

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

**CONVENIENCE TRANSLATION INTO ENGLISH OF
THE CONSOLIDATED FINANCIAL STATEMENTS
AT 31 DECEMBER 2025 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 2025, 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 2025, 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.

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 2025 is TRY 3,384,766 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.	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.

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 2025, the accounting for development costs was 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.

- 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.

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 and 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 31 July 2025, the values of the relevant lands and plots, buildings and land improvements have decreased by TRY 75,807 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 five months and expressed (indexed) with the purchasing power on 31 December 2025, has become TRY 4,386,823 thousand. The value decrease 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 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.

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 2025 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.

- 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.

Key Audit Matters	How the key audit matter was addressed in the audit
Application of TAS 29 - Financial Reporting in Hyperinflationary Economies (Notes 2.1 and 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 2025. 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 2025 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 2025. 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.



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

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

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

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

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

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

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

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

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



- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our independent auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- 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.

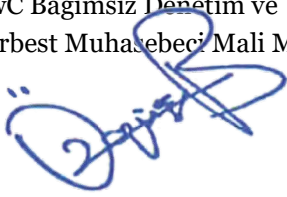
We provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence. We also communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards 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 2025 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 23 February 2026.

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



Özgür Beşikcioğlu, SMMM
Independent Auditor

Istanbul, 23 February 2026

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

**CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 1 JANUARY - 31 DECEMBER 2025**

TABLE OF CONTENTS	PAGE
CONSOLIDATED STATEMENT OF FINANCIAL POSITION.....	1-2
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	3-4
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	5
CONSOLIDATED STATEMENT OF CASH FLOWS	6-7
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT	8-94

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2025 AND 2024

(Amounts expressed in thousands of Turkish Lira ("TRY") in terms of the purchasing power of TRY as of 31 December 2025, unless otherwise stated.)

	Note References	31 December 2025	31 December 2024
ASSETS			
Current Assets			
Cash and cash equivalents	4	1,526,478	1,542,145
Derivatives	30	111,691	79,404
Trade receivables		5,407,851	5,983,566
- <i>Trade receivables from related parties</i>	6	922,050	248,247
- <i>Trade receivables from third parties</i>	7	4,485,801	5,735,319
Other receivables		435,889	165,233
- <i>Other receivables from third parties</i>	8	435,889	165,233
Inventories	9	2,956,587	1,886,192
Prepaid expenses	10	728,428	262,815
Assets related to current period tax	28	13,501	8,020
Other current assets	18	152,098	76,814
Total current assets		11,332,523	10,004,189
Non-current Assets			
Trade receivables		-	93,405
- <i>Trade receivables from third parties</i>	7	-	93,405
Other receivables		161,670	380,429
- <i>Other receivables from third parties</i>	8	161,670	380,429
Derivatives	30	50,243	153,879
Investments in associates accounted for using equity method	11	70,830	67,865
Tangible assets	12	5,279,713	5,365,682
Right of use assets	14	67,550	67,967
Intangible assets		3,778,387	3,455,840
- <i>Goodwill</i>		40,196	-
- <i>Other intangible assets</i>	13	3,738,191	3,455,840
Prepaid expenses	10	34,850	53,985
Deferred tax asset	28	1,859	151,119
Other non-current assets	18	10,904	-
Total non-current assets		9,456,006	9,790,171
Total assets		20,788,529	19,794,360

The consolidated financial statements for the fiscal year ended 31 December 2025 were reviewed by the Audit Committee and approved by the Board of Directors on 23 February 2026. The General Assembly has the authority to amend the consolidated financial statements.

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

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2025 AND 2024

(Amounts expressed in thousands of Turkish Lira ("TRY") in terms of the purchasing power of TRY as of 31 December 2025, unless otherwise stated.)

	Note References	31 December 2025	31 December 2024
LIABILITIES			
Short Term Liabilities			
Short term borrowings	19	6,407,829	4,913,039
Short term part of long-term borrowings	19	880,099	895,215
Short term payables from leasing transactions	19	11,772	136,594
Trade payables		2,645,671	2,928,590
- Trade payables to related parties	6	186,015	226,393
- Trade payables to third parties	7	2,459,656	2,702,197
Employee benefits liabilities	17	115,445	194,701
Other payables		-	85,082
- Other payables to related parties	6	-	85,082
Deferred income (other than contractual obligations)	10	224,178	667,303
Current tax liability	28	9,867	8,614
Short term provisions		928,347	261,852
- Short term provisions for employee benefits	17	261,267	67,608
- Other short term provisions	16	667,080	194,244
Other short term liabilities	18	78,743	61,754
Total Current Liabilities		11,301,951	10,152,744
Long Term Liabilities			
Long term borrowings	19	1,458,672	1,871,451
Long term borrowings from leasing transactions	19	2,854	15,746
Deferred income	10	109,924	83,459
Long term provisions		635,770	484,620
- Long-term provisions for employee benefits	17	291,875	269,376
Other long-term provisions	16	343,895	215,244
Deferred tax liability	28	45,909	-
Total Non-Current Liabilities		2,253,129	2,455,276
Total Liabilities		13,555,080	12,608,020
Equities of Parent Company			
Paid-up capital	20	900,000	900,000
Capital adjustment differences	20	13,128,427	13,128,427
Share premiums/discounts		187,889	187,889
Other accumulated comprehensive income		1,104,533	1,236,515
Items not to be re-classified under profit or loss		1,135,811	1,227,454
Items to be reclassified to profit/losses		(31,278)	9,061
Restricted reserves	20	33,164	33,164
Accumulated losses		(8,299,655)	(8,372,276)
Net period profit/(loss)		179,091	72,621
Total Equity		7,233,449	7,186,340
Total Liabilities		20,788,529	19,794,360

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

KARSAN OTOMOTİV SANAYİİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES**CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME
FOR THE YEARS ENDED 31 DECEMBER 2025 AND 2024**

(Amounts expressed in thousands of Turkish Lira ("TRY") in terms of the purchasing power of TRY as of 31 December 2025, unless otherwise stated.)

	Note References	1 January – 31 December 2025	1 January – 31 December 2024
PROFIT OR LOSS			
Revenue	21	16,599,038	14,224,493
Cost of sales (-)	21	(11,999,335)	(11,370,270)
GROSS PROFIT/ (LOSS)		4,599,703	2,854,223
General and administrative expenses (-)	22	(817,127)	(760,263)
Marketing expenses (-)	22	(1,617,076)	(1,231,650)
Research & development expenses (-)	22	(205,120)	(25,070)
Other operating incomes	23	983,795	1,223,869
Other operating expenses (-)	23	(271,970)	(731,230)
OPERATING PROFIT (LOSS)		2,672,205	1,329,879
Investing income	24	100,677	308,605
Investing expenses (-)	24	(48,317)	(319,826)
Shares of profit/loss of investments accounted for Using the equity method	11	6,757	3,058
OPERATING PROFIT (LOSS) BEFORE FINANCIAL EXPENSES		2,731,322	1,321,716
Financial expenses (-)	26	(3,764,832)	(2,613,633)
Monetary gain/ (loss)	27	1,434,178	1,678,295
PRE-TAX PROFIT/(LOSS)		400,668	386,378
Tax income/ (expenses)		(221,577)	(283,802)
Current tax (expense)	28	(9,279)	(18,748)
Deferred tax income/ (expense)	28	(212,298)	(265,054)
Net profit/ (loss) for the period		179,091	102,576
Distribution of current profit/ (loss)			
Non-controlling interests		-	29,955
Equity holders of the parent		179,091	72,621
For 100 shares with a nominal value of Kr 1			
Earnings per share	29	0,199	0,081

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

KARSAN OTOMOTİV SANAYİİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES**CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME
FOR THE YEARS ENDED 31 DECEMBER 2025 AND 2024**

(Amounts expressed in thousands of Turkish Lira ("TRY") in terms of the purchasing power of TRY as of 31 December 2025, unless otherwise stated.)

	Note References	1 January – 31 December 2025	1 January – 31 December 2024
OTHER COMPREHENSIVE INCOME/ (EXPENSE)			
Net Profit/ (Loss) for the Period		179,091	102,576
Other Comprehensive Income/ (Expenses):			
Items That Will Not Be Subsequently Reclassified to Profit or Loss, before tax		(109,294)	87,453
Gains (losses) on revaluation of property, plant and equipment, before tax	12	(75,807)	171,003
Gains (losses) on remeasurements of defined benefit plans, before tax	17	(33,487)	(83,550)
Items That Will Be Reclassified Subsequently To Profit or Loss		(40,339)	254,988
Foreign currency translation differences, before tax		(40,339)	(116,535)
Gains (losses) on cash flow hedge, before tax		-	371,523
Total Other Comprehensive Income and Expense, Before Tax		(149,633)	342,441
Total Taxes on Other Comprehensive Income/ (Expense) Elements		17,651	(13,064)
Total Taxes on Other Comprehensive Income/ (Expense) that will not be Reclassified in Profit or Loss		17,651	(13,064)
Deferred tax income/(expense)	28	17,651	(13,064)
Total Taxes on Other Comprehensive Income to be Reclassified in Profit or Loss		-	-
Deferred tax income/(expense)	28	-	-
Total Other Comprehensive Income/(Expense)		(131,982)	329,377
Total Comprehensive Income		47,109	431,953
Distribution of Total Comprehensive Income and Expense:			
Non-controlling interests		-	29,955
Equity holders of the parent		47,109	401,998

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

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED 31 DECEMBER 2025 AND 2024

(Amounts expressed in thousands of Turkish Lira (“TRY”) in terms of the purchasing power of TRY as of 31 December 2025, 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/(Loss)					
	Paid-up Capital	Capital Adjustment Difference	Share Premiums/Dis- counts	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	Hedging Gains/Losses	Restricted Reserves	Previous Years’	Net Period Profit/(Loss)	Equities of Parent Company	Non- Controlling Interest	Equities
Balances as of 1 January 2024														
– adjusted	900,000	13,128,427	187,889	1,272,665	(119,600)	(202,294)	125,596	(371,523)	33,164	(8,897,958)	727,976	6,784,342	62,670	6,847,012
Transfers	-	-	-	-	-	202,294	-	-	-	525,682	(727,976)	-	-	-
Total comprehensive income/														
(expense)	-	-	-	137,051	(62,662)	-	(116,535)	371,523	-	-	72,621	401,998	29,955	431,953
- Net profit/(loss) for the period	-	-	-	-	-	-	-	-	-	-	72,621	72,621	29,955	102,576
- Total other comprehensive														
income/(expense)	-	-	-	137,051	(62,662)	-	(116,535)	371,523	-	-	-	329,377	-	329,377
Acquisition or disposal of														
Subsidiaries (footnote 2.3)	-	-	-	-	-	-	-	-	-	-	-	-	(92,625)	(92,625)
Balances as of														
31 December 2024	900,000	13,128,427	187,889	1,409,716	(182,262)	-	9,061	-	33,164	(8,372,276)	72,621	7,186,340	-	7,186,340
Balances as of 1 January 2025														
– adjusted	900,000	13,128,427	187,889	1,409,716	(182,262)	-	9,061	-	33,164	(8,372,276)	72,621	7,186,340	-	7,186,340
Transfers	-	-	-	-	-	-	-	-	-	72,621	(72,621)	-	-	-
Total comprehensive income/														
(expense)	-	-	-	(66,472)	(25,171)	-	(40,339)	-	-	-	179,091	47,109	-	47,109
- Net profit/(loss) for the period	-	-	-	-	-	-	-	-	-	-	179,091	179,091	-	179,091
- Total other comprehensive														
income/(expense)	-	-	-	(66,472)	(25,171)	-	(40,339)	-	-	-	-	(131,982)	-	(131,982)
Balances as of														
31 December 2025	900,000	13,128,427	187,889	1,343,244	(207,433)	-	(31,278)	-	33,164	(8,299,655)	179,091	7,233,449	-	7,233,449

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

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

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED 31 DECEMBER 2025 AND 2024

(Amounts expressed in thousands of Turkish Lira ("TRY") in terms of the purchasing power of TRY as of 31 December 2025, unless otherwise stated.)

	Note References	1 January – 31 December 2025	1 January – 31 December 2024
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(Loss) for the Period From the Activities Carried out		179,091	102,576
Adjustments to Reconcile the Profit/(Loss) for the Period		4,757,239	2,553,867
Adjustments for depreciation and amortization expenses	12, 13,14	768,487	714,302
Adjustments for impairment/reversal of impairment		(30,011)	(164,479)
- Adjustments for impairment of receivables	7	(30,011)	(117,194)
- Adjustments for impairment/reversal of inventory	9	-	(47,285)
Adjustments for provisions		1,267,909	392,342
- Adjustments related to provisions for employee benefits	16, 17	110,280	140,158
- Adjustments related to lawsuit and/or penalty provisions	16	8,627	14,406
- Adjustments related to warranty provisions (cancellation)	16	690,496	240,658
- Adjustments for other provisions		458,506	(2,880)
Adjustments for interest (income) and expenses		2,580,132	1,559,381
- Adjustments to interest income	24	(91,136)	(109,341)
- Adjustments to interest expense	26	2,671,268	1,668,722
Adjustments for unrealized foreign exchange gains		1,171,035	617,499
Adjustments for fair value losses (gains) (+/-)		-	371,523
- Adjustments related to fair value losses (gains) of derivative financial instruments		-	371,523
Adjustments for tax expense	28	221,577	283,802
Adjustments for gains on disposal of fixed assets		38,776	(72,255)
- Adjustments for losses (gains) due to disposal of property, plant and equipment	24	38,776	(72,255)
Adjustments related to losses (gains) arising from the disposal of subsidiaries or joint operations	24	-	(127,009)
Adjustments for losses/(gains) incurred due to the disposal of subsidiaries, joint ventures and financial investments or changes in their shares	24	-	319,826
Adjustments related to retained earnings of investments valued using the equity method.		(6,757)	(3,058)
Monetary loss/(gain)		(1,253,909)	(1,338,007)
Changes in Working Capital		(2,758,097)	(1,471,857)
Adjustments for increase in trade receivables		(575,984)	(3,482,853)
- Decrease in trade receivables from related parties	6	(725,975)	(279,783)
- Increase in trade receivables from third parties	7	149,991	(3,203,070)
Adjustments related to the decrease/(increase) in other receivables related to operations		(165,874)	995,617
- Decreases/(increases) in other receivables from third parties	8	(165,874)	995,617
Adjustments for increase (decrease) in inventories	9	(1,070,395)	496,263
Increase/decrease in derivative assets		22,322	-
Adjustments related to increases/(decreases) in prepaid expenses (+/-)		(446,478)	-
Increase/(decrease) in debt as part of employee benefits.		(38,337)	-
Increase/(decrease) in deferred revenues (excluding obligations arising from customer contracts)		(416,660)	-
Adjustments related to other increases/(decreases) in working capital		(332,046)	-
- Decrease (increase) in other assets related to operations	6	(102,331)	-
- Increase/(decrease) in other liabilities related to activities	7	(229,715)	-
Adjustment for increase/(decrease) in trade payables		332,556	683,401
- Decrease in trade payables to related parties	6	7,201	93,911
- Increase/(decrease) in trade payables to third parties	7	325,355	589,490
Adjustments related to the increase/(decrease) in other liabilities related to operations		(67,201)	(164,285)
- Increases/(decreases) in other payables to related parties	6	(67,201)	(72,733)
- Increases/(decreases) in other payables to third parties	8	-	(91,552)
Net cash flows from operations (+/-)		2,178,233	1,184,586
Taxes paid (+/-)		(14,095)	(11,851)
Other cash inflows/(outflows) (+/-)	16	(438,795)	(308,088)
Payments related to employee benefit provisions	17	(38,398)	(149,405)
Net cash flows from operating activities		1,686,945	715,242

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

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

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED 31 DECEMBER 2025 AND 2024

(Amounts expressed in thousands of Turkish Lira ("TRY") in terms of the purchasing power of TRY as of 31 December 2025, unless otherwise stated.)

	Note References	1 January – 31 December 2025	1 January – 31 December 2024
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash inflows from sales that result in loss of control of subsidiaries		-	97,198
Cash inflows from the sale of property, plant and equipment and intangible assets		17,270	103,259
- <i>Cash inflows from the sale of property, plant and equipment and tangible assets</i>	12	10,789	103,259
- <i>Cash inflows from the sale of property, plant and equipment and intangible assets</i>	13	6,481	-
Cash outflows from the sale of property, plant and equipment and intangible assets		(1,029,456)	(1,262,018)
- <i>Cash outflows from purchase of tangible fixed assets</i>	12	(244,998)	(307,396)
- <i>Cash outflows from purchase of intangible assets</i>	13	(784,458)	(954,622)
Interest earned	24	91,136	109,341
Other cash inflows (outflows)		(104,597)	155,006
Cash flows from investing activities (+/-)		(1,025,647)	(797,214)
CASH FLOWS FROM FINANCIAL ACTIVITIES			
Cash inflows from borrowings		10,160,903	14,468,272
- <i>Cash inflows from bank borrowings</i>	19	10,099,729	14,388,201
- <i>Cash inflows from other financial borrowings</i>		61,174	80,071
Cash outflows from borrowings		(8,152,858)	(12,605,801)
- <i>Cash outflows from bank borrowings</i>	19	(8,152,858)	(12,605,801)
Cash outflows from debt payments arising from lease agreements	19	(186,539)	(71,111)
Interest paid		(2,235,395)	(1,553,767)
Net cash flows from financing activities (+/-)		(413,889)	237,593
Net Increase/(Decrease) in Cash and Cash Equivalents Before the Effect of Foreign Currency Translation Differences)		247,409	155,621
Effects of Exchange Rate Changes on Cash and Cash Equivalents (+/-)		100,888	42,158
Effects of Exchange Rate Changes on Cash and Cash Equivalents		(363,964)	(596,616)
Net Increase/(Decrease) in Cash and Cash Equivalents		(15,667)	(398,837)
Cash and Cash Equivalents at Beginning of Period	4	1,542,145	1,940,982
Cash and Cash Equivalents at end of Period	4	1,526,478	1,542,145

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2025 AND 2024

(Amounts expressed in thousands of Turkish Lira ("TRY") in terms of the purchasing power of TRY as of 31 December 2025, 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 Street, 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 2024: 39.44%).

As of 31 December 2025 and 31 December 2024, 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

	<u>Field of Activity</u>
1. Karsan İç ve Dış Ticaret A.Ş.	Sales and marketing
2. Karsan Europe S.R.L.	Sales and marketing
3. E-Buskar Sociedad Limitada Unipersonal (*)	Sales and marketing
4. Karsan North America LLC	Sales and marketing (Inactive)

ii. Subsidiaries accounted according to the equity method

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

(*) See Footnote 2.3.

As of 31 December 2025, the Group's average number of employees during the year is 2,364 (31 December 2024: 2,364).

Approval of Consolidated Financial Statements

The consolidated financial statements for the accounting period of 1 January – 31 December 2025 were approved by the Board of Directors of Karsan Otomotiv Sanayii ve Ticaret A.Ş. on 23 February 2026. 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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2025 AND 2024

(Amounts expressed in thousands of Turkish Lira ("TRY") in terms of the purchasing power of TRY as of 31 December 2025, unless otherwise stated.)

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 ("TFRS"). 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 Group 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 Group 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 2025, the Group has previous year losses amounting to TRY8,299,655. In the period ending on the same date, a period profit of TRY179,091 occurs. In addition, as of 31 December 2025, the Group's current assets are TRY 30,572 more than its short-term liabilities. In the budget and forecast studies for 2025, 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 networking 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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2025 AND 2024

(Amounts expressed in thousands of Turkish Lira ("TRY") in terms of the purchasing power of TRY as of 31 December 2025, unless otherwise stated.)

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 2025	31 December 2024
EUR/TRY (Balance sheet date)	50.2859	36.7362
EUR/TRY (Average)	44.6948	35.4893

Financial reporting in high-inflation economies

With the announcement made by the Public Oversight Accounting and Auditing Standards Authority (KKG) 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 2025, the indices and correction coefficients used in the adjustment of the consolidated financial statements are as follows:

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2025 AND 2024

(Amounts expressed in thousands of Turkish Lira ("TRY") in terms of the purchasing power of TRY as of 31 December 2025, unless otherwise stated.)

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

2.1 Basic Principles of Presentation (continued)

Date	Index	Correction coefficient	Three-Year Compounding Inflation rate
31 December 2025	3,513.87	1,00000	211%
31 December 2024	2,684.55	1,30892	291%
31 December 2023	1,859.38	1,88981	268%

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 1,434,178 for the accounting period 1 January – 31 December 2025 was recognized as net monetary position gains in the consolidated profit or loss and other comprehensive income statement (1 January – 31 December 2024: net monetary position gains of TRY 1,678,295).

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2025 AND 2024

(Amounts expressed in thousands of Turkish Lira ("TRY") in terms of the purchasing power of TRY as of 31 December 2025, unless otherwise stated.)

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

2.2 Changes in Turkish Financial Reporting Standards

a. Standards, amendments, and interpretations applicable as of 31 December 2025:

- **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.

b. Standards, amendments, and interpretations that are issued but not effective as of 31 December 2025:

- **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 IFRS – Volume 11;** effective from annual periods beginning on or after 1 January 2026 (earlier application permitted). 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:
 - IFRS 1 First-time Adoption of International Financial Reporting Standards;
 - IFRS 7 Financial Instruments: Disclosures and its accompanying Guidance on implementing IFRS 7;
 - IFRS 9 Financial Instruments;
 - IFRS 10 Consolidated Financial Statements; and
 - IAS 7 Statement of Cash Flows.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2025 AND 2024

(Amounts expressed in thousands of Turkish Lira ("TRY") in terms of the purchasing power of TRY as of 31 December 2025, unless otherwise stated.)

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

2.2 Changes in Turkish Financial Reporting Standards (Continued)

b. *Standards, amendments, and interpretations that are issued but not effective as of 31 December 2025 (Continued):*

- **Amendment to TFRS 9 and TFRS 7 - Contracts Referencing Nature-dependent Electricity;** effective from annual periods beginning on or after 1 January 2026 but can be early adopted subject to local endorsement where required. These amendments change the 'own use' and hedge accounting requirements of TFRS 9 and include targeted disclosure requirements to TFRS 7. These amendments apply only to contracts that expose an entity to variability in the underlying amount of electricity because the source of its generation depends on uncontrollable natural conditions (such as the weather). These are described as 'contracts referencing nature-dependent electricity'.
- **Amendments to TAS 21 - Translation to a Hyperinflationary Presentation Currency;** effective from annual periods beginning on or after 1 January 2027. These narrow-scope amendments specify the translation procedures for an entity whose presentation currency is that of a hyperinflationary economy. The entity applies the amendments if:
 - its functional currency is that of a non-hyperinflationary economy and it is translating its results and financial position into the currency of a hyperinflationary economy; or
 - it is translating into the currency of a hyperinflationary economy the results and financial position of a foreign operation whose functional currency is that of a non-hyperinflationary economy.

The amendments aim to improve the usefulness of the resulting information in a cost-effective manner. Developed in response to stakeholder feedback, these amendments are expected to reduce diversity in practice and provide a clearer basis for reporting in a hyperinflationary currency.

- **Amendments to Illustrative Examples on TFRS 7, TFRS 18, TAS 1, TAS 8, TAS 36 and TAS 37- Disclosures about Uncertainties in the Financial Statements;** These amendments include Examples illustrating how an entity applies the requirements in TFRS Accounting Standards to disclose the effects of uncertainties in its financial statements. The Examples demonstrate how to disclose the impacts of uncertainties within climate-related scenarios, but the principles and requirements are also applicable to disclosure of other uncertainties. The Examples do not add to or change requirements in TFRS Accounting Standards and therefore there are no transition requirements. Instead, these Examples will accompany the respective TFRS Accounting Standards to which they relate. The Examples do not have an effective date, but entities might consider the application for December 2025 year-ends.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2025 AND 2024

(Amounts expressed in thousands of Turkish Lira ("TRY") in terms of the purchasing power of TRY as of 31 December 2025, unless otherwise stated.)

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

2.2 Changes in Turkish Financial Reporting Standards (Continued)

b. *Standards, amendments, and interpretations that are issued but not effective as of 31 December 2025 (Continued):*

- **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.

For the year ending December 2025, disclosures should include:

- the nature of the changes,
- the fact that TFRS 18 application is required for annual periods beginning on or after 1 January 2027,
- the planned adoption date, and
- either:
 - known or reasonably estimable information relevant to assessing the possible impact that application of TFRS 18 will have on the entity's financial statements in the period of initial application; or
 - if that impact is not known or reasonably estimable, a statement to that effect.

In order to comply with Paragraphs 30-31 of TAS 8, entities should consider the following principles when preparing disclosures related to the adoption of TFRS 18:

- a. Disclosures are expected to become increasingly detailed as entities implementation process progresses toward 2027.
- b. Where appropriate and reliable, consider including quantitative information.
- c. Consider alignment with other public communications.
- d. Disclosures should be based on the information available through the date of issuance of the financial statements,

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2025 AND 2024

(Amounts expressed in thousands of Turkish Lira ("TRY") in terms of the purchasing power of TRY as of 31 December 2025, unless otherwise stated.)

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

2.2 Changes in Turkish Financial Reporting Standards (Continued)

As a result of the assessments made within this scope, Group management plans to implement TFRS 18 from 1 January 2027. In the period when TFRS 18 is first implemented, the process of evaluating the possible effects of the application of this standard on the entity's financial statements and performance is ongoing, and these effects have not been determined and cannot be reasonably estimated as of the date of this report.

- **TFRS 19 Subsidiaries without Public Accountability: Disclosures' and amendment;** effective from annual periods beginning on or after 1 January 2027. 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:
 - it does not have public accountability; and
 - it has an ultimate or intermediate parent that produces consolidated financial statements available for public use that comply with TFRS Accounting Standards.
- **TFRS 19 Subsidiaries without Public Accountability: Disclosures';** with these amendments, TFRS 19 reflects the changes to TFRS Accounting Standards that take effect up to 1 January 2027, when TFRS 19 will be applicable. These amendments help eligible subsidiaries by reducing disclosure requirements for Standards and amendments issued between February 2021 and May 2024, specifically:
 - TFRS 18 Presentation and Disclosure in Financial Statements;
 - Supplier Finance Arrangements (Amendments to TAS 7 and TFRS 7);
 - International Tax Reform—Pillar Two Model Rules (Amendments to TAS 12);
 - Lack of Exchangeability (Amendments to TAS 21); and
 - Amendments to the Classification and Measurement of Financial Instruments (Amendments to TFRS 9 and TFRS 7).

The Group will implement these changes and new standards from their effective dates, and they are not expected to have a significant impact on the Group's consolidated financial statements, other than ongoing assessments regarding TFRS 18.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2025 AND 2024

(Amounts expressed in thousands of Turkish Lira ("TRY") in terms of the purchasing power of TRY as of 31 December 2025, unless otherwise stated.)

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

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 2025, 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 debit/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 2025 and 31 December 2024:

Subsidiaries	Place of activity and establishment	Current currency	Group's share in the capital rate and vote	
			Entitlement rate (%)	
			31 December 2025	31 December 2024
Karsan İç ve Dış Ticaret A.Ş.	Turkey	TRY	100	100
Karsan Europe S.R.L.	Italy	EUR	100	100
E-Buskar Sociedad Limitada Unipersonal (*)	Spain	EUR	100	-
Karsan North America LLC (**)	A.B.D.	USD	100	100

(*) As disclosed in the Company General Information Form on the Public Disclosure Platform (KAP) dated 9 May 2025, the Group acquired 100% of the shares of E-Buskar Sociedad Limitada Unipersonal on 24 April 2025. As of the acquisition date, the entity has been included in the Group's consolidated financial statements using the full consolidation method.

(**) Karsan North America LLC was not included in the financial statements as of 31 December 2025 and 31 December 2024 by full consolidation method due to its inactivity.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2025 AND 2024

(Amounts expressed in thousands of Turkish Lira ("TRY") in terms of the purchasing power of TRY as of 31 December 2025, unless otherwise stated.)

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

2.3 Consolidation Principles (Continued)

Full Consolidation Principles (Continued)

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 2025, 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.

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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2025 AND 2024

(Amounts expressed in thousands of Turkish Lira ("TRY") in terms of the purchasing power of TRY as of 31 December 2025, unless otherwise stated.)

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

2.3 Consolidation Principles (Continued)

Investments in subsidiaries accounted for using the equity method (Continued)

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 2025:

<u>Associate</u>	<u>Shareholders/Vote Right (%)</u>	
	<u>30 December 2025</u>	<u>31 December 2024</u>
Hervout Corporate Industry SAS ("HCI") (*) (**)	20	20
Hervout Corporate Lease SAS ("HCL") (*) (**)	20	20

(*) Since HCI owns all of HCL's shares, the Group's indirect shareholding in HCL is 20%.

(**) As of 1 October 2024, the Group's 20% 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 30% 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 2025 and 2024 (Footnote 11).

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2025 AND 2024

(Amounts expressed in thousands of Turkish Lira ("TRY") in terms of the purchasing power of TRY as of 31 December 2025, unless otherwise stated.)

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

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. The Group does not have any significant changes in its accounting policies for the accounting period of 1 January – 31 December 2025.

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.

2.5 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.
- 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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2025 AND 2024

(Amounts expressed in thousands of Turkish Lira ("TRY") in terms of the purchasing power of TRY as of 31 December 2025, unless otherwise stated.)

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

2.5 Summary of Significant Accounting Policies (Continued)

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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2025 AND 2024

(Amounts expressed in thousands of Turkish Lira ("TRY") in terms of the purchasing power of TRY as of 31 December 2025, unless otherwise stated.)

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

2.5 Summary of Significant Accounting Policies (Continued)

Revenue (Continued)

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.

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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2025 AND 2024

(Amounts expressed in thousands of Turkish Lira ("TRY") in terms of the purchasing power of TRY as of 31 December 2025, unless otherwise stated.)

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

2.5 Summary of Significant Accounting Policies (Continued)

Revenue (Continued)

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. Service revenues are recognized in the period in which the services are rendered. Revenues arising from maintenance and repair contracts with terms longer than one year are recognized on a straight-line basis over the contract period, and the amounts related to future periods are presented as deferred revenue in the consolidated financial statements.

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 overtime 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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2025 AND 2024

(Amounts expressed in thousands of Turkish Lira ("TRY") in terms of the purchasing power of TRY as of 31 December 2025, unless otherwise stated.)

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

2.5 Summary of Significant Accounting Policies (Continued)

Tangible fixed assets

Land and plots and buildings, land improvements expressed (indexed) with the purchasing power as of 31 December 2025. As of July 31, 2025, they are reflected in the consolidated financial statements with their net values after deducting the accumulated depreciation in the following five 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 2025 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 2025 (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 and 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.

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 methods is 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:

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2025 AND 2024

(Amounts expressed in thousands of Turkish Lira ("TRY") in terms of the purchasing power of TRY as of 31 December 2025, unless otherwise stated.)

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

2.5 Summary of Significant Accounting Policies (Continued)

Tangible fixed assets (Continued)

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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2025 AND 2024

(Amounts expressed in thousands of Turkish Lira ("TRY") in terms of the purchasing power of TRY as of 31 December 2025, unless otherwise stated.)

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

2.5 Summary of Significant Accounting Policies (Continued)

Leasing transactions (Continued)

Group in the case of a lessee (Continued)

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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2025 AND 2024

(Amounts expressed in thousands of Turkish Lira ("TRY") in terms of the purchasing power of TRY as of 31 December 2025, unless otherwise stated.)

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

2.5 Summary of Significant Accounting Policies (Continued)

Leasing transactions (Continued)

Group in the case of a lessee (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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2025 AND 2024

(Amounts expressed in thousands of Turkish Lira ("TRY") in terms of the purchasing power of TRY as of 31 December 2025, unless otherwise stated.)

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

2.5 Summary of Significant Accounting Policies (Continued)

Leasing transactions (Continued)

Group - as lessor (Continued)

Financial leasing transactions (Continued)

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: 8.) 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 of between 5 and 15 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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2025 AND 2024

(Amounts expressed in thousands of Turkish Lira ("TRY") in terms of the purchasing power of TRY as of 31 December 2025, unless otherwise stated.)

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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2025 AND 2024

(Amounts expressed in thousands of Turkish Lira ("TRY") in terms of the purchasing power of TRY as of 31 December 2025, unless otherwise stated.)

NOTE 2 - CONSOLIDATED PRINCIPLES OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

2.5 Summary of Significant Accounting Policies (Continued)

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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2025 AND 2024

(Amounts expressed in thousands of Turkish Lira ("TRY") in terms of the purchasing power of TRY as of 31 December 2025, unless otherwise stated.)

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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2025 AND 2024

(Amounts expressed in thousands of Turkish Lira ("TRY") in terms of the purchasing power of TRY as of 31 December 2025, unless otherwise stated.)

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

2.5 Summary of Significant Accounting Policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

(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:

- (a) 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.
- (b) 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).

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2025 AND 2024

(Amounts expressed in thousands of Turkish Lira ("TRY") in terms of the purchasing power of TRY as of 31 December 2025, unless otherwise stated.)

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

2.5 Summary of Significant Accounting Policies (Continued)

Financial instruments (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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2025 AND 2024

(Amounts expressed in thousands of Turkish Lira ("TRY") in terms of the purchasing power of TRY as of 31 December 2025, unless otherwise stated.)

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

2.5 Summary of Significant Accounting Policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2025 AND 2024

(Amounts expressed in thousands of Turkish Lira ("TRY") in terms of the purchasing power of TRY as of 31 December 2025, unless otherwise stated.)

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

2.5 Summary of Significant Accounting Policies (Continued)

Financial instruments (Continued)

Financial liabilities (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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2025 AND 2024

(Amounts expressed in thousands of Turkish Lira ("TRY") in terms of the purchasing power of TRY as of 31 December 2025, unless otherwise stated.)

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

2.5 Summary of Significant Accounting Policies (Continued)

Hedge accounting (Continued)

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 32.

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.

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 34).

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2025 AND 2024

(Amounts expressed in thousands of Turkish Lira ("TRY") in terms of the purchasing power of TRY as of 31 December 2025, unless otherwise stated.)

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

2.5 Summary of Significant Accounting Policies (Continued)

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 Group's 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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2025 AND 2024

(Amounts expressed in thousands of Turkish Lira ("TRY") in terms of the purchasing power of TRY as of 31 December 2025, unless otherwise stated.)

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

2.5 Summary of Significant Accounting Policies (Continued)

Segment reporting of financial information (Continued)

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 5).

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.

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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2025 AND 2024

(Amounts expressed in thousands of Turkish Lira ("TRY") in terms of the purchasing power of TRY as of 31 December 2025, unless otherwise stated.)

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

2.5 Summary of Significant Accounting Policies (continued)

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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2025 AND 2024

(Amounts expressed in thousands of Turkish Lira ("TRY") in terms of the purchasing power of TRY as of 31 December 2025, unless otherwise stated.)

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

2.5 Summary of Significant Accounting Policies (continued)

Taxes calculated on corporate income (Continued)

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.

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 Group 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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2025 AND 2024

(Amounts expressed in thousands of Turkish Lira ("TRY") in terms of the purchasing power of TRY as of 31 December 2025, unless otherwise stated.)

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

2.5 Summary of Significant Accounting Policies (continued))

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

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. The Group submitted its consolidated statement of financial position as of 31 December 2025 with the consolidated statement of financial position as of 31 December 2024; 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 2025 compared to the period 1 January – 31 December 2024 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. Accordingly, there are no restatements in the consolidated statements of financial position of the Group as at and for the year ended 31 December 2024.

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).

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2025 AND 2024

(Amounts expressed in thousands of Turkish Lira ("TRY") in terms of the purchasing power of TRY as of 31 December 2025, unless otherwise stated.)

NOTE 3 - SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (Continued)

a) Tax expense for the period and deferred tax (Continued)

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 2025, 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 2025, deferred tax assets amounting to TRY549,881 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 2024: TRY 632,253).

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). Changes in assumptions may occur depending on the availability of new information in future periods, and the effects of such changes are reflected prospectively in the consolidated financial statements.

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

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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2025 AND 2024

(Amounts expressed in thousands of Turkish Lira ("TRY") in terms of the purchasing power of TRY as of 31 December 2025, unless otherwise stated.)

NOTE 3 - SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (Continued)

d Revaluation amounts of land and plots and buildings and land improvements (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 31 July 2025 (Footnote 12). However, the net value of land and plots, buildings, land improvements expressed by the purchasing power as of 31 December 2025 (indexed) as of July 31, 2025, after deducting the accumulated depreciation in the following five months, is based on the fair values of the relevant tangible fixed assets as of 31 December 2025. 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 Group 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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2025 AND 2024

(Amounts expressed in thousands of Turkish Lira ("TRY") in terms of the purchasing power of TRY as of 31 December 2025, unless otherwise stated.)

NOTE 3 - SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (Continued)

e) *Accounting for development costs (Continued)*

As of 31 December 2025, construction in progress amounting to TRY1,076,739 (31 December 2024: TRY685,121) 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. Changes in assumptions may occur depending on the availability of new information in future periods, and the effects of such changes are reflected prospectively in the consolidated financial statements.

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 reflected prospectively in the consolidated financial statements.

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. (Footnote 9) If there is a change in the estimates, it is reflected prospectively in the consolidated financial statements.

NOTE 4 - CASH AND CASH EQUIVALENTS

	31 December 2025	31 December 2024
Cash	-	-
Bank	1,433,749	1,409,932
- Time deposit	345,992	220,029
- Demand deposit	1,087,757	1,189,903
Checks received	10,097	57,875
Other cash and cash equivalents	82,632	74,338
	1,526,478	1,542,145

As of 31 December 2025, time deposits amounting to TRY345,992 (31 December 2024: TRY 220,029) are denominated in TRY, with a maturity of 1 day (31 December 2024: 1-3 days), with average interest rates of 38.50% for deposits in TRY (31 December 2024: 40% for deposits in TRY).

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2025 AND 2024

(Amounts expressed in thousands of Turkish Lira ("TRY") in terms of the purchasing power of TRY as of 31 December 2025, unless otherwise stated.)

NOTE 4 - CASH AND CASH EQUIVALENTS

The details of demand deposits are as follows:

Currency	31 December 2025	31 December 2024
EUR	928,570	1,159,513
RON	126,507	1,445
USD	17,512	8,499
TRY	14,398	19,578
GBP	770	868
	1,087,757	1,189,903

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 2025, the Group has blocked deposits of TRY 105,765 (31 December 2024: TRY 105,341)

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 two 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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2025 AND 2024

(Amounts expressed in thousands of Turkish Lira ("TRY") in terms of the purchasing power of TRY as of 31 December 2025, unless otherwise stated.)

NOTE 5 - SEGMENT REPORTING (Continued)

1 January - 31 December 2025	Total	Karsan Branded Product and Spare parts	Other Sales
Revenue	16,599,038	13,169,777	3,429,261
Cost of Sales (-)	(11,999,335)	(9,122,189)	(2,877,146)
Gross profit/(loss) from Trade Operations	4,599,703	4,047,589	552,114
Gross profit/(loss)	4,599,703	4,047,589	552,114
General and Administrative Expenses (-)	(817,127)	(519,421)	(297,706)
Marketing Expenses (-)	(1,617,076)	(1,595,510)	(21,566)
Research & Development Expenses (-)	(205,120)	(205,120)	-
Other Operating Incomes	983,795	859,786	124,009
Other Operating Expenses (-)	(271,970)	(237,688)	(34,282)
Operating profit/(loss)	2,672,205	2,349,635	322,570
1 January - 31 December 2024	Total	Karsan Branded Product and Spare parts	Other Sales
Revenue	14,224,493	9,893,618	4,330,875
Cost of Sales (-)	(11,370,270)	(7,281,069)	(4,089,201)
Gross profit/(loss) from Trade Operations	2,854,223	2,612,549	241,674
Gross profit/(loss)	2,854,223	2,612,549	241,674
General and Administrative Expenses (-)	(760,263)	(473,258)	(287,005)
Marketing Expenses (-)	(1,231,650)	(1,182,052)	(49,598)
Research & Development Expenses (-)	(25,070)	(25,070)	-
Other Operating Incomes	1,223,869	1,003,440	220,429
Other Operating Expenses (-)	(731,230)	(599,529)	(131,701)
Operating profit/(loss)	1,329,879	1,336,081	(6,200)

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2025 AND 2024

(Amounts expressed in thousands of Turkish Lira ("TRY") in terms of the purchasing power of TRY as of 31 December 2025, unless otherwise stated.)

NOTE 6 - RELATED PARTY DISCLOSURES

Transactions between the Group and its subsidiaries that are related parties of the Group 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.

Balances with related parties	31 December 2025			
	Receivables		Payables	
	Short term	Long term	Short term	Short term
	Trade	Trade	Trade	Other
Hervouet Corporate Industry SAS	919,414	-	(103,175)	-
Kırpart Otomotiv Parçaları San. Ve Tic. A.Ş.	1,621	-	-	-
Kıraça Holding A.Ş.	632	-	(5,217)	-
Karland Otomotiv A.Ş.	383	-	(893)	-
Sirena Marine Denizcilik ve Ticaret A.Ş.	-	-	(41,010)	-
Kök Ziraat Turizm San. ve Tic. A.Ş.	-	-	(24,530)	-
Kırsan Turizm ve Otomotiv San. ve Tic. A.Ş.	-	-	(8,356)	-
Other	-	-	(2,834)	-
	922,050	-	(186,015)	-

Balances with related parties	31 December 2024			
	Receivables		Payables	
	Short term	Long term	Short term	Short term
	Trade	Trade	Trade	Other
Hervouet Corporate Industry SAS	243,419	-	(137,240)	-
Kırpart Otomotiv Parçaları San. ve Tic. A.Ş.	2,122	-	-	-
Kıraça Holding A.Ş.	465	-	(20,278)	(85,082)
Karland Otomotiv A.Ş.	62	-	(736)	-
Sirena Marine Denizcilik ve Ticaret A.Ş.	-	-	(56,706)	-
Kök Ziraat Turizm San. ve Tic. A.Ş.	-	-	(6,706)	-
Kırsan Turizm ve Otomotiv San. ve Tic. A.Ş.	-	-	(4,727)	-
Other	2,179	-	-	-
	248,247	-	(226,393)	(85,082)

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 2025 and 2024, the recorded value of short-term trade receivables from related parties and short-term trade payables to related parties is approaching amortized cost values.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2025 AND 2024

(Amounts expressed in thousands of Turkish Lira ("TRY") in terms of the purchasing power of TRY as of 31 December 2025, unless otherwise stated.)

NOTE 6 - RELATED PARTY DISCLOSURES (Continued)

1 January - 31 December 2025						
Related Party Transactions	Service Procurement	Purchases	Sales	Interest Paid	Leasing Expense	Other Income/ (Costs)
Kıraça Holding A.Ş. (*)	(21,256)	-	-	(4,547)	-	(13,411)
Kırsan Turizm ve Otomotiv San.ve Tic. A.Ş. (***)	(42,897)	-	-	-	-	-
Karland Otomotiv A.Ş.	-	(121)	1,095	-	-	(6,632)
Kök Ziraat Turizm San. ve Tic. A.Ş. (****)	-	-	-	(5,115)	(21,234)	(8,525)
Hervouet Corporate Industry SAS (*****)	(166,267)	-	1,051,321	-	-	-
Sirena Marine Denizcilik ve Ticaret A.Ş. (**)	-	(77,360)	72	-	-	-
Total related party transactions	(230,420)	(77,481)	1,052,488	(9,662)	(21,234)	(28,568)

1 January - 31 December 2024						
Related Party Transactions	Service Procurement	Purchases	Sales	Interest Paid	Leasing Expense	Other Income/ (Costs)
Kıraça Holding A.Ş. (*)	(36,162)	-	3,145	(56,829)	-	(9,508)
Kırsan Turizm ve Otomotiv San.ve Tic. A.Ş. (***)	(62,807)	-	-	-	-	-
Karland Otomotiv A.Ş.	-	(283)	10,513	-	-	(5,196)
Kök Ziraat Turizm San. ve Tic. A.Ş. (****)	(10,367)	-	-	(3,957)	(19,358)	-
Hervouet Corporate Industry SAS (*****)	-	-	256,883	-	-	-
Sirena Marine Denizcilik ve Ticaret A.Ş. (**)	(373)	(108,707)	-	-	-	-
Total related party transactions	(109,709)	(108,990)	270,541	(60,786)	(19,358)	(14,704)

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2025 AND 2024

(Amounts expressed in thousands of Turkish Lira ("TRY") in terms of the purchasing power of TRY as of 31 December 2025, unless otherwise stated.)

NOTE 6 - RELATED PARTY DISCLOSURES (Continued)

- (*) The Group receives information systems, human resources, financial and other consultancy services from Kıraca 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 Kirsan Turizm for advertising, social activities and travel expenses.
- (****) The Group pays monthly rent to Kök 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 Kök Ziraat A.Ş. In addition, the factory building in Bursa Organized Industrial Zone is rented from Kök Ziraat A.Ş.
- (*****) See note 2.3. The Group sells Karsan branded products to HCI, based in France.

Benefits provided to senior management:

The Group'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 2025	1 January - 31 December 2025
Wages and other short-term benefits	168,493	76,938
	168,493	76,938

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 2025	31 December 2024
Trade receivables from third parties	4,328,981	5,734,540
Trade receivables due from related parties	922,050	248,247
Checks and notes received from third parties	-	1,156
Income accruals (*)	203,761	95,102
Provision for doubtful trade receivables (-)	(34,135)	(78,717)
Provision for expected loss (-)	(12,806)	(16,762)
	5,407,851	5,983,566

- (*) Income accruals consist of revenues accrued in relation to the Group's projects and revenues to be passed on to contracted manufacturers relating to short-term benefits to be provided to employees under the Collective Bargaining Agreement.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2025 AND 2024

(Amounts expressed in thousands of Turkish Lira ("TRY") in terms of the purchasing power of TRY as of 31 December 2025, unless otherwise stated.)

NOTE 7 - TRADE RECEIVABLES AND PAYABLES (Continued)

a) Trade receivables (Continued):

Long-term trade receivables	31 December 2025	31 December 2024
Trade receivables	-	93,405
	-	93,405

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 90 days and long-term receivables in Euro currency with restructured maturities within 2026. 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:

	2025	2024
Beginning of the term – 1 January	(16,762)	(77,733)
Reversals of provisions	-	37,078
Monetary gain/(loss)	3,956	23,893
End of term – December 31	(12,806)	(16,762)

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:

	2025	2024
Beginning of the term – 1 January	(78,717)	(147,486)
Provisions during the period	(34,274)	-
Reversals of provisions	64,285	80,116
Monetary gain/(loss)	14,571	(11,347)
End of term – December 31	(34,135)	(78,717)

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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2025 AND 2024

(Amounts expressed in thousands of Turkish Lira ("TRY") in terms of the purchasing power of TRY as of 31 December 2025, unless otherwise stated.)

NOTE 7 - TRADE RECEIVABLES AND PAYABLES (Continued)

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 2025 and 31 December 2024, the details of trade receivables according to their maturities are as follows:

Time to maturity:	31 December 2025	31 December 2024
Overdue receivables	1,353,117	1,382,829
0 - 30 days maturity	2,125,135	1,390,326
31 - 90 days maturity	1,240,149	1,291,449
91 – 180 days maturity	654,431	514,623
181 – 365 days maturity	24,042	1,404,339
365 days and above	10,977	93,405
	5,407,851	6,076,971

Time to maturity:	31 December 2025	31 December 2024
0 - 30 days past due	293,119	310,325
31 - 90 days past due	93,402	348,565
91 – 180 days past due	543,952	124,257
181 – 365 days past due	320,275	515,340
365 days and above past due	102,369	84,342
	1,353,117	1,382,829

As of 31 December 2025 and 31 December 2024, 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 2025	31 December 2024
Trade payables to third parties	2,459,656	2,702,197
Trade payables to related parties	186,015	226,393
	2,645,671	2,928,590

The average payment term of the Group's trade payables is 90-120 days (31 December 2024: 90-120 days). As of 31 December 2025 and 31 December 2024, the carrying value of short-term trade payables approaches their amortized cost value.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2025 AND 2024

(Amounts expressed in thousands of Turkish Lira ("TRY") in terms of the purchasing power of TRY as of 31 December 2025, unless otherwise stated.)

NOTE 8 - OTHER RECEIVABLES AND PAYABLES

Other receivables from unrelated parties

	31 December 2025	31 December 2024
Financial lease receivables (*)	181,093	119,595
Deposits and guarantees given	84,057	45,638
Other Receivables (**)	170,739	-
	435,889	165,233

Other long-term receivables from unrelated parties

	31 December 2025	31 December 2024
Financial lease receivables (*)	161,670	380,429
	161,670	380,429

(*) 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 2025 EUR7,912 (31 December 2024: EUR10,399).

(**) Consists of VAT receivables related to activities carried out in Romania.

The payment schedule for receivables from financial leasing transactions is as follows:

	31 December 2025		31 December 2024	
	Financial leasing receivables	Total receivables	Financial leasing receivables	Total receivables
2025	-	-	172,855	172,855
2026	181,093	181,093	172,855	172,855
2027	161,670	161,670	154,314	154,314
		342,763		500,024

Other short-term liabilities

	31 December 2025	31 December 2024
Other payables to related parties (Note 6)	-	85,082
	-	85,082

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2025 AND 2024

(Amounts expressed in thousands of Turkish Lira ("TRY") in terms of the purchasing power of TRY as of 31 December 2025, unless otherwise stated.)

NOTE 9 - INVENTORY

	31 December 2025	31 December 2024
Raw materials and supplies	1,254,995	1,151,327
Semi-finished products	603,829	248,920
Products	603,024	179,340
Commercial goods	444,716	305,808
Goods in transit	52,976	3,750
Provision for impairment of inventory (-)	(2,953)	(2,953)
	2,956,587	1,886,192

In the period of 1 January - 31 December 2025, a total of TRY7,038,467 (1 January - 31 December 2024: TRY6,023,035) was expense in the cost of goods sold account (Footnote 25).

As of the periods ended 31 December 2025 and 31 December 2024, the movement of the stock impairment provision is as follows

	2025	2024
Beginning of term – 1 January	2,953	50,238
Reversals of provisions	-	(47,285)
End of term – December 31	2,953	2,953

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 2025	31 December 2024
Advances provided	713,642	238,874
Prepaid expenses	12,954	23,941
Advances provided to related parties	1,832	-
	728,428	262,815

As of 31 December 2025 and 31 December 2024, a significant portion of short-term prepaid expenses include advance payments made for inventory purchases.

Long Term Prepaid Expenses	31 December 2025	31 December 2024
Advances provided	31,199	52,454
Prepaid expenses	3,651	1,531
	34,850	53,985

As of 31 December 2025 and 31 December 2024, a significant portion of long-term prepaid expenses include advance payments made for purchases of property, plant and equipment.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2025 AND 2024

(Amounts expressed in thousands of Turkish Lira ("TRY") in terms of the purchasing power of TRY as of 31 December 2025, unless otherwise stated.)

NOTE 10 - PREPAID EXPENSES AND DEFERRED INCOME (Continued)

Short-Term Deferred Income (other than contractual obligations)	31 December 2025	31 December 2024
Advances received (**)	166,262	626,589
Prepayments (***)	57,916	40,714
	224,178	667,303
Long Term Deferred Income (other than contractual obligations)	31 December 2025	31 December 2024
Prepayments (***)	109,924	83,459
	109,924	83,459

(*) It consists of advance payments for orders related to stock purchases.

(**) 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 2025	Share Rate % 31 December 2024	31 December 2025	31 December 2024
Hervouet Corporate Industry ("HCI")	20	20	70,830	67,865
			70,830	67,865

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 TRY97,198 and recognized the subsidiary sale profit of TRY 127,009 (Footnote 24) in the consolidated profit or loss and other comprehensive income statement as income from investment activities.

KARSAN OTOMOTİV SANAYİİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED 31 DECEMBER 2025 AND 2024**

(Amounts expressed in thousands of Turkish Lira ("TRY") in terms of the purchasing power of TRY as of 31 December 2025, unless otherwise stated.)

NOTE 11 – INVESTMENTS ACCOUNTED FOR BY EQUITY METHOD (Continued)

HCI's balance sheet and summary profit or loss statements as of 31 December 2025 and 31 December 2024, which are accounted for according to the equity method, are presented below.

31 December 2025	Total assets	Total liabilities (excluding equity)	Revenue	Net profit/(loss) for the period	Direct and indirect ownership %	Group share in net assets
HCI	1,636,331	1,498,536	1,174,129	33,783	20%	70,830

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	990,619	898,208	1,018,443	1,536,841	20%	67,865

The movement of investments accounted for by the equity method is as follows:

	2025	2024
Beginning of period	67,865	-
Additions	-	64,807
Profits/(losses) shares	6,757	3,058
Currency translation difference	858	-
Monetary loss/gain	(4,650)	-
End of period	70,830	67,865

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2025 AND 2024

(Amounts expressed in thousands of Turkish Lira ("TRY") in terms of the purchasing power of TRY as of 31 December 2025, unless otherwise stated.)

NOTE 12 - TANGIBLE FIXED ASSETS

	1 January 2025	Additions	Disposals	Transfers	Foreign currency translation differences	Revaluation	Transfer of accumulated depreciation before valuation	Acquisitions arising from company acquisitions	31 December 2025
Cost									
Land	3,066,548	-	-	-	-	(153,925)	-	-	2,912,623
Land Improvements	88,566	-	-	4,063	-	(12,032)	(3,045)	-	77,552
Buildings	1,315,026	-	-	45,819	-	90,150	(31,558)	2,408	1,421,845
Property, Plant & Equipment	1,745,905	-	(46,703)	162,105	2,195	-	-	169	1,863,671
Vehicles	146,413	-	(2,375)	111,202	-	-	-	-	255,240
Fixtures	668,447	47	(4,337)	68,612	253	-	-	468	733,490
Special Costs	74,670	-	(13,769)	4,620	-	-	-	-	65,521
Construction in Progress	247,333	243,328	-	(396,421)	-	-	-	-	94,240
	7,352,908	243,375	(67,184)	-	2,448	(75,807)	(34,603)	3,045	7,424,182
Accumulated Depreciation									
Land Improvements (-)	(4,080)	(2,028)	-	-	-	-	3,045	-	(3,063)
Buildings (-)	(16,067)	(36,203)	-	-	-	-	31,558	(1,422)	(22,134)
Property, Plant & Equipment (-)	(1,317,699)	(103,026)	7,329	-	-	-	-	-	(1,413,396)
Vehicles (-)	(22,084)	(35,097)	792	-	-	-	-	-	(56,389)
Fixtures (-)	(601,685)	(18,417)	2,158	-	-	-	-	-	(617,944)
Special Costs (-)	(25,611)	(13,272)	7,340	-	-	-	-	-	(31,543)
	(1,987,226)	(208,043)	17,619	-	-	-	34,603	(1,422)	(2,144,469)
Net book value	5,365,682								5,279,713

A significant portion of the additions to tangible fixed assets in 2025 includes the Group's vehicle purchases and plant, machinery and equipment investments. In 2025, the cost of borrowing for tangible fixed asset purchases has not been capitalized.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2025 AND 2024

(Amounts expressed in thousands of Turkish Lira ("TRY") in terms of the purchasing power of TRY as of 31 December 2025, unless otherwise stated.)

NOTE 12 - TANGIBLE FIXED ASSETS (Continued)

	1 January 2024	Additions	Disposals	Transfers	Foreign currency translation differences	Revaluation	Transfer of accumulated depreciation before valuation	31 December 2024
Cost								
Land	2,925,733	-	-	-	-	140,815	-	3,066,548
Land Improvements	81,099	-	-	1,872	-	7,401	(1,806)	88,566
Buildings	1,313,776	17,091	-	-	-	22,787	(38,628)	1,315,026
Property, Plant & Equipment	1,624,016	53,730	-	68,159	-	-	-	1,745,905
Vehicles	98,936	139,346	(95,132)	-	3,263	-	-	146,413
Fixtures	607,802	14,613	-	45,993	39	-	-	668,447
Special Costs	35,116	-	-	39,554	-	-	-	74,670
Construction in Progress	320,295	82,616	-	(155,578)	-	-	-	247,333
	7,006,773	307,396	(95,132)	-	3,302	171,003	(40,434)	7,352,908
Accumulated Depreciation								
Land Improvements (-)	-	(5,886)	-	-	-	-	1,806	(4,080)
Buildings (-)	-	(54,695)	-	-	-	-	38,628	(16,067)
Property, Plant & Equipment (-)	(1,223,326)	(94,373)	-	-	-	-	-	(1,317,699)
Vehicles (-)	(66,530)	(19,030)	64,128	-	(652)	-	-	(22,084)
Fixtures (-)	(592,400)	(9,276)	-	-	(9)	-	-	(601,685)
Special Costs (-)	(16,048)	(9,563)	-	-	-	-	-	(25,611)
	(1,898,304)	(192,823)	64,128	-	(661)	-	40,434	(1,987,226)
Net book value	5,108,469							5,365,682

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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2025 AND 2024

(Amounts expressed in thousands of Turkish Lira ("TRY") in terms of the purchasing power of TRY as of 31 December 2025, unless otherwise stated.)

NOTE 12 - TANGIBLE FIXED ASSETS (Continued)

As of 31 December 2025, a mortgage and movable pledge of EUR57,000 or equivalent TRY2,866,296 was established on the Group's tangible fixed assets (31 December 2024: TRY2,779,489 and TRY173,255 for EUR57,000).

As of 31 December 2025, the Group has depreciation and amortization expenses totaling TRY768,487 (31 December 2024: TRY714,302), including TRY208,043 for tangible fixed assets (31 December 2024: TRY192,823), TRY64,818 for right-of-use assets (31 December 2024: TRY58,195), and TRY495,626 for intangible assets (31 December 2024: TRY463,284). TRY768,487 (31 December 2024: TRY714,302) of the depreciation and amortization expenses for the current period was reflected in the cost of sales, TRY460,082 (31 December 2024: TRY543,067) was reflected in general administration expenses, TRY33,348 (31 December 2024: TRY85,325) was reflected in marketing expenses, and TRY164,283 (31 December 2024: TRY16,508) 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 31 July 2025 and 30 September 2024, 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 31 July 2025 and 30 September 2024, the fair value hierarchy for land and plots owned by the Group is 2. Level (Footnote 32). 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:

	2025	2024
Beginning of period – 1 January	1,409,716	1,272,662
Increase due to revaluation of land and plots	(153,925)	140,815
Increase due to revaluation of buildings	78,118	30,188
Net deferred tax impact on current period revaluation increases/decreases	9,335	(33,949)
End of period – 31 December	1,343,244	1,409,716

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2025 AND 2024

(Amounts expressed in thousands of Turkish Lira ("TRY") in terms of the purchasing power of TRY as of 31 December 2025, unless otherwise stated.)

NOTE 13 - INTANGIBLE FIXED ASSETS

	1 January 2025	Additions	Transfers	Disposal	31 December 2025
Cost					
Rights	1,219,611	-	9,499	-	1,229,110
Development costs	6,619,521	-	383,341	(23,137)	6,979,725
Ongoing development costs (*)	685,121	784,458	(392,840)	-	1,076,739
	8,524,253	784,458	-	(23,137)	9,285,574
Accumulated Amortization Share					
Rights (-)	(811,885)	(63,800)	-	-	(875,685)
Development costs (-)	(4,256,528)	(431,826)	-	16,656	(4,671,698)
	(5,068,413)	(495,626)	-	16,656	(5,547,383)
Net book value	3,455,840				3,738,191
	1 January 2024	Additions	Transfers	Disposal	31 December 2024
Cost					
Rights	1,091,847	-	127,764	-	1,219,611
Development costs	5,703,155	-	916,366	-	6,619,521
Ongoing development costs (*)	774,629	954,622	(1,044,130)	-	685,121
	7,569,631	954,622	-	-	8,524,253
Accumulated Amortization Share					
Rights (-)	(767,886)	(43,999)	-	-	(811,885)
Development costs (-)	(3,837,243)	(419,285)	-	-	(4,256,528)
	(4,605,129)	(463,284)	-	-	(5,068,413)
Net book value	2,964,502				3,455,840

(*) 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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2025 AND 2024

(Amounts expressed in thousands of Turkish Lira ("TRY") in terms of the purchasing power of TRY as of 31 December 2025, unless otherwise stated.)

NOTE 14 – RIGHT OF USE ASSETS

The movement table of right-of-use assets for the year ending 31 December 2025 is as follows:

	1 January 2025	Additions	Disposals	Changes to the lease	31 December 2025
Cost					
Buildings	240,339	-	-	64,401	304,740
	240,339	-	-	64,401	304,740
Accumulated Amortization Share (-)					
Buildings (-)	(172,372)	(64,818)	-	-	(237,190)
	(172,372)	(64,818)	-	-	(237,190)
Net book value	67,967				67,550

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	189,140	29,885	-	21,314	240,339
Accumulated Amortization Share (-)					
Buildings (-)	(114,177)	(58,195)	-	-	(172,372)
	(114,177)	(58,195)	-	-	(172,372)
Net book value	74,963				67,967

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 TRY207,369. The support elements related to the 4th Region provided for the investment evaluated within the framework of "Regional Incentive Practices" are as follows:

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2025 AND 2024

(Amounts expressed in thousands of Turkish Lira ("TRY") in terms of the purchasing power of TRY as of 31 December 2025, unless otherwise stated.)

NOTE 15 - GOVERNMENT GRANTS AND ASSISTANCE (Continued)

- 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 2025	31 December 2024
Non-standard expenses (****)	444,212	-
Provision for warranty expenses (*)	161,788	149,721
Litigation provision (**)	26,575	24,312
Provision for sales discounts and price difference (***)	6,000	8,456
Other	28,505	11,755
	667,080	194,244

Long Term Provisions	31 December 2025	31 December 2024
Provision for warranty expenses (*)	343,895	215,244
	343,895	215,244

(*) 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 customers.

(****) The group consists of amounts corresponding to service costs incurred and reflected under sales contracts with customers..

Movements in the provision for warranty expenses during the period are as follows:

	2025	2024
Beginning of term – 1 January	364,965	591,606
Additional provision	692,073	273,484
Payments	(438,795)	(308,088)
Provision cancelled	(1,577)	(32,826)
Monetary gain/(loss)	(110,983)	(159,211)
End of term – December 31	505,683	364,965

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2025 AND 2024

(Amounts expressed in thousands of Turkish Lira ("TRY") in terms of the purchasing power of TRY as of 31 December 2025, unless otherwise stated.)

NOTE 16 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Continued)

The movement of provision for litigation during the period is as follows:

	2025	2024
Beginning of term – 1 January	24,312	14,303
Additional provision (Note 22)	8,627	14,406
Monetary gain/(loss)	(6,364)	(4,397)
End of term – December 31	26,575	24,312

The Group's collateral/pledge/mortgage ("CPM") position for 31 December 2025 and 2024 is as follows:

31 December 2025	TRY Equivalent	Turkish Lira	US Dollar	EUR	Romanian Leu	Other
A. Total amount of GLMs given on behalf of its own legal entity						
- Guarantee	2,933,411	387,259	468	45,036	26,626	3
- Mortgage	2,901,497	-	-	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	-	-	-	-	-	-
- 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	5,834,908	387,259	468	102,736	26,626	3

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2025 AND 2024

(Amounts expressed in thousands of Turkish Lira ("TRY") in terms of the purchasing power of TRY as of 31 December 2025, unless otherwise stated.)

NOTE 16 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (CONTINUED)

31 December 2024	TRY Equivalent	Turkish Lira	US Dollar	EUR	Romanian Leu	Other
A. Total amount of GLMs given on behalf of its own legal entity						
- Guarantee	4,194,806	794,031	3,126	65,403	10,670	150
- Mortgage	2,779,489	-	-	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	1,975	-	-	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	6,976,270	794,031	3,126	123,144	10,670	150

As of 31 December 2025, the ratio of other TRIs issued by the Group to the Group's equity is 0% (31 December 2024: 0%).

As of 31 December 2025, from letters of guarantee in the amount of TRY387,259 (31 December 2024: TRY 794,031), USD 468 (31 December 2024: USD3,126), 26,626RON (31 December 2024: 10,670Romanian Leu), Swiss Francs 3 with EUR 102,736 (31 December 2024 150 Polish Zlotys and EUR 123,144) issued to Customs directorates, tax offices and other public institutions, EUR 57,700 (31 December 2024: EUR 57,000).

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2025 AND 2024

(Amounts expressed in thousands of Turkish Lira ("TRY") in terms of the purchasing power of TRY as of 31 December 2025, unless otherwise stated.)

NOTE 17 - EMPLOYEE BENEFITS

Employee Benefits	31 December 2025	31 December 2024
Provision for employment termination benefits	291,875	269,376
Collective bargaining agreement provisions	183,792	-
Employee benefit liabilities	115,445	194,701
Provision for unused vacations	77,475	67,608
	668,587	531,685

Employee Benefits Liabilities	31 December 2025	31 December 2024
Wages payable to employees	53,760	113,950
Social security contributions	61,685	80,751
	115,445	194,701

Short Term Provisions for Employee Benefit	31 December 2025	31 December 2024
Collective bargaining agreement provisions	183,792	-
Provision for unused vacations	77,475	67,608
	261,267	67,608

Long-Term Provisions for Employee Benefits	31 December 2025	31 December 2024
Provision for severance pay:	291,875	269,376
	291,875	269,376

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 2025, the severance payment liability is subject to a monthly cap of TRY 53,919.68 (31 December 2024: TRY 41,828.42). 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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2025 AND 2024

(Amounts expressed in thousands of Turkish Lira ("TRY") in terms of the purchasing power of TRY as of 31 December 2025, unless otherwise stated.)

NOTE 17 - EMPLOYEE BENEFITS (CONTINUED)

Accordingly, the following actuarial assumptions were used in calculating the provision:

	31 December 2025	31 December 2024
Inflation rate (%)	23.10%	23.75%
Discount rate (%)	5.05%	4.5%

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 Group's severance pay provision is calculated on the basis of TRY64,948.77 (1 January 2024: TRY46,655.43), which is effective as of 1 January 2026, as the severance pay ceiling is adjusted every six months.

The movement table of severance pay provisions is as follows:

	2025	2024
Beginning of term – 1 January	269,376	293,063
Service cost	33,463	64,456
Interest cost	66,950	65,436
Payments	(38,398)	(149,405)
Actuarial loss/(gain)	33,487	83,550
Monetary gain/(loss)	(73,003)	(87,724)
End of term – December 31	291,875	269,376

NOTE 18 - OTHER ASSETS AND LIABILITIES

Other Liquid Assets	31 December 2025	31 December 2024
Carried forward VAT	148,052	28,017
Other liquid assets	4,046	48,797
	152,098	76,814

Other Fixed Assets	31 December 2025	31 December 2024
Deposits and guarantees given	9,071	-
Other	1,833	-
	10,904	-

Other Short-Term Liabilities	31 December 2025	31 December 2024
Taxes and funds payable	74,676	59,521
Other	4,067	2,233
	78,743	61,754

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2025 AND 2024

(Amounts expressed in thousands of Turkish Lira ("TRY") in terms of the purchasing power of TRY as of 31 December 2025, unless otherwise stated.)

NOTE 19 – BORROWINGS

Short-term borrowings	31 December 2025	31 December 2024
Short-term bank borrowings	3,245,880	3,701,382
Bonds and sukuk	2,829,463	984,155
Short-term portion of long-term borrowings	880,099	895,215
Factoring debts	332,486	227,502
Lease liabilities	11,772	136,594
	7,299,700	5,944,848

Long-term borrowings		
Long-term bank borrowings	1,458,672	1,871,451
Lease liabilities	2,854	15,746
	1,461,526	1,887,197

Other financial liabilities amounting to TRY332,486 (31 December 2024: TRY227,502) as of 31 December 2025 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 2025 and 31 December 2024, the details of bank loans are as follows:

31 December 2025			
Currency Type	Weighted average annual effective interest rate (%)	Short term	Long term
Bank loans (EUR)	5.55	1,800,531	1,439,831
Bank loans (Turkish Lira)	52.4	2,325,448	18,841
Bonds and Sukuk (Turkish Lira)	50.13	2,829,463	-
Factoring debts (Turkish Lira)	10.48	332,486	-
Lease liabilities (Turkish Lira)	38	11,772	2,854
		7,299,700	1,461,526

31 December 2024			
Currency Type	Weighted average annual effective interest rate (%)	Short term	Long term
Bank loans (EUR)	5.16	3,070,085	1,827,674
Bank loans (Turkish Lira)	48.79	1,526,512	43,777
Bonds and Sukuk (Turkish Lira)	50.92	984,155	-
Factoring debts (Turkish Lira)	46.25	227,502	-
Lease liabilities (Turkish Lira)	36.85	136,594	15,746
		5,944,848	1,887,197

KARSAN OTOMOTİV SANAYİİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED 31 DECEMBER 2025 AND 2024**

(Amounts expressed in thousands of Turkish Lira ("TRY") in terms of the purchasing power of TRY as of 31 December 2025, unless otherwise stated.)

NOTE 19 – BORROWINGS (CONTINUED)

The repayment schedule of bank loans is as follows:

	31 December 2025	31 December 2024
Within 1 year	4,125,979	4,596,597
1-2 years	714,895	726,728
2-3 years	319,165	510,320
3-4 years	287,540	276,974
4-5 years	137,072	245,583
5 years and above	-	111,846
	5,584,651	6,468,048

The movement table for financial borrowings other than lease obligations during the reported periods is as follows:

	2025	2024
Beginning of term – 1 January	7,679,705	7,564,372
Cash inflows from borrowings	10,099,729	14,388,201
Cash outflows from debt payments	(8,152,858)	(12,605,801)
Exchange rate difference	1,171,035	520,849
Change in interest accrual	412,268	85,089
Monetary gain/(loss)	(2,463,279)	(2,273,005)
End of term – December 31	8,746,600	7,679,705

The movement table for leasing liabilities during the reported periods is as follows:

	2025	2024
Beginning of term – 1 January	152,340	78,754
Cash inflows from borrowings	61,174	80,071
Cash outflows from debt payments	(186,539)	(71,111)
Change in interest accrual	23,605	29,866
Monetary gain/(loss)	(35,954)	34,760
End of term – December 31	14,626	152,340

As of 31 December 2025, and 31 December 2024, the breakdown of the Group's variable and fixed interest rate bank loans is as follows:

	31 December 2025	31 December 2024
Fixed interest financial liabilities		
Borrowings	6,701,843	4,343,425
Liabilities arising from leasing transactions	14,626	152,340
	6,716,469	4,495,765

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2025 AND 2024

(Amounts expressed in thousands of Turkish Lira ("TRY") in terms of the purchasing power of TRY as of 31 December 2025, unless otherwise stated.)

NOTE 19 – BORROWINGS (CONTINUED)

	31 December 2025	31 December 2024
Variable interest financial liabilities		
Borrowings	2,044,757	3,336,280
	2,044,757	3,336,280

As of 31 December 2025, 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 2024: 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 2025, 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 TRY20,447 higher/lower (31 December 2024: TRY33,362 would have been higher/lower).

As of 31 December 2025 and 31 December 2024, the carryover and reasonable values of the loans are as follows:

	Carrying value		Fair value	
	31 December 2025	31 December 2024	31 December 2025	31 December 2024
Bank loans	5,584,651	6,468,048	5,849,888	6,867,185

The fair value of bank loans was determined by the discounted cash flow method using weighted average effective interest rates of 2.03% per annum for Euro loans and 37.15% per annum for TRY loans (31 December 2024: 5% per annum for Euro loans and 46.34% per annum for TRY loans).

As of 31 December 2025, a long-term loan of EUR 28,636 thousand with an interest rate of EUR 6M + 3.90% was used, with an interest payment of TRY 1,442,560 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 2025.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2025 AND 2024

(Amounts expressed in thousands of Turkish Lira ("TRY") in terms of the purchasing power of TRY as of 31 December 2025, unless otherwise stated.)

NOTE 20 - CAPITAL, RESERVES AND OTHER EQUITY ITEMS

The paid-up capital structure of the Company as of 31 December 2025 and 31 December 2024 is as follows:

	31 December 2025		31 December 2024	
	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		13,128,427		13,128,427
Total	100	14,028,427	100	14,028,427

As of 31 December 2025, 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 TRY0.01 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 2025	31 December 2024
Legal Reserves	33,164	33,164
	33,164	33,164

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.

KARSAN OTOMOTİV SANAYİİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED 31 DECEMBER 2025 AND 2024**

(Amounts expressed in thousands of Turkish Lira ("TRY") in terms of the purchasing power of TRY as of 31 December 2025, unless otherwise stated.)

NOTE 20 - CAPITAL, RESERVES AND OTHER EQUITY ITEMS (Continued)*Previous Years' Losses:*

The details of retained earnings as of 31 December 2025 and 31 December 2024 are as follows:

	31 December 2025	31 December 2024
Previous Years' Losses	(8,299,655)	(8,372,276)
	(8,299,655)	(8,372,276)

The comparison of the inflation-adjusted equity items in the Company's financial statements as at 31 December 2025 with the inflation-adjusted amounts in the financial statements prepared in accordance with Law No. 6762 and other legislation is as follows:

31 December 2025	Historical value	Inflation adjustment effect	CPI Indexed value (TFRS)
Capital	900,000	13,128,427	14,028,427
Restricted reserves	1,032	32,132	33,164
Share premiums/discounts	6,779	181,110	187,889

31 December 2025	Historical value	Inflation adjustment effect	PPI 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

	1 January- 31 December 2025	1 January- 31 December 2024
Foreign sales	9,911,656	6,632,029
Domestic sales	6,270,159	7,581,639
Other revenues	554,147	142,015
Sales returns (-)	(68,262)	(59,836)
Sales discounts (-)	(68,662)	(71,354)
Net income	16,599,038	14,224,493
Cost of sales	(11,999,335)	(11,370,270)
Gross profit	4,599,703	2,854,223

KARSAN OTOMOTİV SANAYİİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED 31 DECEMBER 2025 AND 2024**

(Amounts expressed in thousands of Turkish Lira ("TRY") in terms of the purchasing power of TRY as of 31 December 2025, unless otherwise stated.)

NOTE 21 - REVENUE AND COST OF SALES (Continued)

	1 January- 31 December 2025	1 January- 31 December 2024
Cost of sales		
Cost of finished goods sold	(8,326,239)	(8,362,003)
Cost of services sold	(2,668,562)	(2,089,586)
Cost of trade goods sold	(1,004,534)	(918,681)
	(11,999,335)	(11,370,270)

The breakdown of cost of sales is as follows:

	1 January- 31 December 2025	1 January- 31 December 2024
Cost of raw materials and supplies	(7,038,467)	(6,023,035)
Cost of services rendered	(2,668,562)	(2,072,795)
General production costs	(1,030,577)	(1,040,171)
Cost of goods sold	(1,004,534)	(734,123)
Direct labor costs	(575,705)	(765,007)
Depreciation and amortization	(460,082)	(543,067)
Change in finished goods	423,683	(2,791)
Change in inventories of semi-finished goods	354,909	(141,996)
Change in inventory provisions	-	47,285
Other	-	(94,570)
	(11,999,335)	(11,370,270)

**NOTE 22 – RESEARCH AND DEVELOPMENT, MARKETING, SALES, DISTRIBUTION
AND GENERAL ADMINISTRATIVE EXPENSES**

	1 January- 31 December 2025	1 January- 31 December 2024
Research & Development Expenses		
Depreciation and amortization (Note 12)	164,283	16,508
Personnel expenses	29,806	6,721
Outsourced services	10,353	1,677
Other	678	164
	205,120	25,070

KARSAN OTOMOTİV SANAYİİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED 31 DECEMBER 2025 AND 2024**

(Amounts expressed in thousands of Turkish Lira ("TRY") in terms of the purchasing power of TRY as of 31 December 2025, unless otherwise stated.)

**NOTE 22 – RESEARCH AND DEVELOPMENT, MARKETING, SALES, DISTRIBUTION
AND GENERAL ADMINISTRATIVE EXPENSES**

	1 January- 31 December 2025	1 January- 31 December 2024
Details of Marketing Expenses		
Warranty expenses	681,705	308,088
Personnel expenses	294,987	306,590
Transport and insurance costs	108,325	156,224
Advertising expenses	91,900	99,335
Market research and promotion expenses	88,546	106,920
Transport and travel expenses	68,179	83,647
Subcontracting costs	57,003	13,757
Depreciation expenses	33,348	85,325
Rental expenses	13,826	15,852
Energy costs	1,927	19,131
Licensing costs	1,395	1,534
Customer and channel management costs	-	9,141
Communication expenses	-	1,897
Other	175,935	24,209
	1,617,076	1,231,650
General and Administrative Expenses		
Personnel expenses	370,572	430,128
Holding service expenses	143,945	69,764
Amortization expense	110,774	69,402
Subcontracting costs	64,302	53,366
Audit and consultancy fees	39,064	64,302
Litigation provisions	8,627	1,526
Business licenses and patents	63	64
Other	79,780	71,711
	817,127	760,263

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2025 AND 2024

(Amounts expressed in thousands of Turkish Lira ("TRY") in terms of the purchasing power of TRY as of 31 December 2025, unless otherwise stated.)

NOTE 23 - OTHER OPERATING INCOME AND EXPENSES

Details of other operating income as of 31 December 2025 and 31 December 2024 are as follows:

	1 January- 31 December 2025	1 January- 31 December 2024
Other income from operating activities:		
Foreign exchange gains from operating activities	871,566	920,717
Provision for credit losses	69,127	117,194
Main operating income from financial leases	-	111,554
Interest income from trading operations	-	6,755
Other	43,102	67,649
	983,795	1,223,869

Details of other operating expenses on 31 December 2025 and 31 December 2024 are as follows:

	1 January- 31 December 2025	1 January- 31 December 2024
Other expenses from operating activities		
Foreign exchange gains from operating activities	(165,997)	(482,684)
Provisions	(39,116)	-
Interest income from trading operations	-	(42,841)
Other	(66,857)	(205,705)
	(271,970)	(731,230)

NOTE 24 - INCOME AND EXPENSES FROM INVESTING ACTIVITIES

Details of investment income for the years ended 31 December 2025 and 31 December 2024 are as follows:

	1 January- 31 December 2025	1 January- 31 December 2024
Interest income	91,136	109,341
Incomes from sales of tangible assets	9,541	72,255
Affiliate sales profit (Note 2.3)	-	127,009
	100,677	308,605

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2025 AND 2024

(Amounts expressed in thousands of Turkish Lira ("TRY") in terms of the purchasing power of TRY as of 31 December 2025, unless otherwise stated.)

NOTE 24 - INCOME AND EXPENSES FROM INVESTING ACTIVITIES (CONTINUED)

Details of investment expenses for the years ended 31 December 2025 and 2024 are as follows:

	1 January- 31 December 2025	1 January- 31 December 2024
Losses on sales of tangible assets	(48,317)	-
Losses on sales of long-term financial investments (note 31) (*)	-	(319,826)
	(48,317)	(319,826)

(*) 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.

NOTE 25 - TYPES OF EXPENSES

	1 January- 31 December 2025	1 January- 31 December 2024
Types of expenses		
Use of raw materials	7,038,467	6,023,035
Cost of services sold	2,668,562	2,072,795
General production costs	1,030,577	1,040,171
Cost of goods sold	1,004,534	734,123
Depreciation and amortization	768,487	714,302
Direct labor costs	575,705	765,007
Personnel expenses	695,365	743,439
Provisions for warranties	681,705	308,088
Holding company expenses	143,945	69,764
Subcontracting expenses	121,305	67,123
Transport and insurance expenses	108,325	156,224
Advertising expenses	91,900	99,335
Market research and promotion expenses	88,546	106,920
Transportation and travel expenses	68,179	83,647
Consulting expenses	39,064	64,302
Rental expenses	13,826	15,852
Change in inventory provisions	-	(47,285)
Change in inventories of semi-finished goods	(354,909)	141,996
Movements in finished goods	(423,683)	2,791
Other	278,758	225,654
	14,638,658	13,387,253

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2025 AND 2024

(Amounts expressed in thousands of Turkish Lira ("TRY") in terms of the purchasing power of TRY as of 31 December 2025, unless otherwise stated.)

NOTE 26 - FINANCIAL EXPENSES

	1 January- 31 December 2025	1 January- 31 December 2024
Financial activity		
Interest expense	(1,381,896)	(1,048,304)
Bond expenses	(1,093,632)	(375,534)
Net foreign exchange losses on financing activities	(1,093,564)	(944,911)
Factoring expenses	(122,792)	(90,232)
Interest expenses on lease liabilities	(26,306)	(55,767)
Other	(46,642)	(98,885)
	(3,764,832)	(2,613,633)

NOTE 27 – EXPLANATIONS REGARDING NET MONETARY POSITION GAINS/(LOSSES)

Non-monetary items

	31 December 2025	31 December 2024
Statement of financial position	147,766	270,424
Inventories	153,815	71,420
Prepaid expenses	13,604	11,149
Right of use assets	55,766	1,696
Tangible and intangible assets	2,789,136	2,332,204
Deferred income	(54,187)	(72,379)
Investments valued using the equity method	12,258	1,168
Equity	(2,822,626)	(2,074,834)

	31 December 2025	31 December 2024
Profit or loss statement items	1,286,412	1,407,871
Revenue	(1,025,557)	(1,060,861)
Cost of sales (-)	1,555,526	1,816,307
Financial expenses (-)	386,592	339,976
Marketing expenses (-)	157,495	185,499
General administrative expenses (-)	162,540	137,172
Research and development expenses (-)	135,351	1,332
Other expenses from main activities (-)	23,717	75,508
Expenses from investment activities (-)	-	7,946
Income from investment activities	(9,883)	(60,182)
Other income from main activities	(99,369)	(34,826)
Net monetary position gains/(losses)	1,434,178	1,678,295

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2025 AND 2024

(Amounts expressed in thousands of Turkish Lira ("TRY") in terms of the purchasing power of TRY as of 31 December 2025, unless otherwise stated.)

NOTE 28 - INCOME TAXES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES)

As of 31 December 2025, and 31 December 2024, current income tax liabilities and current income tax assets are as follows:

	31 December 2025	31 December 2024
Current tax asset/(liability):		
Current corporate tax provision	9,867	20,390
Less: Prepaid taxes and funds	(13,501)	(19,796)
Current profit tax liability/(Current period tax related assets) - net	(3,634)	594
Tax expense consists of the following:		
	31 December 2025	31 December 2024
Current tax expense	(9,279)	(18,748)
Deferred tax expense	(212,298)	(265,054)
Total tax expense	(221,577)	(283,802)

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 2025 is 25%. (2024: 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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2025 AND 2024

(Amounts expressed in thousands of Turkish Lira ("TRY") in terms of the purchasing power of TRY as of 31 December 2025, unless otherwise stated.)

NOTE 28 - INCOME TAXES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (Continued)

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's 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

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 2025.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2025 AND 2024

(Amounts expressed in thousands of Turkish Lira ("TRY") in terms of the purchasing power of TRY as of 31 December 2025, unless otherwise stated.)

NOTE 28 - INCOME TAXES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (Continued)

Application under Article 298/Ç of the Tax Procedure Law

As of 2025, inflation adjustment to be applied under the Tax Procedure Law (Vergi Usul Kanunu) has been postponed for the 2025, 2026 and 2027 fiscal periods pursuant to Law No. 7571.

Within this scope, the Company performed a revaluation of depreciable assets in accordance with the repeated Article 298/Ç of the Tax Procedure Law during the relevant period, and the resulting revaluation increase has been recorded in a revaluation fund account in the statutory books.

This practice is solely for tax purposes and has no effect on the carrying amounts presented in the consolidated financial statements prepared in accordance with Türkiye Finansal Raporlama Standartları (TFRS).

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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2025 AND 2024

(Amounts expressed in thousands of Turkish Lira ("TRY") in terms of the purchasing power of TRY as of 31 December 2025, unless otherwise stated.)

NOTE 28 - INCOME TAXES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (Continued)

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 2025 and 31 December 2024, 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% (2024: 25%) 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.

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 2025, 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%.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2025 AND 2024

(Amounts expressed in thousands of Turkish Lira ("TRY") in terms of the purchasing power of TRY as of 31 December 2025, unless otherwise stated.)

NOTE 28 - INCOME TAXES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (Continued)

Deferred tax assets/(liabilities):	Cumulative temporary differences		Deferred tax assets/(liabilities):	
	31 December 2025	31 December 2024	31 December 2025	31 December 2024
Investment incentives	549,881	632,253	549,881	632,253
Provision for warranty expenses	505,683	364,965	126,421	91,241
Adjustments to provisions	421,744	336,984	105,436	84,245
Adjustments related to tangible and intangible fixed assets	(3,824,398)	(2,272,525)	(777,467)	(380,932)
Adjustments related to financial lease receivables	(67,550)	(500,024)	(16,888)	(125,006)
Derivative instruments	(160,366)	(233,284)	(40,092)	(58,322)
Other	34,636	(369,441)	8,659	(92,360)
Deferred tax assets/(liabilities), net			(44,050)	151,119

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2025 AND 2024

(Amounts expressed in thousands of Turkish Lira ("TRY") in terms of the purchasing power of TRY as of 31 December 2025, unless otherwise stated.)

NOTE 28 - INCOME TAXES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (Continued)

As of 31 December 2025, and 2024, the movements in deferred tax assets/(liabilities) for the year are as follows:

	2025	2024
Beginning of term – 1 January	151,119	429,237
Recognized in the statement of profit or losses	(212,298)	(265,054)
Accounted under other comprehensive income	17,651	(13,064)
Other	(522)	-
End of term – December 31	(44,050)	151,119

For the accounting periods 1 January - 31 December 2025 and 1 January - 31 December 2024, the reconciliation of tax (expense)/income is as follows:

	1 January- 31 December 2025	1 January- 31 December 2024
Profit/(loss) before tax	400,668	386,378
Current tax rate	25%	25%
Tax calculated on the tax rate	(100,167)	(96,595)
Expenses and additions not legally accepted	(189,652)	(174,827)
Investment incentives utilized against tax	155,994	20,318
Tax Incentives and Exemptions	96,564	593,354
Monetary gain/(loss) impact and other	(186,793)	(643,737)
Other	2,477	17,685
Tax income/(expense)	(221,577)	(283,802)

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 2025 and 31 December 2024 are as follows (assuming no bonus shares:

	31 December 2025	31 December 2024
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)	179,091	72,621
Earnings per share (piaster) (per share)	0.199	0.081

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2025 AND 2024

(Amounts expressed in thousands of Turkish Lira ("TRY") in terms of the purchasing power of TRY as of 31 December 2025, unless otherwise stated.)

NOTE 30 - DERIVATIVES

	<u>31 December 2025</u>		<u>31 December 2024</u>	
	<u>Assets</u>	<u>Liabilities</u>	<u>Assets</u>	<u>Liabilities</u>
Short-term	111,691	-	79,404	-
Hedging contracts at fair value through profit or loss	111,691	-	79,404	-
Long-term	50,243	-	153,879	-
Hedging contracts at fair value through profit or loss	50,243	-	153,879	-
	161,934	-	233,283	-

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

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 2025 and 2024, 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:

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2025 AND 2024

(Amounts expressed in thousands of Turkish Lira ("TRY") in terms of the purchasing power of TRY as of 31 December 2025, unless otherwise stated.)

NOTE 31 - NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Continued)

a) Capital risk management (Continued)

	31 December 2025	31 December 2024
Total financial liabilities	8,761,226	7,832,045
Less: Cash and Cash Equivalents	(1,526,478)	(1,542,145)
Net Debt	7,234,748	6,289,900
Equity	7,233,449	7,186,340
Total Capital	14,468,197	13,476,240
Net Debt/Total Capital Ratio (%)	100.02	87.53

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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2025 AND 2024

(Amounts expressed in thousands of Turkish Lira ("TRY") in terms of the purchasing power of TRY as of 31 December 2025, unless otherwise stated.)

NOTE 31 - NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Continued)

b) Financial Risk Factors (Continued)

b.1) Credit risk management (Continued)

Credit risk exposure by type of financial instrument

Credit risk exposure by type of financial instrument	Receivables					
	Trade receivables		Other Receivables		Deposits in Bank	Derivative Instruments
	Related Party	Third Parties	Related Party	Related Party		
31 December 2025						
Maximum credit risk exposure as of the reporting date (A+B+C+D+E) (*)	922,050	4,485,801	-	597,559	1,433,749	161,934
- The portion of maximum risk guaranteed by collateral (**)	-	362,131	-	-	-	-
A. Net book value of financial assets that are neither past due nor impaired	922,050	3,087,653	-	597,559	1,433,749	161,934
B. The carrying amount of financial assets whose terms have been renegotiated, and which would otherwise be considered overdue or impaired	-	57,838	-	-	-	-
C. Net book value of financial assets that are neither past due nor impaired	-	1,353,116	-	-	-	-
- The part secured by collateral, etc.	-	283,989	-	-	-	-
D. Net book value of impaired assets	-	-	-	-	-	-
- Not past due (gross carrying amount)	-	34,135	-	-	-	-
- Impairment (-)	-	(34,135)	-	-	-	-
- 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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2025 AND 2024

(Amounts expressed in thousands of Turkish Lira ("TRY") in terms of the purchasing power of TRY as of 31 December 2025, unless otherwise stated.)

NOTE 31 - NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Continued)

b) Financial Risk Factors (Continued)

b.1) Credit risk management (Continued)

Credit risk exposure by type of financial instrument

Credit risk exposure by type of financial instrument	Receivables					
	Trade receivables		Other Receivables			Derivative Instruments
31 December 2024	Related Party	Third Parties	Related Party	Related Party	Deposits in banks	
Maximum credit risk exposure as of the reporting date (A+B+C+D+E) (*)	248,247	5,828,724	-	545,662	1,409,932	233,283
- The portion of maximum risk guaranteed by collateral (**)	-	373,893	-	-	-	-
A. Net book value of financial assets that are neither past due nor impaired	248,247	4,369,252	-	545,662	1,409,932	233,283
B. The carrying amount of financial assets whose terms have been renegotiated, and which would otherwise be considered overdue or impaired	-	93,405	-	-	-	-
C. Net book value of financial assets that are neither past due nor impaired	-	1,382,829	-	-	-	-
- The part secured by collateral, etc.	-	8,476	-	-	-	-
D. Net book value of impaired assets	-	-	-	-	-	-
- Not past due (gross carrying amount)	-	78,717	-	-	-	-
- Impairment (-)	-	(78,717)	-	-	-	-
- Portion of net value under guarantee with collaterals, etc.	-	-	-	-	-	-
E. Expected credit losses	-	(16,762)	-	-	-	-

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2025 AND 2024

(Amounts expressed in thousands of Turkish Lira ("TRY") in terms of the purchasing power of TRY as of 31 December 2025, unless otherwise stated.)

NOTE 31 - NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Continued)

b) Financial Risk Factors (Continued)

b.1) Credit risk management (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 2025, and 2024, the Group's undiscounted cash outflows based on contract terms are as follows:

31 December 2025	Stored value	Cash flow under contract	<3 months (I)	3-12 months (II)	1-5 years (III)	5 years and above
Bank loans	5,584,651	5,849,888	1,224,392	3,007,786	1,617,710	-
Trade payables	2,645,671	2,645,671	2,645,671	-	-	-
Borrowings for the issue of bonds	2,829,463	4,805,033	1,744,654	3,060,379	-	-
Leasing liabilities	14,626	17,897	6,205	7,267	4,425	-
Factoring liabilities	332,486	332,486	332,486	-	-	-
Other payables	-	-	-	-	-	-
Total liabilities	11,406,897	13,650,975	5,953,408	6,075,432	1,622,135	-

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	6,468,048	7,091,537	2,519,871	2,329,426	2,084,371	157,869
Trade payables	2,928,590	2,969,654	2,741,573	228,081	-	-
Borrowings for the issue of bonds	984,155	1,304,506	115,664	1,188,842	-	-
Leasing liabilities	152,340	161,234	36,650	109,240	15,344	-
Factoring liabilities	227,502	227,502	227,502	-	-	-
Other payables	85,082	85,082	85,082	-	-	-
Total liabilities	10,845,717	11,839,515	5,726,342	3,855,589	2,099,715	157,869

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2025 AND 2024

(Amounts expressed in thousands of Turkish Lira ("TRY") in terms of the purchasing power of TRY as of 31 December 2025, unless otherwise stated.)

NOTE 31 - NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Continued)

b) Financial Risk Factors (Continued)

b.2) Liquidity risk management (Continued)

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:

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2025 AND 2024

(Amounts expressed in thousands of Turkish Lira ("TRY") in terms of the purchasing power of TRY as of 31 December 2025, unless otherwise stated.)

NOTE 31 - NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Continued)

	31 December 2025										
	TRY Equivalent (Functional Currency)	USD	EUR	RONi	CAD	CNY	GBP	SEK	CHF	JPY	PLN
1. Trade Receivables	4,725,467	3,346	61,936	126,973	2,342	-	-	-	-	-	12,444
2a. Monetary Financial Assets	81,986	-	223	7,196	-	-	-	-	3	-	-
2b. Non-monetary Financial Assets	-	-	-	-	-	-	-	-	-	-	-
3. Other	279,195	287	2,016	16,863	-	-	1	-	-	-	-
4. Liquid Assets (1+2+3)	5,086,648	3,633	64,175	151,032	2,342	-	1	-	3	-	12,444
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)	5,086,648	3,633	64,175	151,032	2,342	-	1	-	3	-	12,444
10. Trade Payables	1,827,210	2,695	30,756	533	1,346	17,555	23	85	37	92	-
11. Financial Liabilities	2,035,160	-	40,399	-	-	-	-	-	-	-	-
12a. Other Monetary Liabilities	-	-	-	-	-	-	-	-	-	-	-
12b. Other Non-Monetary Liabilities	-	-	-	-	-	-	-	-	-	-	-
13. Short Term Liabilities (10+11+12)	3,862,370	2,695	71,155	533	1,346	17,555	23	85	37	92	-
14. Trade Payables	-	-	-	-	-	-	-	-	-	-	-
15. Financial Liabilities	1,188,382	-	23,590	-	-	-	-	-	-	-	-
16a. Other Monetary Liabilities	-	-	-	-	-	-	-	-	-	-	-
16b. Other Non-Monetary Liabilities	-	-	-	-	-	-	-	-	-	-	-
17. Long Term Liabilities (14+15+16)	1,188,382	-	23,590	-	-	-	-	-	-	-	-
18. Total Liabilities (13+17)	5,050,752	2,695	94,745	533	1,346	17,555	23	85	37	92	-
19. Net Asset/(Liability) Position of Off-Statement Derivative Instruments (19a+19b)	-	-	-	-	-	-	-	-	-	-	-
19. a 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)	35,896	938	(30,570)	150,499	996	(17,555)	(22)	(85)	(34)	(92)	12,444
21. Net foreign currency asset/liability position of monetary items (TFRS7.B23) (1+2a+5+6a-10-11-12a-14-15-16a)	35,896	938	(30,570)	150,499	996	(17,555)	(22)	(85)	(34)	(92)	12,444
22. Total fair value of financial instruments designated as foreign currency hedges	-	-	-	-	-	-	-	-	-	-	-
23. Hedged portion of foreign currency assets	-	-	-	-	-	-	-	-	-	-	-
24. Hedged portion of foreign currency liabilities	55,717	-	1,108	-	-	-	-	-	-	-	-
25. Total export amount	9,911,656	2,756	120,312	386,029	10,401	-	-	-	-	-	19,059
26. Total import amount	4,363,640	9,165	61,196	-	-	143,385	37	-	1	22	-

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED 31 DECEMBER 2025 AND 2024

(Amounts expressed in thousands of Turkish Lira ("TRY") in terms of the purchasing power of TRY as of 31 December 2025, unless otherwise stated.)

NOTE 31 - NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Continued)

	31 December 2024								
	TRY Equivalent (Functional Currency)	USD	EUR	RON	CAD	CNY	GBP	NOK	SEK
1. Trade Receivables	4,194,367	13,622	71,563	9,383	291	3,927	-	-	-
2a. Monetary Financial Assets	818,678	184	16,801	150	-	-	15	-	-
2b. Non-monetary Financial Assets	-	-	-	-	-	-	-	-	-
3. Other	372,961	1,337	5,661	2,297	1	2,462	18	-	89
4. Liquid Assets (1+2+3)	5,386,006	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	153,871	-	3,200	-	-	-	-	-	-
8. Fixed Assets (5+6+7)	153,871	-	3,200	-	-	-	-	-	-
9. Equities Total (4+8)	5,539,877	15,143	97,225	11,830	292	6,389	33	-	89
10. Trade Payables	1,159,768	-	23,639	474	435	-	33	27	89
11. Financial Liabilities	3,070,108	-	63,733	-	-	-	-	-	-
12a. Other Monetary Liabilities	563,141	4	9,622	281	3,000	-	-	-	-
12b. Other Non-Monetary Liabilities	-	-	-	-	-	-	-	-	-
13. Short Term Liabilities (10+11+12)	4,793,017	4	96,994	755	3,435	-	33	27	89
14. Trade Payables	-	-	-	-	-	-	-	-	-
15. Financial Liabilities	1,827,671	-	37,941	-	-	-	-	-	-
16a. Other Monetary Liabilities	-	-	-	-	-	-	-	-	-
16b. Other Non-Monetary Liabilities	-	-	-	-	-	-	-	-	-
17. Long Term Liabilities (14+15+16)	1,827,671	-	37,941	-	-	-	-	-	-
18. Total Liabilities (13+17)	6,620,688	4	134,935	755	3,435	-	33	27	89
19. Net Asset/(Liability) Position of Off-Statement Derivative Instruments (19a+19b)	-	-	-	-	-	-	-	-	-
19. a 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)	(1,080,811)	15,139	(37,710)	11,075	(3,143)	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)	(1,607,643)	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	145,312	-	3,022	-	-	-	-	-	-
24. Hedged portion of foreign currency liabilities	-	-	-	-	-	-	-	-	-
25. Total export amount	6,632,029	9,595	140,876	9,383	543	-	-	-	-
26. Total import amount	2,902,463	7,803	48,261	-	-	33,242	79	-	52

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2025 AND 2024

(Amounts expressed in thousands of Turkish Lira ("TRY") in terms of the purchasing power of TRY as of 31 December 2025, unless otherwise stated.)

NOTE 31 - 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 2025			
	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	4,019	(4,019)	4,019	(4,019)
2- US Dollar hedged portion (-)	-	-	-	-
3- USD net effect (1 +2)	4,019	(4,019)	4,019	(4,019)
In case of a 10% appreciation of Euro against TRY				
4 - Euro net asset/liability	(154,001)	154,001	(154,001)	154,001
5 - Euro hedged portion (-)	-	-	-	-
6- Euro net effect (4+5)	(154,001)	154,001	(154,001)	154,001
In case of a 10% appreciation of RON against TRY				
7- RON foreign currency net asset/liability	147,674	(147,674)	147,674	(147,674)
8- Portion hedged from RON foreign currency risk (-)	-	-	-	-
9- RON Foreign Currency Assets net effect (7+8)	147,674	(147,674)	147,674	(147,674)
In case of a 10% appreciation of CAD against TRY				
10- CAD foreign currency net asset/liability	3,110	(3,110)	3,110	(3,110)
11- CAD foreign currency hedged portion (-)	-	-	-	-
12- CAD Foreign Currency Assets net effect (10+11)	3,110	(3,110)	3,110	(3,110)
In case of a 10% appreciation of CNY against TRY				
13- CNY foreign currency net asset/liability	(10,838)	10,838	(10,838)	10,838
14- Portion hedged from CNY foreign currency risk (-)	-	-	-	-
15- Net effect of CNY Foreign Currency Assets (13+14)	(10,838)	10,838	(10,838)	10,838
In case of a 10% appreciation of SEK against TRY				
16- SEK foreign currency net asset / liability	(40)	40	(40)	40
17- Portion hedged from SEK foreign currency risk (-)	-	-	-	-
18- Net effect of SEK Foreign Currency Assets (16+17)	(40)	40	(40)	40
In case of a 10% appreciation of GBP against TRY				
19- GBP foreign currency net asset/liability	(127)	127	(127)	127
20- Portion hedged from GBP foreign currency risk (-)	-	-	-	-
21- Net effect of GBP Foreign Currency Assets (19+20)	(127)	127	(127)	127
In case of a 10% appreciation of PLN against TRY				
22- PLN foreign currency net asset/liability	14,858	(14,858)	14,858	(14,858)
23- Portion hedged from PLN foreign currency risk (-)	-	-	-	-
24- Net effect of PLN Foreign Currency Assets (22+23)	14,858	(14,858)	14,858	(14,858)
In case of a 10% appreciation of other against TRY				
25- Other foreign currency net asset/liability	(186)	186	(186)	186
26- Portion hedged from other foreign currency risk (-)	-	-	-	-
27- Net effect of other Foreign Currency Assets (25+26)	(186)	186	(186)	186
Total (3 + 6 + 9 + 12 + 15 + 18 + 21 + 24+27)	4,469	(4,469)	4,469	(4,469)

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2025 AND 2024

(Amounts expressed in thousands of Turkish Lira ("TRY") in terms of the purchasing power of TRY as of 31 December 2025, unless otherwise stated.)

NOTE 31 - NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Continued)

	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	69,911	(69,911)	69,911	(69,911)
2 - US Dollar hedged portion (-)	-	-	-	-
3- USD net effect (1 +2)	69,911	(69,911)	69,911	(69,911)
In case of a 10% appreciation of Euro against TRY				
4 - Euro net asset/liability	(181,327)	181,327	(181,327)	181,327
5 - Euro hedged portion (-)	-	-	-	-
6- Euro net effect (4+5))	(181,327)	181,327	(181,327)	181,327
In case of a 10% appreciation of RON against TRY				
7- RON foreign currency net asset/liability	10,644	(10,644)	10,644	(10,644)
8- Portion hedged from RON foreign currency risk (-)	-	-	-	-
9- RON Foreign Currency Assets net effect (7+8)	10,644	(10,644)	10,644	(10,644)
In case of a 10% appreciation of CAD against TRY				
10- CAD foreign currency net asset/liability	(10,090)	10,090	(10,090)	10,090
11- CAD foreign currency hedged portion (-)	-	-	-	-
12- CAD Foreign Currency Assets net effect (10+11)	(10,090)	10,090	(10,090)	10,090
In case of a 10% appreciation of CNY against TRY				
13- CNY foreign currency net asset/liability	4,020	(4,020)	4,020	(4,020)
14- Portion hedged from CNY foreign currency risk (-)	-	-	-	-
15- Net effect of CNY Foreign Currency Assets (10+11)	4,020	(4,020)	4,020	(4,020)
In case of a 10% appreciation of NOK against TRY				
16- NOK foreign currency net asset/liability	(156)	156	(156)	156
17- Portion hedged from NOK foreign currency risk (-)	-	-	-	-
18- Net effect of NOK Foreign Currency Assets (16+17)	(156)	156	(156)	156
In case of a 10% appreciation of SEK against TRY				
19- SEK foreign currency net asset/liability	22	(22)	22	(22)
20- Portion hedged from SEK foreign currency risk (-)	-	-	-	-
21- Net effect of SEK Foreign Currency Assets (19+20)	22	(22)	22	(22)
In case of a 10% appreciation of other against TRY				
22- Other foreign currency net asset/liability	9	(9)	9	(9)
23- Portion hedged from other foreign currency risk (-)	-	-	-	-
24- Net effect of other Foreign Currency Assets (22+23)	9	(9)	9	(9)
Total (3 + 6 + 9 + 12 + 15 + 18 + 21 + 24)	(106,968)	106,968	(106,968)	106,968

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2025 AND 2024

(Amounts expressed in thousands of Turkish Lira ("TRY") in terms of the purchasing power of TRY as of 31 December 2025, unless otherwise stated.)

NOTE 32 - FINANCIAL INSTRUMENTS (FAIR VALUE AND HEDGE ACCOUNTING DISCLOSURES)

Classes and fair values of financial instruments:

31 December 2025	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
<u>Financial assets</u>						
Cash and cash equivalents	1,526,478	-	-	-	1,526,478	4
Trade receivables	5,407,851	-	-	-	5,407,851	7
Trade receivables from related parties	922,050	-	-	-	922,050	6
Other receivables	597,559	-	-	-	597,559	8
Derivatives	-	-	161,934	-	161,934	30
<u>Financial liabilities</u>						
Financial liabilities	-	-	-	(8,746,600)	(8,746,600)	19
Lease liabilities	-	-	-	(14,626)	(14,626)	19
Trade payables	-	-	-	(2,645,668)	(2,645,668)	7
Payables to related parties	-	-	-	(186,015)	(186,015)	6
Other payables to related parties	-	-	-	-	-	6

The Group management believes that the carrying amounts of financial instruments reflect their fair values.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2025 AND 2024

(Amounts expressed in thousands of Turkish Lira ("TRY") in terms of the purchasing power of TRY as of 31 December 2025, unless otherwise stated.)

NOTE 32 - FINANCIAL INSTRUMENTS (FAIR VALUE AND HEDGE ACCOUNTING DISCLOSURES) (Continued)

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
<u>Financial assets</u>						
Cash and cash equivalents	1,542,145	-	-	-	1,542,145	4
Trade receivables	6,076,971	-	-	-	6,076,971	7
Trade receivables from related parties	248,247	-	-	-	248,247	6
Other receivables						
Derivatives						
<u>Financial liabilities</u>						
Financial liabilities	-	-	-	(7,679,705)	(7,679,705)	19
Lease liabilities	-	-	-	(152,340)	(152,340)	19
Trade payables	-	-	-	(2,928,584)	(2,928,584)	7
Payables to related parties	-	-	-	(226,393)	(226,393)	6
Other payables to related parties	-	-	-	(85,082)	(85,082)	6

The Group management believes that the carrying amounts of financial instruments reflect their fair values.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2025 AND 2024

(Amounts expressed in thousands of Turkish Lira ("TRY") in terms of the purchasing power of TRY as of 31 December 2025, unless otherwise stated.)

NOTE 32 - 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 2025	31 December 2024				
Financial assets at fair value through other comprehensive income – derivative instruments	161,934	233,283	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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2025 AND 2024

(Amounts expressed in thousands of Turkish Lira ("TRY") in terms of the purchasing power of TRY as of 31 December 2025, unless otherwise stated.)

NOTE 33 - FEES FOR SERVICES RECEIVED FROM INDEPENDENT AUDITORS

For the periods 1 January - 31 December 2025 and 1 January - 31 December 2024, the Group's fees for services received from the independent auditor are as follows:

	2025	2024
Independent auditors' fees for the period	5,450	4,999
- <i>Statutory and voluntary independent audit services (including interim periods)</i>	5,450	4,999
Fees for tax advisory services	765	729
- <i>All tax services such as certification, tax consultancy etc.</i>	765	729
Fees for other assurance services	1,260	558
	7,475	6,286

NOTE 34 - EVENTS AFTER THE REPORTING PERIOD

None.

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