profits at the rate of 5% per annum until the total reserve reaches 20% of the Group's [the Company's] paid-up capital. The Other Legal Reserve is appropriated at the rate of 10% of the total amount to be distributed to the shareholders after payment of a 5% dividend to the shareholders. According to the Turkish Commercial Code, if the General Legal Reserve does not exceed half of the share capital or registered capital, it can only be used to cover losses, to continue the business when the business is not doing well or to take measures to prevent unemployment and mitigate its consequences.

Dividend distribution:

Listed companies distribute dividends in accordance with the CMB's Communiqué on Dividend Distribution No. II-19.1, effective from 1 February 2014. Companies distribute their profits in accordance with the profit distribution policy to be adopted by the General Assembly and in compliance with the provisions of the relevant legislation. No minimum distribution rate has been set under the aforementioned communiqué. Companies pay dividends in accordance with their Articles of Association or profit distribution policy.

NOTE 20 - CAPITAL, RESERVES AND OTHER EQUITY ITEMS (Continued)

Previous Years' Losses:

The details of retained earnings as of 31 December 2024 and 31 December 2023 are as follows:

	31 December 2024	31 December 2023	31 December 2022
Previous Years' Losses	[6,241,758]	[6,797,922]	[6,500,848]
	[6,241,758]	[6,797,922]	[6,500,848]

The comparison of the inflation-adjusted equity items in the Company's financial statements as at 31 December 2023 with the inflation-adjusted amounts in the financial statements prepared in accordance with Law No. 6762 and other legislation is as follows:

31 December 2024	Historical value	Inflation adjustment effect	CPI Indexed value (TFRS)
Capital	900,000	9,817,532	10,717,532
Restricted reserves	1,032	24,305	25,337
Share premiums/discounts	6,779	136,767	143,546
31 December 2024	Historical value	Inflation adjustment effect	CPI Indexed value (TFRS)
Capital	900,000	13,022,544	13,922,544
Restricted reserves	1,032	34,581	35,613
Share premiums/discounts	6,779	158,826	165,605



NOTE 21 - REVENUE AND COST OF SALES

a) Sales	1 January- 31 December 2024	1 January- 31 December 2024
Foreign sales	5,792,259	6,022,254
Domestic sales	5,066,795	4,912,598
Other revenues	108,498	336,130
Sales returns [-]	[45,714]	[66,018]
Sales discounts [-]	[54,514]	[487,802]
Net income	10,867,324	10,717,162
Cost of sales	[8,686,735]	[8,873,309]
Gross profit	2,180,589	1,843,853
Cost of sales	1 January- 31 December 2024	1 January- 31 December 2023
Cost of finished goods sold	[6,388,453]	[6,847,250]
Cost of services sold	[1,596,420]	[1,446,320]
Cost of trade goods sold	[701,862]	[579,739]
	[8,686,735]	[8,873,309]

The breakdown of cost of sales is as follows:

	1 January- 31 December 2024	1 January- 31 December 2023
Cost of raw materials and supplies	4,601,507	3,971,136
Cost of services rendered	1,583,592	1,411,730
General production costs	794,679	1,056,748
Direct labor costs	584,457	1,176,818
Cost of goods sold	560,862	568,935
Depreciation and amortization	414,898	486,972
Change in inventories of semi-finished goods	108,483	144,308
Change in inventory provisions	36,125	28,767
Change in finished goods	2,132	27,895
	8,686,735	8,873,309

NOTE 22 - RESEARCH AND DEVELOPMENT, MARKETING, SALES, DISTRIBUTION AND GENERAL ADMINISTRATIVE EXPENSES

	1 January-31 December 2024	1 January-31 December 2023
Research & Development Expenses		
Depreciation and amortization [Note 10]	12,612	7,358
Personnel expenses	5,135	2,719
Outsourced services	1,281	9,089
Other	125	1,164
	19,153	20,330
	1 January-31 December 2024	1 January-31 December 2023
Details of Marketing Expenses		
Warranty expenses	235,376	230,566
Personnel expenses	234,231	306,513
Transport and insurance costs	119,353	155,147
Market research and promotion expenses	81,686	112,546
Advertising expenses	75,891	87,717
Depreciation expenses	65,187	10,570
Transport and travel expenses	63,905	74,116
Energy costs	14,616	33,015
Rental expenses	12,111	20,653
Subcontracting costs	10,510	15,877
Customer and channel management costs	6,984	2,249
Communication expenses	1,449	1,447
Licensing costs	1,172	-
Other	18,493	89,085
	940,964	1,139,501
	1 January-31 December 2024	1 January-31 December 2023
General and Administrative Expenses		
Personnel expenses	328,612	223,695
Holding service expenses	53,299	135,481
Amortization expense	53,022	37,373
Audit and consultancy fees	49,126	24,175
Subcontracting expenses	40,771	31,503
Litigation provisions	1,166	7,695
Business licenses and patents	49	4,180
Other	54,786	59,102
	580,831	523,204



NOTE 23 - OTHER OPERATING INCOME AND EXPENSES

Details of other operating income as of 31 December 2024 and 2023 are as follows:

	1 January- 31 December 2024	1 January- 31 December 2023
Other income from operating activities:		
Foreign exchange gains from operating activities	703,417	2,112,844
Main operating income from financial leases	85,226	146,750
Provision for credit losses	89,535	81
Interest income from trading operations	5,161	22,036
Other	51,681	128,079
	935,020	2,409,790

Details of other operating expenses on 31 December 2024 and 2023 are as follows:

	1 January- 31 December 2024	1 January- 31 December 2023
Other expenses from operating activities		
Foreign exchange gains from operating activities	[368,765]	[716,705]
Interest income from trading operations	[32,730]	[20,303]
Provisions	[22,055]	[23,369]
Other	[135,100]	[195,040]
	[558,650]	[955,417]

NOTE 24 - INCOME AND EXPENSES FROM INVESTING ACTIVITIES

Details of investment income for the years ended 31 December 2024 and 2023 are as follows:

	1 January- 31 December 2024	1 January- 31 December 2023
Affiliate sales profit [Note 2.3]	97,033	-
Interest income	83,535	49,038
Property, plant and equipment	55,202	-
	235,770	49,038

NOTE 24 - INCOME AND EXPENSES FROM INVESTING ACTIVITIES (CONTINUED)

Details of investment expenses for the years ended 31 December 2024 and 2023 are as follows:

	1 January- 31 December 2024	1 January- 31 December 2023
Losses on sales of long-term financial investments [Note 31] ^(*)	[244,343]	[117,452]
	[244,343]	[117,452]

[*] The General Assembly of Industria Italiana Autobus S.P.A. ["IIA"], a subsidiary of the Group, convened on 20 June 2024 with the agenda of minimizing the capital in order to close the balance sheet deficits, among other agenda items, and the meeting was subsequently registered. For the said transactions, the Group did not exercise its right to participate in the transactions in proportion to its existing shares, did not exercise its right to retain its shares in the IIA, and therefore its shareholding in the IIA was terminated.

Maas Global OY, which is the Group's 'financial asset at fair value through profit or loss', ceased operations at the end of 2023 and entered into liquidation. There are no future expectations. The amount of the investment will be recognized as an investment expense and removed from the financial statements.

NOTE 25 - TYPES OF EXPENSES

	1 January-31 December 2024	1 January-31 December 2023
Types of expenses		
Use of raw materials	4,601,507	3,971,136
Cost of services sold	1,583,592	1,411,730
General production costs	794,679	1,056,748
Direct labor costs	584,457	1,176,818
Personnel expenses	567,978	532,927
Cost of goods sold	560,862	568,935
Depreciation and amortization	545,719	542,273
Provisions for warranties	235,376	230,566
Transport and insurance expenses	119,353	155,147
Change in inventories of semi-finished goods	108,483	144,308
Market research and promotion expenses	81,686	112,546
Advertising expenses	75,891	87,717
Transportation and travel expenses	63,905	74,116
Holding company expenses	53,299	135,481
Subcontracting expenses	51,281	47,380
Consulting expenses	50,407	33,263
Change in inventory provisions	36,125	28,767
Rental expenses	12,111	20,653
Movements in finished goods	2,132	27,895
Other	98,840	197,938
	10,227,683	10,556,344



NOTE 26 - FINANCIAL EXPENSES

	1 January-31 December 2024	1 January-31 December 2023
Financial activity		
Interest expense	[800.892]	[953.971]
Net foreign exchange losses on financing activities	[721.901]	[1.647.561]
Bond expenses	[286.904]	[74.382]
Factoring expenses	[68.936]	[279.581]
Other	[118.148]	[77.262]
	(1,996,781)	(3,032,757)

NOTE 27 – EXPLANATIONS REGARDING NET MONETARY POSITION GAINS / (LOSSES)

Non-monetary items	31 December 2024
Statement of financial position	206.596
Inventories	54.564
Prepaid expenses	7.447
Financial investments (UV)	892
Right of use assets	1.296
Tangible and intangible assets	1.781.777
Prepaid expenses (UV)	1.070
Deferred income	[38.570]
Deferred income (UV)	[16.727]
Capital adjustment differences	[3.294.339]
Premiums related to shares	[36.508]
Accumulated other comprehensive income and expenses to be reclassified to profit or loss	57.752
Accumulated other comprehensive income and expenses not to be reclassified to profit or loss	[223.272]
Restricted reserves allocated from profit	[7.368]
Previous years' losses	1.918.582

	1 January - 31 December 2024
Profit or loss statement items	1,080,273
Revenue	[810.482]
Cost of sales [-]	1,387.638
Research and development expenses [-]	1.018
Marketing expenses [-]	141.719
General administrative expenses [-]	104.798
Income from investment activities	[41.307]
Other income from main activities	[26.607]
Other expenses from main activities [-]	57.687
Expenses from investment activities [-]	6.071
Financial expenses [-]	259.738
Net monetary position gains/(losses)	1,286,869

NOTE 28 - INCOME TAXES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES)

As of 31 December 2024, and 31 December 2023, current income tax liabilities and current income tax assets are as follows:

Current tax asset/(liability):	31 December 2024	31 December 2023
Current corporate tax provision	15,577	-
Less: Prepaid taxes and funds	[15,124]	[6,070]
Current profit tax liability/(Current period tax related assets) - net	453	[6,070]

Tax expense consists of the following:

	31 December 2024	31 December 2023
Current tax expense	[14,323]	-
Deferred tax expense	[202,498]	918,588
Total tax expense	[216,821]	918,588

Corporate Tax

The Group is subject to corporate taxation in Turkey. Provision has been made in the accompanying financial statements for the estimated charge based on the Group's results for the current period. Turkish tax legislation does not allow a parent company and its subsidiaries to file a consolidated tax return. Therefore, the tax liabilities reflected in these consolidated financial statements have been calculated on a separate entity basis.

The corporate income tax rate to be applied to taxable income is calculated on the tax base remaining after adding back non-deductible expenses and deducting tax-exempt income, non-taxable income and other deductions (prior year losses, if any, and investment incentives used, if any).

The corporate tax rate applied in Türkiye in 2024 is 25%. [2023: %25].

Within the scope of the Law No. 7456 on the Issuance of Additional Motor Vehicle Tax to Compensate for the Economic Losses Caused by the Earthquakes That Occurred on 6/2/2023 and the Amendment of Certain Laws and the Decree Law No. 375", which was published in the Official Gazette dated 15 July 2023, the corporate tax rate has been increased to 25% for temporary declarations to be submitted after 1 October 2023. It will be applied as 25% from 2024. The corporate tax rate is applied to the tax base to be found as a result of adding expenses that are not accepted as deductible in accordance with tax laws to the commercial income of corporations, deducting the exemptions (participation earnings exemption, investment allowance exemption, etc.) and discounts (such as R&D discount) in the tax laws. If the profit is not distributed, no other tax is paid.

At the same time, the corporate tax exemption for gains obtained from the sale of immovables acquired after 15 July 2023 and held in the assets of corporate taxpayers for at least 2 years has been completely abolished, while the corporate tax exemption on the sales income of immovables acquired before this date has been reduced from 50% to 25%. The regulation entered into force as of 15 July 2023.

Pursuant to the "Decree amending the Decree on Government Aid for Investments" numbered 2017/9917, published in the Official Gazette of 22 February 2017 and numbered 29987; within the scope of investment incentive certificates issued for the manufacturing industry ["US-97 Code: 15-37"] within the scope of investment incentive certificates issued for the manufacturing industry ["US-97 Code: 15-37"] based on Decree no. 2012/3305 and previous decisions, for investment expenditures realized between 1 January 2017 and 31 December 2017; the investment contribution rates to be applied in tax deduction support within the scope of regional, large-scale and strategic incentive practices are applied by adding 15 points to the investment contribution rate valid in each region, corporate tax or income tax deduction at the rate of 100% in all regions, and the ratio of the investment contribution amount to be applied to the investor's income from other activities during the investment period is 100%, without any transaction on the incentive certificate.

Tax inspection authorities may examine the accounting records within five years, and if an incorrect transaction is detected, the tax amounts may change due to the tax assessment to be made. According to the Turkish tax legislation, the financial losses shown on the declaration can be deducted from the corporate income for the period, provided that they do not exceed 5 years. However, financial losses cannot be deducted from past year profits.

In addition to the above exceptions in the determination of the Corporate Tax base, 8 of the Corporate Tax Law, Article 40 of the Income Tax Act. Together with the deductions specified in the provision of the article, Article 10 of the Corporate Tax Law. Other discounts specified in the Article are also taken into account.

Pursuant to a motion made at the session of the Grand National Assembly of Turkey on 8 March 2023; By corporate taxpayers, by showing it in the corporate tax return for 2022 and paying it in 2023; With a new article added to the draft law that envisages the restructuring of public debts, an additional tax has been imposed on corporate taxpayers due to the earthquake disaster on 6 February 2023.

Minimum Corporate Tax

Turkey has enacted the Domestic Minimum Corporate Tax with the laws published in the Official Gazette dated August 2, 2024. This tax will be applied from the 2025 accounting period. "With the Law No. 7524, the Minimum Corporate Tax institution has been introduced, and a regulation has been made that the corporate tax calculated within this scope cannot be less than 10% of the corporate income before deducting deductions and exemptions. The regulation will enter into force on the date of its publication to be applied to corporate earnings for the 2025 taxation period. In addition, the General Communiqué on Corporate Tax No. 23 has been published on the subject. It did not affect the Group's tax expense for the current period as it will be effective from 1 January 2025.

Pillar Two Rules (Pillar Two Model Rules)

Turkey has started to adopt the OECD's Global Minimum Supplementary Corporate Tax regulations [Pillar 2] with a Draft Law submitted to the Turkish Grand National Assembly on 16 July 2024. These regulations entered into force with the laws published in the Official Gazette on 2 August 2024. Practice in Turkey is largely in line with the OECD's Pillar 2 Model Rules and shows similarities in terms of scope, exemptions, consolidation, tax calculations and filing periods. The secondary regulation on the calculation details and the implementation method has not yet been published, and specific issues such as Turkey's unique situations and existing incentives are expected to be clarified with the secondary legislation of the Ministry. In line with the comments of the Group's management and tax advisors, the said regulation does not have any impact on the composite financial statements as of 31 December 2024.

NOTE 28 - INCOME TAXES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (Continued)

Transfer pricing

Institutions are required to use a price or price to be determined in accordance with their precedents in the purchase or sale of goods or services with related persons. The arm's length principle states that the price or price applied in the purchase or sale of goods or services with related persons is in accordance with the price or price that would occur if there was no such relationship between them. Institutions will determine the arm's length price or prices to be applied in the transactions they carry out with related persons by using the most appropriate method for the nature of the transaction among the methods specified in the relevant law. In line with the principle of arm's length compliance, it is obligatory for the institutions to keep the records, tables and documents of the calculations regarding the prices and prices determined by the institutions as proving papers. In addition, corporations will prepare a report by the date of the Corporate Tax Return, to be submitted when necessary, including information and documents regarding the transactions they have made with related persons within an accounting period.

In the event that goods or services are purchased or sold at the price or price determined in violation of the arm's length principle, the gain will be deemed to have been distributed implicitly through transfer pricing in whole or in part. The earnings distributed implicitly through transfer pricing, in whole or in part, shall be deemed to be dividends distributed as of the last day of the accounting period in which the conditions specified in Article 13 are met, or, in the case of narrow taxpayers, the amount transferred to the head office. Tax deductions will be made at the rates determined according to the legal nature of the shareholders on the amount found as a result of accepting the dividend distributed through transfer pricing as the net dividend amount and completing the gross. Previous taxation transactions will be adjusted accordingly by the taxpayers who are parties. However, in order for this adjustment to be made, the taxes levied on behalf of the institution distributing the disguised income must be finalized and paid.

The amount to be taken into account in the adjustment to be made before the institution to which the disguised income is distributed will be the amount finalized and paid.

Deferred Tax

The Group recognizes deferred tax assets and liabilities based on temporary differences arising between the financial statements prepared in accordance with TFRS and the financial statements prepared for tax purposes. These differences result in the recognition of income and expenses in different periods for TFRS and tax purposes and are summarized below.

As of 31 December 2024 and 31 December 2023, the financial statements include the deferred tax effect of the temporary differences recognized as a result of the corrections made regarding inflation accounting with the communiqué of the Corporate Tax Law No. 32415 dated 30 December 2023.

The tax rate used for the calculation of deferred tax assets and liabilities is 25% [2023: 25%, 2022:20%] on expected temporary timing differences.

As entities in Türkiye are not allowed to file consolidated tax returns, subsidiaries with deferred tax assets are not offset against subsidiaries with deferred tax liabilities and are presented separately.

NOTE 28 - INCOME TAXES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (Continued)

Deferred tax assets are recorded if it is determined that taxable income is likely to occur in future years. In cases where taxable income is likely to occur, deferred tax assets are calculated on the basis of deductible temporary differences, financial losses, and tax benefits earned due to investment allowances with an unlimited life that allow for the payment of reduced corporate tax. In this context, the Group bases the reflection of deferred tax assets arising from investment incentives in the consolidated financial statements on long-term plans, and evaluates the recoverability of deferred tax assets related to such investment deductions as of each balance sheet date, based on business models that include taxable profit estimates. It is envisaged that these deferred tax assets will be recovered within 3-5 years from the balance sheet date.

In the sensitivity analysis carried out as of 31 December 2024, there was no change in the projected recovery periods of 3-5 years for deferred tax assets related to investment incentives when the inputs included in the basic macroeconomic and sectoral assumptions constituting the business plans were increased/decreased by 10%.

NOTE 28 - INCOME TAXES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (Continued)

Deferred tax assets / (liabilities):	Cumulative temporary differences			Deferred tax assets / (liabilities):		
	31 December 2024	31 December 2023	31 December 2022	31 December 2024	31 December 2023	31 December 2022
Investment incentives	483,034	498,565	305,424	483,034	498,565	305,424
Provision for warranty expenses	[278,829]	[451,980]	[330,344]	69,707	112,995	66,069
Provision for employment termination benefits	[205,800]	[223,897]	[313,225]	51,450	55,974	62,644
Leave and wage provision	[51,652]	[99,289]	[31,710]	12,912	24,822	6,342
Adjustments related to tangible and intangible fixed assets	1,736,183	922,193	4,424,567	[291,028]	[94,674]	[884,913]
Adjustments related to financial lease receivables	382,013	658,684	838,574	[95,503]	[164,671]	[167,715]
Derivative instruments	178,226	355,573	344,365	[44,557]	[88,894]	[68,873]
Income accruals	72,657	174,682	16,744	[18,164]	[44,244]	[3,349]
Carry forward financial losses (+)	-	[286,428]	[286,247]	-	71,607	57,249
Other	209,592	174,200	70,985	[52,398]	[43,550]	[14,197]
Deferred tax assets / (liabilities), net				115,453	327,930	[641,319]

NOTE 28 - INCOME TAXES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (Continued)

As of 31 December 2024, and 2023, the movements in deferred tax assets / (liabilities) for the year are as follows:

	2024	2023
Beginning of term – 1 January	327,930	[641,319]
Recognized in the statement of profit or losses	[202,498]	918,588
Accounted under other comprehensive income	[9,979]	50,661
End of term – December 31	115,453	327,930

For the accounting periods 1 January - 31 December 2024 and 1 January - 31 December 2023, the reconciliation of tax (expense)/income is as follows:

	1 January-31 December 2024	1 January-31 December 2023
Profit / (loss) before tax	92,123	[386,586]
Current tax rate	%25	%25
Tax calculated on the tax rate	[23,031]	96,647
Expenses and additions not legally accepted	[133,566]	[79,023]
R&D discounts	278,977	254,389
Cash capital discount	86,518	43,246
Investment discount	103,344	94,236
Monetary gain/(loss) impact and other	[491,807]	420,781
Other	[37,256]	88,312
Tax income / (expense)	[216,821]	918,588

NOTE 29 - EARNINGS / (LOSS) PER SHARE

Profit or loss and other comprehensive earnings/(loss) per share declared in the comprehensive income statement are determined by dividing the net profit/(loss) of the parent company by the weighted average number of shares available in the relevant year. There is no difference between the basic and relative earnings per share for any period. The weighted average number of Group shares and earnings per share calculations for the periods ended 31 December 2024 and 31 December 2023 are as follows (assuming no bonus shares):

	31 December 2024	31 December 2023
Weighted average number of shares in circulation	90,000,000,000	90,000,000,000
Net profit for the year attributable to equity holders of the parent (piaster)	[124,698]	556,164
Earnings per share (piaster) [per share]	[0,139]	0,6180

NOTE 30 - DERIVATIVES

	31 December 2024		31 December 2023	
	Assets	Liabilities	Assets	Liabilities
Short-term	60,664	-	194,884	-
Hedging contracts at fair value through profit or loss	60,664	-	194,884	-
Long-term	117,562	-	160,689	-
Hedging contracts at fair value through profit or loss	117,562	-	160,689	-
	178,226	-	355,573	-

The Group hedges the foreign exchange risk on its balance sheet by borrowing in the same currency against the foreign exchange risk arising from the amounts of foreign currency sales that are highly probable of being realized in the future as defined in the Group's contracts and budget. In this context, the repayments of the foreign currency borrowings that are subject to hedge accounting and designated as hedging instruments are matched with the cash flows of the foreign currency sales that are expected to be realized on the reporting date and that are designated as hedged items under hedge accounting. As part of the Group's foreign currency risk management strategy, the Group applies hedge accounting to hedge the foreign currency risk component of the cash flow risk of highly probable forecast transactions and has recorded the unrealized foreign exchange differences on the hedging instrument under derivative financial instruments.

NOTE 31 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

Short Term Financial Investments	31 December 2024	31 December 2023
Currency hedged deposits ^(**)	-	170,978
		170,978

[**] As at 31 December 2024, the Company has a foreign currency translated (Euro) currency hedged TRY account. The closing date of the hedged foreign currency deposit account is 4 March 2024. The related balance is nominal of currency hedged deposits with a maturity date of 4 March 2024 and an interest rate of 34%.

Details of the Group's financial assets at fair value through profit or loss / other comprehensive income are as follows:

	Share	31 December	Share	31 December
	Ratio	2024	Ratio	2023
Long Term Financial Investments				
Financial assets at fair value through other comprehensive income:				
Industria Italiana Autobus S.P.A (IIA) ^(*)	%0	-	28.59%	244,343
			28.59%	244,343



NOTE 31 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

[*] On the other hand, at the General Meeting of IIA held on 29 January 2019, the Company's shareholding in IIA decreased to 28.59% because of the Italian state institution INVITALIA S.P.A. exercising its right to increase its capital proportionately. The Company participated in the capital increase in the amount of 8,295,024 in 2019 and increased its total participation in the capital of IIA from EUR 5,129,642 (TRY 26,927) to EUR 11,924,666 (TRY 78,635). On 24 February 2020, the Company increased its total investment to TRY 78,760 with a capital payment of TRY 125 (EUR 19,000). In September 2021, TRY 48,031 (EUR 4,683,160) and on 9 March 2023, TRY 151,528 (EUR 7,580,406) were offset against the Company's trade receivables, bringing the total investment amount to TRY 244,343.

The Group owns 28.59% of the share capital of Industria Italiana Autobus ("IIA"), which is active in the production, distribution and marketing of buses. However, the Group's management has concluded that the Group has neither control nor significant influence over this company in accordance with TAS-28 and it is presented as an investment in the consolidated financial statements. The other shareholders of IIA are subsidiaries of Italian public entities.

The General Assembly of IIA, a subsidiary of the Group, convened on 20 June 2024 with the agenda of minimizing the capital in order to close the balance sheet deficits, among other agenda items, and the registration of the meeting was subsequently held. For the said transactions, the Group did not exercise its right to participate in the transactions in proportion to its existing shares, did not exercise its right to retain its shares in the IIA, and therefore its shareholding in the IIA was terminated.

NOTE 32 - NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

a) Capital risk management

The Group manages its capital to ensure the Group's ability to continue as a going concern while maximizing returns to stakeholders by optimizing the balance between debt and equity.

The Group's capital structure consists of debt, including the borrowings disclosed in Note 19, and equity attributable to equity holders of the parent, which consists of cash and cash equivalents, issued share capital, reserves and retained earnings.

The Group's Board of Directors reviews the capital structure twice a year. During these reviews, the Board assesses the cost of capital, and the risks associated with each class of capital. Based on the recommendations of the Board, the Group aims to stabilize its capital structure through the payment of dividends, the issue of new shares and the repurchase of shares, as well as through the raising of new debt or the repayment of existing debt.

In line with other companies in the industry, it analyses capital using the leverage ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non-current borrowings as shown in the consolidated balance sheet) less cash and cash equivalents. Total capital is calculated by adding the equity item in the consolidated balance sheet and net debt.

On 31 December 2024 and 2023, the gearing ratio, which is calculated as net debt less cash and cash equivalents and short-term investments less financial debts, divided by total capital, is as follows:

NOTE 32 - NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Continued)

	31 December 2024	31 December 2023
Total financial liabilities	5,983,593	5,495,566
Less: Cash and Cash Equivalents	(1,178,181)	(1,482,888)
Net Debt	4,805,412	4,012,678
Equity	5,490,273	5,231,026
Total Capital	10,270,053	9,243,704
Net Debt/Total Capital Ratio (%)	46.67	43.41

b) Financial Risk Factors

The Group's activities expose it to market risk (currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group's risk management program is generally focused on minimizing the potential adverse effects of uncertainty in the financial markets on the Group's financial performance. The Group uses derivatives to hedge its exposure to various financial risks.

Risk management is carried out in accordance with policies approved by the Board of Directors. In terms of risk policy, financial risks are identified and assessed by the Group's senior management and risk mitigation tools are implemented in collaboration with the Group's operating units.

b.1) Credit risk management

In order to minimize credit risk, the Group's policy is to work with creditworthy counterparties and to obtain collateral were deemed necessary to reduce the risk of financial loss in the event of default.

When accepting a new customer, the creditworthiness of the customer is assessed by the relevant departments and appropriate credit limits are set, taking collateral were deemed necessary.

The Group also has procedures in place to establish customer limits and follow-up mechanisms for overdue receivables. The Group's trade receivables comprise a large number of customers in various industries and geographical areas. Credit evaluations are performed on an ongoing basis on customer trade receivables. In addition, management evaluates its trade payables and financial assets on a customer and asset basis at each balance sheet date and ensures that the necessary provisions for uncollectible amounts are provided for in the consolidated financial statements. In this context, management believes that the Group's exposure to credit risk at the reporting date is significantly reduced.

NOTE 32 - NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Continued)

b) Financial Risk Factors (Continued)

Credit risk exposure by type of financial instrument	Receivables					
	Trade receivables		Other Receivables			
	Related Party	Third Parties	Related Party	Related Party	Third Parties	Derivative instruments
31 December 2024						
Maximum credit risk exposure as of the reporting date [A+B+C+D+E] ^(*)	189.658	4.453.077	-	416.880	1.077.172	178.226
- The portion of maximum risk guaranteed by collateral ^(**)	-	285.650	-	-	-	-
A. Net book value of financial assets that are neither past due nor impaired	189.658	3.338.058	-	416.880	1.077.172	178.226
B. The carrying amount of financial assets whose terms have been renegotiated, and which would otherwise be considered overdue or impaired	-	71.360	-	-	-	-
C. Net book value of financial assets that are neither past due nor impaired	-	1.056.465	-	-	-	-
- The part secured by collateral, etc.	-	6.475	-	-	-	-
D. Net book value of impaired assets	-	-	-	-	-	-
- Not past due (gross carrying amount)	-	60.139	-	-	-	-
- Impairment [-]	-	[60.139]	-	-	-	-
- Portion of net value under guarantee with collaterals, etc.	-	-	-	-	-	-
E. Expected credit losses	-	[12.806]	-	-	-	-

[*] The amount does not take into account credit enhancers such as guarantees received.

[**] Guarantees consist of guarantee notes and guarantee cheques received from customers.

NOTE 32 - NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Continued)

b) Financial Risk Factors (Continued)

Credit risk exposure by type of financial instrument	Receivables					
	Trade receivables		Other Receivables			
	Related Party	Third Parties	Related Party	Related Party	Third Parties	Derivative instruments
31 December 2023						
Maximum credit risk exposure as of the reporting date [A+B+C+D+E] ^(*)	719	3,391,032	-	1,080,152	1,295,317	355,573
- The portion of maximum risk guaranteed by collateral ^(**)	-	1,077,300	-	-	-	-
A. Net book value of financial assets that are neither past due nor impaired	719	1,271,888	-	1,080,152	1,295,317	355,573
B. The carrying amount of financial assets whose terms have been renegotiated, and which would otherwise be considered overdue or impaired	-	319,165	-	-	-	-
C. Net book value of financial assets that are neither past due nor impaired	-	1,859,366	-	-	-	-
- The part secured by collateral, etc.	-	633,422	-	-	-	-
D. Net book value of impaired assets	-	-	-	-	-	-
- Not past due (gross carrying amount)	-	172,065	-	-	-	-
- Impairment [-]	-	[172,065]	-	-	-	-
- Portion of net value under guarantee with collaterals, etc.	-	-	-	-	-	-
E. Expected credit losses	-	[59,387]	-	-	-	-



NOTE 32 - NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Continued)

b) Financial Risk Factors (Continued)

Credit risk is the risk that a counterparty to a financial instrument will default on its contractual obligations, causing financial loss to the Group. The Group seeks to mitigate credit risk by dealing only with creditworthy counterparties and, where possible, by obtaining adequate collateral. The Group's exposure to credit risk and the creditworthiness of its customers are monitored on an ongoing basis. Credit risk is managed through customer limits, which are reviewed and approved annually by the Risk Management Committee.

b.2) Liquidity risk management

The primary responsibility for liquidity risk management rests with the Board of Directors. The Board has established an appropriate liquidity risk management framework for the short-, medium- and long-term funding and liquidity requirements of the Group's management. The Group manages liquidity risk by regularly monitoring forecast and actual cash flows and by matching maturities of financial assets and liabilities to ensure that sufficient cash and borrowing reserves are maintained.

The following table summarizes the maturity profile of the Group's non-derivative and derivative financial liabilities by contractual repayment date. Non-derivative financial liabilities are undiscounted and based on the earliest payment dates. Interest payable on these liabilities is included in the table below. Derivative financial liabilities are based on undiscounted net cash inflows and outflows. Forward contracts are settled on a net basis for forward contracts that are payable on a gross basis and are realized on undiscounted gross cash inflows and outflows. Where receivables or payables are not fixed, the amount recognized is determined using the interest rate derived from the yield curves at the balance sheet date.

As of 31 December 2024, and 2023, the Group's undiscounted cash outflows based on contract terms are as follows:

31 December 2024	Stored value	Cash flow under contract	<3 months (I)	3-12 months (II)	1-5 years (III)	5 years and above
Bank loans	4,941,515	5,417,854	1,925,153	1,779,655	1,592,436	120,610
Trade payables	2,237,410	2,268,781	2,094,530	174,251	-	-
Borrowings for the issue of bonds	751,883	996,628	88,366	908,262	-	-
Leasing liabilities	116,386	123,181	28,000	83,458	11,723	-
Factoring liabilities	173,809	173,809	173,809	-	-	-
Other payables	65,002	65,002	65,002	-	-	-
Total liabilities	8,286,005	9,045,255	4,374,860	2,945,626	1,604,159	120,610

31 December 2023	Stored value	Cash flow under contract	<3 months (I)	3-12 months (II)	1-5 years (III)	5 years and above
Bank loans	4,701,190	5,087,773	2,110,578	1,436,232	1,540,963	-
Trade payables	2,563,254	2,563,254	2,501,929	61,325	-	-
Borrowings for the issue of bonds	565,846	565,846	-	565,846	-	-
Leasing liabilities	60,167	66,184	29,423	26,616	10,145	-
Factoring liabilities	168,363	168,363	168,363	-	-	-
Other payables	642,149	642,149	266,764	375,385	-	-
Total liabilities	8,700,969	9,093,569	5,077,057	2,465,404	1,551,108	-

The Group's activities expose it primarily to financial risks associated with changes in foreign currency exchange rates and interest rates, as described below. The Group uses a variety of derivative financial instruments to manage its exposure to changes in foreign currency exchange rates and interest rates, including the following.

- Forward foreign exchange contracts, which are used to hedge the foreign exchange risk arising from purchases and sales in foreign currencies.

Market risk is also assessed using sensitivity analysis and stress scenarios.

There have been no changes in the Group's exposure to market risk or in the methods of managing and measuring market risk during the year.

b.3.1) Currency risk management

Transactions in foreign currencies expose the Group to foreign exchange risk. Foreign exchange risk is managed through forward foreign exchange contracts based on approved policies.

The composition of the Group's monetary and non-monetary assets and liabilities denominated in foreign currencies at the balance sheet date is as follows:



NOTE 32 - NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Continued)

	31 December 2024								
	TRY Equivalent (Functional Currency)	USD	EUR	Romanian Lei	Canadian Dollar	Chinese Yuan	British Pound	Norwegian Krone	Swedish Krona
1. Trade Receivables	3,135,543	13,622	71,563	9,383	291	3,927	-	-	-
2a. Monetary Financial Assets	625,478	184	16,801	150	-	-	15	-	-
2b. Non-monetary Financial Assets	-	-	-	-	-	-	-	-	-
3. Other	285,069	1,337	5,661	2,297	1	2,462	18	-	89
4. Liquid Assets [1+2+3]	4,046,090	15,143	94,025	11,830	292	6,389	33	-	89
5. Trade receivables	-	-	-	-	-	-	-	-	-
6a. Monetary Financial Assets	-	-	-	-	-	-	-	-	-
6b. Non-monetary Financial Assets	-	-	-	-	-	-	-	-	-
7. Other	117,562	-	3,200	-	-	-	-	-	-
8. Fixed Assets [5+6+7]	117,562	-	3,200	-	-	-	-	-	-
9. Equities Total [4+8]	4,163,652	15,143	97,225	11,830	292	6,389	33	-	89
10. Trade Payables	884,382	-	23,639	474	435	-	33	27	89
11. Financial Liabilities	2,341,291	-	63,733	-	-	-	-	-	-
12a. Other Monetary Liabilities	429,239	4	9,622	281	3,000	-	-	-	-
12b. Other Non-Monetary Liabilities	-	-	-	-	-	-	-	-	-
13. Short Term Liabilities [10+11+12]	3,654,912	4	96,994	755	3,435	-	33	27	89
14. Trade Payables	-	-	-	-	-	-	-	-	-
15. Financial Liabilities	1,393,810	-	37,941	-	-	-	-	-	-
16a. Other Monetary Liabilities	-	-	-	-	-	-	-	-	-
16b. Other Non-Monetary Liabilities	-	-	-	-	-	-	-	-	-
17. Long Term Liabilities [14+15+16]	1,393,810	-	37,941	-	-	-	-	-	-
18. Total Liabilities [13+17]	5,048,722	4	134,935	755	3,435	-	33	27	89
19. Net Asset/(Liability) Position of Off-Statement Derivative Instruments [19a+19b]	-	-	-	-	-	-	-	-	-
19a. Amount of Foreign Currency Derivative Products Outside the Financial Position Statement with Active Character	-	-	-	-	-	-	-	-	-
19b. Amount of Off-Statement Foreign Exchange Derivative Products with Passive Character	-	-	-	-	-	-	-	-	-
20. Net foreign currency assets liability position [9-18+19]	[885,070]	15,139	[37,710]	11,075	[3,144]	6,389	-	[27]	-
21. Net foreign currency asset/liability position of monetary items [TFRS7.B23] [1+2a+5+6a-10-11-12a-14-15-16a]	[1,287,701]	13,802	[46,571]	8,778	[3,144]	3,927	[18]	[27]	[89]
22. Total fair value of financial instruments designated as foreign currency hedges	-	-	-	-	-	-	-	-	-
23. Hedged portion of foreign currency assets	111,015	-	3,022	-	-	-	-	-	-
24. Hedged portion of foreign currency liabilities	-	-	-	-	-	-	-	-	-
25. Total export amount	5,595,962	9,595	140,876	9,383	543	-	-	-	-
26. Total import amount	2,213,493	7,803	48,261	-	-	33,242	79	-	52



NOTE 32 - NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Continued)

	31 December 2023							
	TRY Equivalent (Functional currency)	USD	EUR	RON	CAD	CNY	JPY	Other
1. Trade Receivables	2,993,602	7,921	54,837	8,197	23	-	-	-
2a. Monetary Financial Assets	736,557	27	13,738	2,628	2,006	-	-	-
2b. Non-monetary Financial Assets	-	-	-	-	-	-	-	-
3. Other	496,857	1,650	8,989	143	9	-	-	-
4. Liquid Assets (1+2+3)	4,227,016	9,598	77,564	10,968	2,038	-	-	-
5. Trade receivables	-	-	-	-	-	-	-	-
6a. Monetary Financial Assets	-	-	-	-	-	-	-	-
6b. Non-monetary Financial Assets	-	-	-	-	-	-	-	-
7. Other	-	-	-	-	-	-	-	-
8. Fixed Assets (5+6+7)	-	-	-	-	-	-	-	-
9. Equities Total (4+8)	4,227,016	9,598	77,564	10,968	2,038	-	-	-
10. Trade Payables	896,856	1,402	15,467	1	144	3,484	2,702	-
11. Financial Liabilities	2,980,081	-	63,252	-	-	-	-	-
12a. Other Monetary Liabilities	6,422	1	135	-	-	-	-	-
12b. Other Non-Monetary Liabilities	-	-	-	-	-	-	-	-
13. Short Term Liabilities (10+11+12)	3,883,359	1,403	78,854	1	144	3,484	2,702	-
14. Trade Payables	-	-	-	-	-	-	-	-
15. Financial Liabilities	1,052,159	-	22,332	-	-	-	-	-
16a. Other Monetary Liabilities	-	-	-	-	-	-	-	-
16b. Other Non-Monetary Liabilities	-	-	-	-	-	-	-	-
17. Long Term Liabilities (14+15+16)	1,052,159	-	22,332	-	-	-	-	-
18. Total Liabilities (13+17)	4,935,518	1,403	101,186	1	144	3,484	2,702	-
19. Net Asset/(Liability) Position of Off-Statement Derivative Instruments (19a+19b)	-	-	-	-	-	-	-	-
19a. Amount of Foreign Currency Derivative Products Outside the Financial Position Statement with Active Character	-	-	-	-	-	-	-	-
19b. Amount of Off-Statement Foreign Exchange Derivative Products with Passive Character	-	-	-	-	-	-	-	-
20. Net foreign currency assets liability position (9-18+19)	[708,502]	8,195	[23,622]	10,967	1,894	[3,484]	[2,702]	-
21. Net foreign currency asset/liability position of monetary items (TFRS7.B23) (1+2a+5+6a-10-11-12a-14-15-16a)	[1,205,359]	6,545	[32,611]	10,824	1,885	[3,484]	[2,702]	-
22. Total fair value of financial instruments designated as foreign currency hedges	-	-	-	-	-	-	-	-
23. Hedged portion of foreign currency assets	766,634	-	16,272	-	-	-	-	-
24. Hedged portion of foreign currency liabilities	-	-	-	-	-	-	-	-
25. Total export amount	6,503,913	29,625	147,375	-	-	18,400	128,553	-
26. Total import amount	2,773,246	29,625	147,375	-	27	18,400	384	-



NOTE 32 - NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Continued)

Sensitivity to Exchange Rate Risk

The Group is exposed to foreign exchange risk in USD and EUR. The following table details the Group's sensitivity to a 10% increase and decrease in the US dollar and euro exchange rates. 10% is the sensitivity rate used for internal reporting of foreign exchange risk to key management personnel and represents management's assessment of the potential change in foreign exchange rates. The sensitivity analysis only includes outstanding monetary items denominated in foreign currencies at the year end and adjusts their translation at the year-end for a 10% change in exchange rates. This analysis includes both external borrowings and borrowings for foreign operations within the Group that are denominated in a currency other than the functional currency of the borrower and lender. A positive value represents an increase in profit/loss and other equity items. Management believes that the sensitivity analysis does not fully reflect the foreign currency risk as the year-end foreign currency risk analysis does not reflect the foreign currency risk during the year.

	31 December 2024			
	Profit / Loss		Equity	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
In case of a 10% appreciation of the US Dollar against TRY				
1- USD net asset / liability	53,411	(53,411)	53,411	(53,411)
2- US Dollar hedged portion [-]	-	-	-	-
3- USD net effect (1+2)	53,411	(53,411)	53,411	(53,411)
In case of a 10% appreciation of Euro against TRY				
4 - Euro net asset / liability	(138,532)	138,532	(138,532)	138,532
5 - Euro hedged portion [-]	-	-	-	-
6- Euro net effect (4+5)]	(138,532)	138,532	(138,532)	138,532
In case of a 10% appreciation of RON against TRY				
7- RON foreign currency net asset / liability	8,132	(8,132)	8,132	(8,132)
8- Portion hedged from RON foreign currency risk [-]	-	-	-	-
9- RON Foreign Currency Assets net effect (7+8)	8,132	(8,132)	8,132	(8,132)
In case of a 10% appreciation of CAD against TRY				
10- CAD foreign currency net asset / liability	(7,709)	7,709	(7,709)	7,709
11- CAD foreign currency hedged portion [-]	-	-	-	-
12- CAD Foreign Currency Assets net effect (10+11)	(7,709)	7,709	(7,709)	7,709
In case of a 10% appreciation of CNY against TRY				
13- CNY foreign currency net asset / liability	3,071	(3,071)	3,071	(3,071)
14- Portion hedged from CNY foreign currency risk [-]	-	-	-	-
15- Net effect of CNY Foreign Currency Assets (10+11)	3,071	(3,071)	3,071	(3,071)
In case of a 10% appreciation of NOK against TRY				
16- NOK foreign currency net asset / liability	(119)	119	(119)	119
17- Portion hedged from NOK foreign currency risk [-]	-	-	-	-
18- Net effect of NOK Foreign Currency Assets (16+17)	(119)	119	(119)	119
In case of a 10% appreciation of SEK against TRY				
19- SEK foreign currency net asset / liability	17	(17)	17	(17)
20- Portion hedged from SEK foreign currency risk [-]	-	-	-	-
21- Net effect of SEK Foreign Currency Assets (19+20)	17	(17)	17	(17)
In case of a 10% appreciation of other against TRY				
22- Other foreign currency net asset / liability	7	(7)	7	(7)
23- Portion hedged from other foreign currency risk [-]	-	-	-	-
24- Net effect of other Foreign Currency Assets (22+23)	7	(7)	7	(7)
Total (3 + 6 + 9 + 12 + 15 + 18 + 21 + 24)	(81,722)	81,722	(81,722)	81,722



NOTE 32 - NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Continued)

	31 December 2023			
	Profit / Loss		Profit / Loss	
	Appreciation of foreign currency	Appreciation of foreign currency	Appreciation of foreign currency	Appreciation of foreign currency
In case of a 10% appreciation of the US Dollar against TRY				
1 - USD net asset / liability	27,818	[27,818]	27,818	[27,818]
2- US Dollar hedged portion [-]	-	-	-	-
3- USD net effect [1 +2]]	27,818	[27,818]	27,818	[27,818]
In case of a 10% appreciation of Euro against TRY				
4 - Euro net asset / liability	(153,644)	153,644	(153,644)	153,644
5 - Euro hedged portion [-]	-	-	-	-
6- Euro net effect [4+5]]	(153,644)	153,644	(153,644)	153,644
In case of a 10% appreciation of RON against TRY				
7- RON foreign currency net asset / liability	10,676	[10,676]	10,676	[10,676]
8- Portion hedged from RON foreign currency risk [-]	-	-	-	-
9- RON Foreign Currency Assets net effect [7+8]	10,676	[10,676]	10,676	[10,676]
In case of a 10% appreciation of CAD against TRY				
10- CAD foreign currency net asset / liability	6,041	[6,041]	6,041	[6,041]
11- CAD foreign currency hedged portion [-]	-	-	-	-
12- CAD Foreign Currency Assets net effect [10+11]	6,041	[6,041]	6,041	[6,041]
In case of a 10% appreciation of CNY against TRY				
13- CNY foreign currency net asset / liability	[2,101]	2,101	[2,101]	2,101
14- Portion hedged from CNY foreign currency risk [-]	-	-	-	-
15- Net effect of CNY Foreign Currency Assets [10+11]	[2,101]	2,101	[2,101]	2,101
In case of a 10% appreciation of JPY against TRY				
16- JPY foreign currency net asset / liability	[8,147]	8,147	[8,147]	8,147
17- Portion hedged from JPY foreign currency risk [-]	-	-	-	-
18- Net effect of CNY Foreign Currency Assets [16+17]	[8,147]	8,147	[8,147]	8,147
TOTAL [3 + 6 + 9 + 12 + 15 + 18]	(119,357)	119,357	(119,357)	119,357

NOTE 33 - FINANCIAL INSTRUMENTS (FAIR VALUE AND HEDGE ACCOUNTING DISCLOSURES)

Classes and fair values of financial instruments:

31 December 2024	Financial assets carried at amortized cost	Amounts at fair value through other comprehensive income	Amounts at fair value through other profit or loss	Financial liabilities carried at amortized cost	Book value	Note
Financial assets						
Cash and cash equivalents	1,178,181	-	-	-	1,178,181	4
Trade receivables	4,642,735	-	-	-	4,642,735	7
Trade receivables from related parties	189,658	-	-	-	189,658	6
Other receivables	416,880	-	-	-	416,880	8
Derivatives	-	-	178,226	-	178,226	30
Financial liabilities						
Financial liabilities	-	-	-	[5,867,207]	[5,867,207]	19
Lease liabilities	-	-	-	[116,386]	[116,386]	19
Trade payables	-	-	-	[2,064,448]	[2,064,448]	7
Payables to related parties	-	-	-	[172,962]	[172,962]	6
Other payables to related parties	-	-	-	[47,179]	[47,179]	6

The Group management believes that the carrying amounts of financial instruments reflect their fair values.



NOTE 33 - FINANCIAL INSTRUMENTS (FAIR VALUE AND HEDGE ACCOUNTING DISCLOSURES) (Continued)

Classes and fair values of financial instruments:

31 December 2023	Financial assets carried at amortized cost	Amounts at fair value through other comprehensive income	Amounts at fair value through other profit or loss	Financial liabilities carried at amortized cost	Book value	Note
Financial assets						
Cash and cash equivalents	1,482,891	-	-	-	1,482,891	4
Trade receivables	3,342,811	-	-	-	3,342,811	7
Trade receivables from related parties	719	-	-	-	719	6
Finance lease receivables	658,684	-	-	-	658,684	8
Financial investments	170,978	-	-	-	170,978	31
Other receivables	387,890	-	-	-	387,890	8
Derivatives	-	-	355,574	-	355,574	30
Financial liabilities						
Financial liabilities	-	-	-	[5,435,407]	[5,435,407]	19
Payables from leasing transactions	-	-	-	[60,167]	[60,167]	19
Trade payables	-	-	-	[2,552,019]	[2,552,019]	7
Payables to related parties	-	-	-	[158,050]	[158,050]	6
Other payables to related parties	-	-	-	[41,616]	[41,616]	6

The Group management believes that the carrying amounts of financial instruments reflect their fair values.

NOTE 33 - FINANCIAL INSTRUMENTS (FAIR VALUE AND HEDGE ACCOUNTING DISCLOSURES) (Continued)

Fair Value of Financial Instruments:

The fair value of financial assets and liabilities is determined as follows:

- Level 1: Financial assets and liabilities are measured at quoted prices in active markets for identical assets and liabilities.
- Level 2: Financial assets and liabilities are valued using inputs other than quoted prices included within Level 1 that are observable, either directly or indirectly, for the asset or liability.
- Level 3: Financial assets and liabilities are valued using inputs that are not based on observable market data used to determine the fair value of the asset or liability.

Level classification of financial assets and liabilities measured at fair value:

Certain of the Group's financial assets and liabilities are carried at fair value at each balance sheet date. The table below shows how the fair values of these financial assets and liabilities are determined:

Financial Assets / Financial Liabilities	Fair value		Fair value level	Valuation technique	Not based on significant observable data they entered	Fair value with inputs that are not based on observable data relationship
	31 December 2024	31 December 2023				
Financial assets at fair value through other comprehensive income – derivate instruments	178,226	355,573	Second level	The determination of fair value is based on the market approach and the venture capital valuation model.	The effect of perpetual growth and discount rates on the value of the financial asset	A positive change in the perpetual growth rate of the related financial asset results in an increase in the fair value of the financial asset. Similarly, an increase in the discount rates underlying the estimates used will decrease the fair value of the financial asset.

Level classifications of non-financial assets represented by their fair value:

Due to the data used in the valuation, fair valuation measurements of land, plots, land improvements and buildings are categorized as Level 2.

NOTE 34 - FEES FOR SERVICES RECEIVED FROM INDEPENDENT AUDITORS

For the periods 1 January - 31 December 2024 and 1 January - 31 December 2023, the Group's fees for services received from the independent auditor are as follows:

	2024	2023
Independent auditors' fees for the period	3,819	1,160
- Statutory and voluntary independent audit services (including interim periods)	3,819	1,160
Fees for tax advisory services	557	807
- All tax services such as certification, tax consultancy etc.	557	807
Fees for other assurance services	426	13
	4,802	1,980

NOTE 35 - EVENTS AFTER THE REPORTING PERIOD

Within the scope of the issuance ceiling approved by the Capital Markets Board's decision dated 7 March 2024 and numbered 14/362, the application made to the Capital Markets Board on 28 February 2025 regarding 1 [one] lease certificate with a nominal value of TRY 250,000,000 and a maximum maturity of 730 days, based on the management agreement, to be sold to qualified investors in Turkey, in which Karsan Otomotiv Sanayi ve Ticaret A.Ş. will take part as the source institution/fund user, was approved.

In line with the production plan, the Group's HOSAB (Hasanağa Organized Industrial Zone) factory switched from a double shift working order to a triple shift working order in all lines producing LFF (Renault Megane).

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

With the decision of the Capital Markets Board (CMB) dated 10.01.2019 and numbered 2/49, within the scope of the CMB Corporate Governance Communiqué numbered II-17.1, the format to be taken as a basis by companies obliged to prepare a Corporate Governance Principles Compliance Report has been redefined, and the Corporate Governance Compliance Report for the period 01.01.2024 - 31.12.2024 can be accessed via the link below on our website. Our Company regularly publishes the necessary updates on the Public Disclosure Platform and on our website.



<https://www.karsan.com/en/corporate-governance-compliance-report>

SUSTAINABILITY PRINCIPLES AND COMPLIANCE REPORT

The Sustainability Principles Compliance Framework, established within the scope of the Capital Markets Board's (CMB) Corporate Governance Communiqué No. II-17.1, includes the basic principles for the environmental, social, and corporate governance (ESG) practices of publicly traded companies. Although the implementation of these principles is voluntary, reporting is mandatory in line with the "Comply or Disclose" principle.

Starting from 2021 for the relevant partnerships and from the year following the initial public offering for publicly traded companies, this framework must be included in annual reports.

Our company's Sustainability Principles Compliance Report for the period 01.01.2024 - 31.12.2024 is available via the link provided on our website. In addition, developments and updates on sustainability are regularly published on the Public Disclosure Platform (PDP) and on our website.



<https://www.karsan.com/en/investor-relations/special-circumstance-disclosures>

ANNEXES

199 Partnerships and Memberships

200 Environmental Performance Indicators

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209 GRI Content Index



PARTNERSHIPS AND MEMBERSHIPS



United Nations
Global Compact

- United Nations Global Compact (UNGC)

**WOMEN'S
EMPOWERMENT
PRINCIPLES**

- Women's Empowerment Principles (WEPs)



- Bursa Platform for the Empowerment of Women



- Mor Salkım Women's Association



OTOMOTİV SANAYİİ DERNEĞİ
AUTOMOTIVE MANUFACTURERS ASSOCIATION

- Automotive Manufacturers Association (OSD)



BTSO
BURSA TİCARET VE SANAYİ ODASI

- Bursa Chamber of Commerce and Industry (BTSO)



- Bursa Industrialists and Businesspeople Association (BUSİAD)



- Hasanağa Organized Industrial Zone (HOSAB)



- Bursa Organized Industrial Zone (Bursa OSB)



- Turkish Employers' Association of Metal Industries (MESS)



ENVIRONMENTAL PERFORMANCE INDICATORS

ENVIRONMENTAL PERFORMANCE INDICATORS

Greenhouse Gas Emissions (ton CO ₂ e)	2022	2023	2024
Scope 1	3,013	5,644	8,074.03 ✓
Scope 2	5,870	10,704	12,562.14 ✓
Scope 3	211	19,479	19,366.15 ✓
Total	9,094	35,827	40,002.32 ✓

Category-Based Scope 3 Emissions (ton CO ₂ e)	2024
Category 1 – Purchased goods and services	141.74 ✓
Category 2 – Capital goods	-
Category 3 – Fuel and energy-related activities	1,483.38 ✓
Category 4 – Upstream transportation and distribution	1,598.18 ✓
Category 5 – Waste generated in operations	29.03 ✓
Category 6 – Business travels	929.42 ✓
Category 7 – Employee commuting	1,433.77 ✓
Category 8 – Upstream leased assets	-
Category 9 – Downstream transportation and distribution	157.20 ✓
Category 10 – Processing of products sold	-
Category 11 – Use of products sold	13,594.17 ✓
Category 12 – End-of-Life Treatment of Sold Products	-
Category 8 – Downstream leased assets	-
Category 14 – Franchises	-
Category 15 – Investments	-
Total	19,366.15 ✓

Energy Consumption (GJ)	2022	2023	2024
Direct Energy Consumption (Natural Gas)	51,044	97,688	146,574
Indirect Energy Consumption (Electricity)	44,464	90,144	121,453
Total	95,508	187,832	268,027

Air Emissions (kg)	2022	2023	2024
NO _x	3,427	16,683	18,527
SO _x	47	227	637
Particulate Matter (PM)	3,772	18,358	6,450

WASTE MANAGEMENT

Disposed Non-Hazardous Waste (tons)	2022	2023	2024
Amount of non-hazardous waste sent to landfill/disposal site	0	0	0
Amount of non-hazardous waste incinerated for energy purposes	162	316	354
Amount of non-hazardous waste incinerated without energy purposes	0	0	0
Total amount of non-hazardous waste disposed	162	316	354

Disposed Hazardous Waste (tons)	2022	2023	2024
Amount of hazardous waste sent to landfill/disposal site	0.02	0.06	0.05
Amount of hazardous waste incinerated for energy purposes	276.75	514.09	740.17
Amount of hazardous waste incinerated for energy without purposes	0	0	0
Total amount of hazardous waste disposed	276.77	514.15	740.22



ENVIRONMENTAL PERFORMANCE INDICATORS

Recycled Waste (tons)	2022	2023	2024
Recovered/reused non-hazardous waste	866	1,763	2,075
Recovered/reused hazardous waste	88	380	259
Total recovered waste	954	2,143	2,334

Waste Components (tons)	2024
	Waste Generated
Paper	756,2
Plastic	195
Metal	267
Industrial treatment sludge	45.3
Domestic treatment sludge	0.0
Others (hazardous)	953.5
Others (non-hazardous)	1,210.5
Total	3,427.5

WATER MANAGEMENT

Water Management (m³)	2022	2023	2024
Municipal water	-	15,382	82,614
Ground water	109,765	175,622	268,212
Total Water Withdrawal	109,765	191,004	350,826
Discharged Industrial Wastewater	44,986	99,963	144,017
Recovered/Reused Wastewater	0	0	0
Withdrawn Freshwater	109,765	191,004	350,826

Water Intensity	2022	2023	2024
Water consumption per unit of production (m³/vehicle)	8.47	2.42	2.66
Wastewater sludge intensity (kg/m³ of wastewater)	0.11	0.17	0.31
Sludge intensity per vehicle (kg/vehicle)	0.90	0.42	0.84

OTHER ENVIRONMENTAL INDICATORS

Environmental Investments and Expenditures (TRY)	2022	2023	2024
Total environmental investment	1,929,475	6,326,167	6,903,521
Capital expenditures for environmental management (capex)	-	-	166,618
Operating expenditures for environmental management (opex)	-	-	6,736,903

Environmental Fines	2022	2023	2024
Number of environmental violations	0	0	0
Environmental penalties received	0	0	0
Environmental fines paid during the year (TRY)	0	0	0
Environmental fines accrued at the end of the year (TRY)	0	0	0

Environmental Training (person*hour)	2022	2023	2024
Total environmental training hours provided to employees	4,180	3,949	4,537



SOCIAL PERFORMANCE INDICATORS

EMPLOYEE DEMOGRAPHICS

Employees	2022		2023		2024	
	Female	Male	Female	Male	Female	Male
Number of employees	151	1,709	259	2,235	277	1,899
Total number of employees	1,860		2,494		2,176	
Total number of subcontractor employees	260		291		307	

Employees by Category	2022		2023		2024	
	Female	Male	Female	Male	Female	Male
Number of white-collar employees	113	309	130	342	179	472
Number of blue-collar employees	38	1,400	129	1,893	98	1,427
Total	1,860		2,494		2,176	

Employees by Employment Type	2022		2023		2024	
	Female	Male	Female	Male	Female	Male
Number of full-time employees	151	1,709	259	2,235	277	1,899
Number of part-time employees	0	0	0	0	0	0

Employees by Age Group	2022		2023		2024	
	Female	Male	Female	Male	Female	Male
Under 30 years old	65	577	142	967	150	717
30-50 years old	82	1,021	115	1,139	126	1,059
Over 50 years old	4	111	2	129	1	123

*In 2024, the number of white-collar employees, excluding interns, was 162 women and 462 men, totaling 624.

Employees by Length of Service	2022		2023		2024	
	Female	Male	Female	Male	Female	Male
0-5 years	121	878	230	1,485	248	1,246
5-10 years	17	367	18	350	18	278
10 years and above	13	464	11	400	11	375

Employees by Contract Type ¹	2022		2023		2024	
	Female	Male	Female	Male	Female	Male
Employees with indefinite-term contracts	-	-	-	-	232	1,572
Employees with fixed-term contracts	-	-	-	-	45	327
Total number of employees under the Collective Bargaining Agreement	1,401		2,025		1,525	

Employees with Disabilities	2022		2023		2024	
	Female	Male	Female	Male	Female	Male
Number of employees with disabilities	2	53	9	65	5	61
Total	55		74		66	

¹ Due to data loss, the number of female and male employees with fixed-term and open-ended contracts for 2022 and 2023 could not be retrieved.

SOCIAL PERFORMANCE INDICATORS

MANAGEMENT DEMOGRAPHICS

Managers by Age Group	2022		2023		2024	
	Female	Male	Female	Male	Female	Male
Under 30 years old	1	0	3	5	4	8
30-50 years old	15	159	13	43	25	83
Over 50 years old	2	30	1	4	1	17

Managers by Management Level	2022		2023		2024	
	Female	Male	Female	Male	Female	Male
First-Level Managers (Junior Management)	14	45	17	52	26	63
Mid-Level Managers (Mid-Level Management)	3	17	2	20	3	26
Senior Management	1	16	1	16	1	19

RECRUITMENT

Recruitment by Gender	2022		2023		2024	
	Female	Male	Female	Male	Female	Male
Number of Employees Hired (White-Collar)	65	192	43	87	47	100
Total (White-Collar)	257		130		147	
Number of Employees Hired (Blue-Collar)	67	658	154	1,061	13	98
Total (Blue-Collar)	725		1,215		111	

Recruitment by Management Level	2022		2023		2024	
	Female	Male	Female	Male	Female	Male
Number of Managers Hired	3	8	1	9	3	24
Total	11		10		27	

SOCIAL PERFORMANCE INDICATORS

EMPLOYEE TURNOVER

Number of Employees Leaving by Gender Group	2022		2023		2024	
	Female	Male	Female	Male	Female	Male
Number of employees leaving (white-collar)	21	81	27	56	17	56
Total (White-Collar)	102		83		73	
Number of employees leaving (blue-collar)	5	80	56	573	70	588
Total (Blue-Collar)	85		629		658	
Voluntary Leave	2022		2023		2024	
	Female	Male	Female	Male	Female	Male
Number of employees who voluntarily leaved(White Collar)	16	63	20	48	13	27
Number of employees who voluntarily leaved (Blue Collar)	5	32	39	359	13	74
Employee Turnover by Management Level	2022		2023		2024	
	Female	Male	Female	Male	Female	Male
Number of Managers Who Left	1	0	4	5	3	19
Total	1		9		24	

PERFORMANCE MANAGEMENT

Performance Management	2022		2023		2024	
Number of employees subject to regular performance evaluation	392		429		589	
Internal Candidates	2022		2023		2024	
	Female	Male	Female	Male	Female	Male
Number of positions filled with internal candidates	4	14	5	6	17	28
Total number of open positions	58		61		154	
Internal promotion rate [%]	20	80	29	71	38	62

MATERNAL /PARENTAL LEAVE

Maternity/Parental Leave	2022		2023		2024	
	Female	Male	Female	Male	Female	Male
Number of employees to entitled maternal / parental leave	2	0	4	0	7	0
Number of employees returning to work after maternity / parental leave	2	0	2	0	1	0

SOCIAL PERFORMANCE INDICATORS

EMPLOYEE ENGAGEMENT AND SATISFACTION

Engagement Survey Results ²	2023	2024
Employee engagement/satisfaction survey response rate (%)	55	66

EMPLOYEE DEVELOPMENT AND EMPLOYEE INVESTMENTS

Total Training Hours by Gender and Age	2022		2023		2024	
	Female	Male	Female	Male	Female	Male
Total training hours provided to employees (person*hours)	5,808	34,743	8,258	41,011	9,704	49,524
Total training hours provided to managers (person*hours)	1,572	4,982	1,568	4,022	1,867	3,689
Total training cost (TRY)	298,446	1,180,232	428,693	1,309,330	1,738,361	6,589,433

² Employee engagement/satisfaction surveys have been monitored since 2023. Therefore, data for 2022 is not available..

³ Last Day Rate = (Number of lost workdays due to accidents / Total working hours) * 1,000,000. One operational year is assumed to consist of 300 working days, and one working day equals 7.5 hours.

⁴ Accident Frequency Rate = (Number of accidents / Total working hours) * 1,000,000

OCCUPATIONAL HEALTH AND SAFETY

OHS Performance	2022	2023	2024
Number of accidents	25	46	22
Number of fatal accidents	0	0	0
Number of occupational diseases	0	0	0
Absence due to accidents	96	304	210
Lost day rate ³	0.033	0.062	0.045
Accident frequency rate ⁴	8.6	9.4	4.7

OHS Trainings	2022	2023	2024
OHS training hours for employees (person*hours)	17,501	19,495	22,027
OHS training hours for subcontractors (person*hours)	2	151	381

SUPPLY CHAIN

Supply Chain	2023	2024
Total number of suppliers	1,023	1,083
Total number of local suppliers	878	915
Total number of new suppliers	-	60
Training hours provided to suppliers (person*hours)	-	300
Number of suppliers trained	-	350
Number of suppliers audited	-	6

ECONOMIC PERFORMANCE INDICATORS

ECONOMIC PERFORMANCE INDICATORS

Economic Performance Indicators	UNIT	2022	2023	2024
Total production	number	6,047	42,067	45,764
Total sales	number	6,025	42,091	45,768
Total domestic sales	number	5,728	41,665	45,275
Total exports	number	297	436	493
Capacity utilization rate	%	31.1	68.7	74.8
R&D investment	million TRY		179	393
Employees in R&D department	number	122	142	161
Intellectual property applications	number	5	9	18

CERTIFICATE OF VERIFICATION



GREENHOUSE GAS EMISSION VERIFICATION CERTIFICATE

CERTIFICATE NO: HLY6128

CERTIFICATE DATE: 04.03.2025

KARSAN OTOMOTİV SANAYİ VE TİC. A.Ş.

WITHIN THE FRAMEWORK OF TS EN ISO 14064-1:2019 STANDARD, EMISSIONS FOR 2024 HAVE BEEN VERIFIED.

TECHNICAL INFORMATION IS PRESENTED ON THE BACK PAGE.

GÖKÇE PARER
CEO 



04.03.2025

This certificate is guaranteed by AVRASYA.
This can be verified on the website with a QR code.



CERTIFICATE OF VERIFICATION



Technical Information			
Purpose of Verification	It is to verify that the Greenhouse Gas Declaration for the period 01.01.2024-31.12.2024 has been prepared in accordance with the TS EN ISO 14064-1:2019 Standard and that the accuracy of the total emission amount declared is at the "Reasonable Confidence Level".		
Scope of Verification	It covers greenhouse gas emissions arising from the activities of the enterprise, calculation factors, activity data and their procedures such as detection-record-control-backup-substitution data-sampling-analysis, etc.		
Reference standard	TS EN ISO 14064-1:2019		
Verified Emission Report Information (Report No, Revision No, etc.)	TS EN ISO 14064-1:2019		
Confidence Level	Reasonable (%95)		
Reference Year	2023		
Verification Period	01.01.2024-31.12.2024		
Validation Report Date	04.03.2024		
Validation Report and Certificate ID	HLY6128		
Validation Opinion	☐ Satisfactorily verified ☒ Verified by comments ☐ Unverified		
Organizational Boundary	Organizational boundaries is the official address at which it operates. It has been determined that the Operational Control Approach method is used.		
Tracked Emission Types	CO ₂ , CH ₄ , N ₂ O, SF ₆ , HFC		
Standard Scopes	Reporting of greenhouse gas (GHG) emissions and removals Direct and indirect emissions		
Emission Sources	Direct	CATEGORY 1: * Direct emissions from constant combustion, * Fugitive emissions, * Direct emissions from mobile combustion	
	Indirect	CATEGORY 2: * In direct emissions from imported electricity CATEGORY 3: * Transportation Covered by the Organization for Transportation and Distribution Fees (Transportation of Raw Materials + Product + Wastes), * Transportation and Distribution Fees Covered by Suppliers and Customers, * Emissions from business trips and accommodation, * Emissions from work transportation of employees CATEGORY 4: * Emissions from purchased goods, * Emissions from capital goods, * Fuel and Electricity Consumption Lost Leakage Emissions, * Emissions from solid and liquid waste disposal CATEGORY 5: * Product end-of-life emissions CATEGORY 6:	
Verified Emission Quantities	Direct Emissions (tCO ₂ e)	8.074,12	(tCO ₂ e)
	Indirect Emissions (tCO ₂ e)	31.928,29	(tCO ₂ e)
	Total Emissions (tCO₂e)	40.002,41	(tCO₂e)
Reference Year Emissions	Direct Emissions (tCO ₂ e)	5.643,96	(tCO ₂ e)
	Indirect Emissions (tCO ₂ e)	30.183,08	(tCO ₂ e)
	Total Emissions (tCO₂e)	35.827,04	(tCO₂e)
Greenhouse Gas Sink Emission		-	tCO ₂ e
Details of the verification work are included in the Verification Report.			

GRI CONTENT INDEX

Statement of use	Karsan has reported the information cited in this GRI content index for the period 01.01.2024-31.12.2024 with reference to the GRI Standards.
GRI 1 used	GRI 1: Foundation 2021

GRI STANDARD	DISCLOSURE	PAGE NUMBER, REFERENCE AND/OR DIRECT ANSWERS
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General Disclosures

GRI 2: General Disclosures 2021	2-1 Organizational details	About the Report, pg. 3 Karsan At a Glance, pg. 7
	2-2 Entities included in the organization's sustainability reporting	Karsan At a Glance, pg. 7
	2-3 Reporting period, frequency and contact point	01.01.2024-31.12.2024 Yearly base Contact: sustainability@karsan.com.tr
	2-4 Restatements of information	There is no information restated in the report.
	2-5 External assurance	Certificate of Verification, pg.207-208
	2-6 Activities, value chain and other business relationships	Karsan At a Glance, pg. 7 Değer Zinciri, pg. 54 Tedarik Zinciri Yönetim, pg. 110-115
	2-7 Employees	Social Performance Indicators, pg. 202-205
	2-8 Workers who are not employees	Social Performance Indicators, pg. 202-205
	2-9 Governance structure and composition	Corporate Governance, pg.34-36
	2-10 Nomination and selection of the highest governance body	Corporate Governance, pg.34-36
	2-11 Chair of the highest governance body	Corporate Governance, pg.34-36

GRI STANDARD	DISCLOSURE	PAGE NUMBER, REFERENCE AND/OR DIRECT ANSWERS
GRI 2: General Disclosures 2021	2-12 Role of the highest governance body in overseeing the management of impacts	Corporate Governance, pg.34-36 Sustainability Governance Framework, pg. 47-48
	2-13 Delegation of responsibility for managing impacts	Corporate Governance, pg.34-36 Sustainability Governance Framework, pg. 47-48
	2-14 Role of the highest governance body in sustainability reporting	Corporate Governance, pg.34-36 Sustainability Governance Framework, pg. 47-48
	2-15 Conflicts of interest	Corporate Governance, pg.34-36
	2-16 Communication of critical concerns	Corporate Governance, pg.34-36 Sustainability Governance Framework, pg. 47-48
	2-17 Collective knowledge of the highest governance body	Corporate Governance, pg.34-36
	2-18 Evaluation of the performance of the highest governance body	Karsan Remuneration Policy
	2-19 Remuneration policies	Karsan Remuneration Policy
	2-20 Process to determine remuneration	Karsan Remuneration Policy
	2-22 Statement on sustainable development strategy	Value Creation Model, pg.56
	2-23 Policy commitments	Corporate Governance, pg.34
	2-24 Embedding policy commitments	Corporate Governance, pg.34-36 Risk Management and Internal Audit, pg.42
	2-25 Processes to remediate negative impacts	Sustainability Management, pg.44-48
	2-26 Mechanisms for seeking advice and raising concerns	Business Ethics and Compliance, pg.37

GRI CONTENT INDEX

GRI STANDARD	DISCLOSURE	PAGE NUMBER, REFERENCE AND/OR DIRECT ANSWERS
GRI 2: General Disclosures 2021	2-27 Compliance with laws and regulations	Business Ethics and Compliance, pg.37
	2-28 Membership associations	Partnerships and Memberships, pg.199
	2-29 Approach to stakeholder engagement	Materiality Analysis, pg. 50 Stakeholder Engagement, pg. 51
	2-30 Collective bargaining agreements	Human Resources Approach, pg. 92 Social Performance Indicators, pg. 202
Material Topics		
GRI 3: Material Topics 2021	3-1 Process to determine material topics	Materiality Analysis, pg. 49-50
	3-2 List of material topics	Materiality Analysis, pg. 49-50
Economic Performance		
GRI 3: Material Topics 2021	3-3 Management of material topics	Financial Indicators for 2024, pg. 20-23
GRI 201: Economic Performance 2016	201-1 Direct economic value generated and distributed	Financial Indicators for 2024, pg. 20-23
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GRI 303: Water and Effluents 2018	303-1 Interactions with water as a shared resource	Water Management, pg. 67-68
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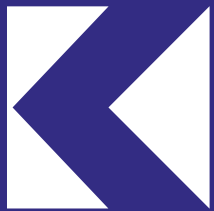
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