

KARSAN 2023 FIRST HALF INTERIM ANNUAL REPORT

ONE STEP AHEAD IN THE FUTURE OF MOBILITY



KARSAN

ELECTRIC



EVOLUTION

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KARSAN OTOMOTİV SANAYİİ VE TİCARET A. Ş.

INDEPENDENT AUDITOR'S LIMITED AUDIT REPORT ON COMPLIANCE OF INTERIM ANNUAL REPORT

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

We have been charged with performing a limited audit to determine whether the financial information included in the interim annual report of Karsan Otomotiv Sanayii ve Ticaret A.Ş. ("Company") and its subsidiaries (collectively, the "Group") as of 30 June 2023 complies with the limited audited condensed consolidated financial statements. The Group management is responsible for the interim Annual Report which is the subject of the report. As a company performing a limited audit process, our responsibility is to disclose the conclusion reached on whether the financial information included in the interim annual report complies with the interim condensed consolidated financial statements and explanatory footnotes that have been subjected to limited auditing and is the subject of the limited audit report dated 10 August 2023.

The limited audit has been executed in accordance with "Limited Independent Audit Standard ("SBDS") 2410 "The Limited Independent Audit of Interim Financial Information by an Auditor Executing Independent Auditing of the Annual Financial Statements of the Business." Our limited audit includes examining whether the financial information included in the interim annual report complies with the interim limited audited condensed consolidated financial statements and explanatory notes. The scope of the limited audit of interim financial information is significantly narrow compared to the scope of the independent audit, which has been conducted in accordance with the Independent Auditing Standards and has the purpose of expressing an opinion on the financial statements. As a result, the limited audit of the interim financial information does not provide an assurance that the audit company will be familiar with all significant matters that can be identified in an independent audit. Therefore, we do not express an independent audit opinion.

As a result of our limited audit, nothing has come to our attention that causes us to believe that the financial information in the interim annual report attached does not comply, in all material respects, with the interim limited audited condensed consolidated financial statements and the information provided in the explanatory notes.

Istanbul,
August 10, 2023

BDO Denet Bağımsız Denetim ve Danışmanlık A.Ş.
Member, BDO International Network



KARSAN OTOMOTİV SANAYİİ VE TİCARET A. Ş.

ANNUAL REPORT OF THE BOARD OF DIRECTORS FOR 1 JANUARY - 30 JUNE PREPARED PURSUANT TO THE COMMUNIQUE ON PRINCIPLES REGARDING FINANCIAL REPORTING IN THE CAPITAL MARKET (II-14.1)

I. GENERAL INFORMATION

1..1 CAPITAL AND SHAREHOLDING STRUCTURE

Authorized Share Capital: 1.500.000.000 TL

Issued Capital: 900.000.000 TL

30.06.2023		
TITLE OF THE PARTNERSHIP	SHARE AMOUNT (TL)	SHARE RATIO (%)
Kıraça Holding A.Ş.	526.618.813	58.51
Group A Preferred	64.028.613	7.11
Group B	462.590.200	51.40
Other	373.381.188	41.49
Group A Preferred	1.554.776	0.17
Group B	371.826.412	41.31
SUM	900.000.000	100.00

As of the end of June 2023, our shares in the actual circulation as per the records of the Central Registry Agency A.Ş. is 39.44%.

1.2. BOARD OF DIRECTORS, COMMITTEES AND SENIOR MANAGERS

1.2.1 BOARD OF DIRECTORS

The members of the Board of Directors of the Company have been elected to serve for a period of one year at the Ordinary General Assembly held on May 25, 2023 within the framework of the Articles of Association of the Company in accordance with the Turkish Commercial Code and related regulations, and in any case until their successors are elected in their place.

The Members of the Board of Directors as of 30.06.2023:

Board of Directors	Task	Appoinment Date
İnan Kıraç	Chairman of the Board of Directors	25.05.2023
Giancarlo Boschetti	Vice Chairman of the Board of Directors	25.05.2023
Okan Baş	CEO & Executive Director of BOD	25.05.2023
Nevzat Tüfekçioğlu	Independent Board Member	25.05.2023
Ahmet Nezih Olcay	Independent Board Member	25.05.2023
Müfit Ataseven	Independent Board Member	25.05.2023
Mehmet Altan Sungar	Member of the Board of Directors	25.05.2023
Fatma Füsün Akkal Bozok	Member of the Board of Directors	25.05.2023
Muhsin Mengütürk	Member of the Board of Directors	25.05.2023

Since the Supervisory Board (Management) is voluntary in the new Turkish Commercial Code, the election of the members of the Supervisory Board was not held at the Ordinary General Assembly held on May 25, 2023, and in accordance with the Turkish Commercial Code No. 6102 and the Capital Markets Law No. 6362, BDO Denet Bağımsız Denetim ve Danışmanlık A.Ş. elected as an Independent External Auditor in the meeting of the Board of Directors dated 26.04.2023 and numbered 2023/10 based on the principles determined upon the recommendation of the Committee Responsible for Auditing, is approved as an independent external audit company to serve for a period of 1 year.

1.2.2. COMMITTEES OF THE BOARD OF DIRECTORS

The duties and working principles of the Committees of the Board of Directors have been published on the Public Disclosure Platform and in the “Investor Relations” section of the www.karsan.com.tr address and disclosed to the public.

As of 30.06.2023, the members of the Board of Directors are:

Committee	Committee Members	Position in the Committee	Qualification	Frequency of Gathering
Audit Committee	Nevzat Tüfekçioğlu	President	Independent Member	At least 4 times a year in 3-month period
	Ahmet Nezir Olcay	Member	Independent Member	
Corporate Governance Committee	Müfit Ataseven	President	Independent Member	At least 2 times a year
	Muhsin Mengütürk	Member	Non-Executive Member	
	Evren Uçak (*)	Member	Executive Member	
Early Detection of Risk Committee	Nevzat Tüfekçioğlu	President	Independent Member	At least 6 times a year in 2-month period
	Fatma Fusun Akkal Bozok	Member	Non-Executive Member	
	Mehmet Altan Sungar	Member	Non-Executive Member	

(*) Within the framework of Article 11 of the Corporate Governance Communiqué No. II-17.1 the Investor Relations Department Manager was appointed to the Corporate Governance Committee.

During the period, the Audit Committee conducted its activities in accordance with the regulations of the Capital Markets Board (CMB) legislation, including the appointment of the independent auditor and the disclosure of financial statements to the public and prepared 4 reports.

During the period, the Corporate Governance Committee continued its activities within the framework of CMB legislation regulations and Duties and Working Principles such as the preparation of the Corporate Governance Compliance Report, the supervision of the Activities of the Investor Relations Department, the election of the Independent Board of Directors Candidate Members within the framework of the Nomination Committee function, the activities of the Remuneration Committee within the framework of the Remuneration Committee function and prepared 4 reports.

During the period, the Early Detection of Risk Committee continued its activities within the framework of the regulations of the CMB legislation and the Duties and Working Principles and prepared 3 reports.

The effectiveness of the committees was positively evaluated by the Board of Directors.

1.2.3. SENIOR MANAGERS

Senior Managers as of 30.06.2023:

Senior Management	Task	Appointment Date	Profession
Okan Baş (*)	CEO	2016	Senior Mechanical Engineer
Kenan Kaya (**)	Deputy General Manager	2019	Economist of Financial
Ahmet Muzaffer Arpacioğlu (***)	Domestic Market Sales and External Relations Deputy General Manager	2020	Operator
Alper Bulucu	Deputy General Manager of Industrial Operations	2020	Mechanical Engineer
Deniz Çetin (****)	Deputy General Manager of Exports	2020	Mechanical Engineer
Ahmet Özgür Doğan	Supply Chain Director	2021	Industrial Engineer
Aslı Ör Arkunkütak	Marketing & Export Operations Director	2017	Operator
Barış Hulisioğlu	R&D Director	2017	Mechanical Engineer
Ergün Kuru	Purchasing Director	2021	Mechanical Engineer
Hazım Kubilay Dinçer	Aftersales and Spare Parts Director	2017	Mechanical Engineer
Mustafa Tükenmez	Quality Director	2022	Mechanical Engineer
Mücahit Korkut	Human Resources Director	2018	Mechanical Engineer

(*) Mr. Okan Baş, also Chairman of the Board of Directors of Karsan Europe Srl. , is Chairman of the Board of Directors of Karsan İç ve Dış Ticaret A.Ş. and the Managing Director of Karsan USA LLC.

(**) Mr. Kenan Kaya is also Vice Chairman of the Board of Directors of Karsan İç ve Dış Ticaret A.Ş., Member of the Board of Directors of Karsan Europe Srl and Member of the Board of Directors of Hervouet Corporate Industry SAS.

(***) Mr. Ahmet Muzaffer Arpacioğlu is the Executive Board Member of Karland A.Ş.

(****) Mr. Deniz Çetin is also a Member of the Board of Directors Karsan İç ve Dış Ticaret A.Ş., Member of the Board of Directors of Karsan Europe Srl, Member of the Board of Directors and General Manager of Hervouet Corporate Industry SAS.

KARSAN OTOMOTİV SANAYİİ VE TİCARET A. Ş.

ANNUAL REPORT OF THE BOARD OF DIRECTORS FOR 1 JANUARY - 30 JUNE PREPARED PURSUANT TO THE COMMUNIQUÉ ON PRINCIPLES REGARDING FINANCIAL REPORTING IN THE CAPITAL MARKET (II-14.1)

The sum of the rights, benefits and remuneration provided to the Members of the Board of Directors and Senior Executives for the period of 1 January - 30 June 2023 is included in the footnotes of the financial statements as TL 19,704 thousand, and the footnotes in question are published in the PDP and on the Company's website. At the Ordinary General Assembly held on 25 May 2023, it was decided that each of the members of the Independent Board of Directors will be paid a gross amount of TL 28,350 per month and each of the members of the Board of Directors will be paid a gross amount of TL 23,100 per month, effective from the beginning of the month following the General Assembly.

1.3. PERSONNEL AND LABOUR MOVEMENTS

	30 June 2023			30 June 2022		
	White Collar Sum	Blue Collar Sum	Sum	White Collar Sum	Blue Collar Sum	Sum
Karsan Otomotiv	419	1.953	2.372	386	879	1.265
Karsan Europe	3	0	3	3	0	3
Karsan İç ve Dış Ticaret A.Ş.	0	0	0	0	0	0
Hervouet Corporate Industry SAS (HCI)	10	7	17	10	7	17
Karsan North America LLC	0	0	0	0	0	0
Sum	432	1.960	2.392	399	886	1.285

As of 30.06.2023, the total number of personnel in the Group is 2,392 people. Of these, 432 are white collar and 1960 are blue collar.

1.4. COMPANY'S DIRECT OR INDIRECT SUBSIDIARIES

Company Name	Field of Activity	Shareholding of the Company			
		30.06.2023		31.03.2023	
		Direct and Indirect Partnership	Effective Partnership Rate	Direct and Indirect Partnership	Effective Partnership Rate
Karsan Otomotiv Sanayi Mamulleri Pazarlama A.Ş.	Distributor	6.43%	6.43%	6.43%	6.43%
Karsan USA LLC (*)	Sales, Marketing	100%	100%	100%	100%
Karsan Europe SRL	Sales, Marketing	100%	100%	100%	100%
MaaS Global OY	Transportation Solutions	4.568%	4.568%	4.568%	4.568%
Industria Italiana Autobus S.P.A	Bus production, distribution and marketing	28.59%	28.59%	28.59%	28.59%
Karsan İç ve Dış Ticaret A.Ş.	Domestic and international vehicle and spare parts sales and marketing	100%	100%	100%	100%
Karsan North America LLC (**)	Sales, Marketing	100%	100%	100%	100%
Hervouet Corporate Industry SAS (HCI)	Automotive and Spare Parts Marketing	50%	50%	50%	50%
Hervouet Corporate Lease SAS	Leasing	50%	50%	50%	50%

(*) Karsan has established a company with the title Karsan USA LLC, which does not require a capital transfer at the establishment stage, wholly owned by Karsan, in New York, USA, in order to participate in tenders to be organized by local authorities in the USA. There has been no transfer of capital to the Company and has no impact on the Group's financial position.

(**) The Company founded a company in 2021, based in USA, with the trade name Karsan North America LLC that is wholly owned by the Karsan Otomotiv and does not require a capital transfer during foundation process, in order to participate in tenders to be held by local authorities in USA. There was no capital transfer to the Company and as the Company is inactive has not been included in the consolidated financial statements.

2. COMPANY'S ACTIVITIES AND IMPORTANT DEVELOPMENTS RELATED TO THE ACTIVITIES

2.1. PRODUCTION UNITS

The company carries out its production in three factories located in Bursa.

· Hasanağa Organized Industrial Zone Factory (Center)

Hasanağa Organized Industrial Zone Factory (Center), where Karsan and Menarinibus branded vehicles (paint, assembly) and Oyak Renault Megane Sedan model (Body, Paint, Assembly) are produced, has a total area of 200 thousand m², 90 thousand m² of which is a closed area.

· Hasanağa Organized Industrial Zone Factory (Branch)

Hasanağa Organized Industrial Zone Factory (Branch), where the bodies of Karsan and Menarinibus branded vehicles are produced, has a total area of 16 thousand m², 10 thousand m² of which is a closed area.

· Bursa Organized Industrial Zone Factory (Branch)




Bursa Organized Industrial Zone (OSB) Factory, where tractor cabins, cataphoresis and spare parts are produced, has a total area of 29 thousand m², 20 thousand m² of which is a closed area.

2.2. PRODUCTS

KARSAN BRANDED VEHICLES	MODEL	SEGMENT
	JEST	Minibus
	e-JEST	Electric Minibus
	ATAK	Bus (8m - city)
	e- ATAK	Electric Bus (8m - city)
	Autonomous e-ATAK	Electric Autonomous Bus (8m - city)
	e-ATA	Electric Bus (10 - 12 - 18 m - city)

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KARSAN BRANDED VEHICLES	MODEL	SEGMENT
	e-ATA Hydrogen	Electric Hydrogen Fueled Bus (12 m)
RENAULT BRANDED VEHICLES	MODEL	SEGMENT
	Megane Sedan	Passenger Car
MENARİNİBUS BRANDED VEHICLES	MODEL	SEGMENT
	Citymood	Diesel and CNG Bus (10m - 12m - 18m)

2.3. DEVELOPMENT IN PRODUCTION AND SALES

The comparative production quantities of our company with the previous period in terms of product types are shown below.

Finished Product Type	January- June 2023 (Units)	January- June 2022 (Units)
Karsan Diesel	237	224
Karsan Electric	110	114
Menarinibus	22	0
Renault Megane	15.060	0
SUM	15.429	338

In terms of product types, the sales volumes and revenues of our company compared to the previous period are shown below.

Finished Product Type	January- June 2023 (Units)	January- June 2022 (Units)
Karsan Diesel	257	228
Karsan Electric	117	86
Menarinibus	22	0
Renault Megane	15.025	0
SUM	15.421	314

Finished Product Type	January-June 2023 Sales Revenue (thousand TL)	January-June 2022 Sales Revenue (thousand TL)
Karsan Diesel	308,382	94,426
Karsan Electric	1,048,300	606,496
Menarinibus	103,067	2,258
Other(**)	1.092.869	366,470
SUM	2.552.618	1,069,650

(**) Other consists of sales of spare parts and materials; industrial services including cataphoresis coating provided to the automotive main and sub-industry, part printing, painting and cabin manufacturing; and the revenue of Renault Megane.

2.4. CAPACITY UTILIZATION RATE

	January- June 2023	January- June 2022(*)
	50.43%	3.4%

(*) In January-June 2022, the capacity is 19,930 units of vehicles per year.

The current capacity of our company is 61,189 units of vehicles per year. As of the 6-month period of 2023, a total of 15,429 vehicles were produced, with a capacity utilization rate being 50.43.

2.5. INFORMATION ABOUT THE SECTOR IN WHICH BUSINESS OPERATES, LOCATION OF THE BUSINESS IN THE SECTOR

It is possible to summarize the developments in the sector and Karsan Otomotiv in January-June 2023 as follows in line with the OSD data. Total vehicle production in the period of January-June 2023 was realized as 735,231 units with an increase of 13,2% compared to the same period of 2022, while automobile production was realized as 462,401 units with an increase of 20,7%.

Compared

- to the previous year, the minibus production increased by 14% with 28,836 units and the Midibus increased by 51,5% with 2,237 units within the production of Light Commercial Vehicles in Turkey in which our company has been involved.

In the commercial vehicle group of the Turkish market, total light commercial vehicle sales amounted to 125,997 with a growth of 58.2% compared to the previous year. While domestic light commercial vehicle sales in this group were 64,455 units by an increase of 37.1%, the sales of imported light commercial vehicles were 61,542 units by an increase of 88.6%. The share of imports in the light commercial vehicle market was realized as 48.8% in January-June 2023.

As Karsan, it manages the entire automotive value chain from R&D to production, from marketing to sales and after-sales activities. Karsan has developed and produced environmentally friendly Jest and Atak models under its own brand. Karsan achieved a series of consecutive launches, introducing the Karsan e-JEST in 2018, Karsan e-ATAK in 2019, Autonomous e-ATAK which is the driverless model in 2021, as well as the 10m, 12m, and 18m models of the Karsan e-ATA family in the same year and Karsan e-ATA HYDROGEN of 12 meters with hydrogen fuel technology in 2022, and it has become as the first and only company in Europe to offer a fully electric product lineup ranging from 6 meters to 18 meters in length. Karsan, which also produces 10-12-18 meter buses for Menarinibus, also produces Megane Sedan cars for the Renault brand as of 2022.

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In addition to vehicle production, Karsan also provides industrial services in its factory located in the Organized Industrial Zone.

With a vision of “one step ahead in the future of mobility”, Karsan continues to be the choice of European cities in the field of public transportation, by reinforcing its leading role in the transformation of electric vehicles in Europe. Karsan’s e-JEST model has become the Europe’s best-selling electric minibus with 28% shares in 2022 after 2020 and 2021^(*). Karsan e-ATAK, which was the leader of the electric midibus market with 40% shares in 2021, increased its market share to 40% in 2022 and became the segment leader in Europe consecutively (**). More than 700 Karsan electric vehicles are traveling around the world in 20 different countries, mainly in France, Romania, Portugal, Spain, Luxembourg and Italy. Following the North American market, which started its sales in 2022 after Europe, it also accelerated its works for the right-hand drive Japanese market and signed a distributorship agreement. Karsan electric vehicles account for nearly 90% of Turkey’s electric minibus and bus exports in the last 3 years.

^(*) According to European Minibus Market Report covering 3.5-8 metric ton-class published by Wim Chatrou-CME Solutions

^(**) According to Wim Chatrou-CME Solutions report

2.6. RESEARCH AND DEVELOPMENT ACTIVITIES

With the Material Event Disclosure dated July 24, 2019, our Company announced on the Public Disclosure Platform (PDP) that the R&D Center application submitted to the General Directorate of R&D Incentives of the Ministry of Industry and Technology, with the aim of benefiting from incentives and exemptions provided by Law No. 5746 on Supporting Research, Development, and Design Activities, has been evaluated and approved. As a result, our Company has been granted the R&D Center Certificate

Our electric minibus, midibus and bus projects, distribution vehicle project, autonomous midibus project, research and development activities related to bus tenders are carried out by our Company’s R&D Centre.

2.7. UTILIZATION OF INVESTMENTS AND INCENTIVES

The “Investment Incentive Certificate” application submitted by our company for the planned investment in product diversification was approved by the General Directorate of Incentive Implementation and Foreign Capital of the Ministry of Industry and Technology on October 6, 2021. amount of investment linked to the incentive certificate is TL 240,767,880.

The support elements provided for the investment evaluated within the scope of “Regional Incentive Practices” in the 4th Region are as follows:

- Premium Employer Share
- Tax Deduction
- Customs Duty Exemption
- VAT Exception
- Interest Support

2.8. AMENDMENTS TO THE ARTICLES OF ASSOCIATION DURING THE PERIOD

There are no changes in the articles of association during the 6-month period of 2023.

2.9. CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

In accordance with the decision of the Capital Markets Board (CMB) dated 10 January 2019, numbered 2/49, and the Corporate Governance Communiqué numbered CMB II-17.1, the format for companies obligated to prepare the Corporate Governance Compliance Report has been established, and our company has prepared the Corporate Governance Compliance Report (URF) for the period of 01.01.2022 – 31.12.2022, following the specified format.

These notifications can be accessed via the links <https://www.kap.org.tr/tr/Bildirim/1121405>. It publishes the necessary updates regarding the URF and KYBF on the Public Disclosure Platform.

2.10 SUSTAINABILITY ACTIVITIES

Our company has published the Sustainability Report for 2021, prepared in accordance with the GRI Standards. The report is published on the Company's website (www.karsan.com.tr).

In addition, our company answered the Climate Change survey of the Carbon Disclosure Project (CDP) for the first time in 2021, took the management level with a score B in the first year it participated and caught the global average in its sector. The CDP result report is available on the Company's website (www.karsan.com.tr).

Karsan made a CDP application in July 2022, and our CDP score was scored as C, taking place in the global average.

Our Sustainability score was announced as “B” in the Sustainability Index conducted by Fortuna 500.

With the activities carried out by Karsan in 2021, Borsa İstanbul Sustainability Index (BIST) data were updated in September 2022. We increased our score by scoring 62.14 points as compared to the previous year.

The company continues its sustainability activities by preparing the Sustainability Report for 2022.

3. FINANCIAL SITUATION

3.1. SUMMARY OF FINANCIAL STATEMENTS

Financial Statements have been prepared in a consolidated manner in accordance with CMB Serial II.14.1, and the consolidated financial statements dated 30 June 2023 have undergone a limited independent audit.

Summary Balance Sheet (thousand TL)

Assets	30 June 2023	30 June 2022
Current Assets	4.369.700	2.928.455
Fixed Assets	3.275.097	1.966.888
Total Assets	7.644.797	4.895.343
Resources	30 June 2023	30 June 2022
Short-Term Liabilities	4,534,010	3,079,747
Long-Term Liabilities	1,273,499	814,322
Equities	1,837,008	1,001,274
Total Resources	7,644,797	4,895,343
Summary Income Statement	January-June 2023	January-June 2022
Revenue	2,552,618	1,069,650
Gross Profit (*)	779,947	301,515
Core Operating Profit/Loss	949,160	253,698
Period Profit/Loss	74,348	30,892

(*) Gross profit from financial sector activities is included in the revenue.

The company's total assets increased by 21% from TL 6,301,083 thousand at the end of 2022 and reached TL 7,644,797 thousand by the end of 30 June 2023. The revenue amount, which was TL 1,069,650 thousand for the first six months of 2022, was TL 2,552,618 thousand for the first six months of 2023, whereas the core operating profit, which was TL 253,698 thousand for the first six months of 2022, was TL 949,160 thousand for the first six months of 2023.

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3.2. KEY INDICATORS AND RATIOS

Key Indicators	30 June 2023	30 June 2022
Gross Profit Margin	0.31	0.28
Core Operating Profit Margin	0.37	0.24
Net Profit Margin	0.03	0.03

Liquidity Ratios	30 June 2023	30 June 2022
Current Rate	0.96	0.95
Liquidity Ratio	0.77	0.71
Cash Ratio	0.03	0.02

Financial Structure Ratios	30 June 2023	30 June 2022
Total Liabilities/Equity	3.16	3.89
Short-Term Liabilities/Total Assets	0.59	0.63
Long-Term Liabilities/Total Assets	0.17	0.17
Tangible asset /(Equity + Long Term Liabilities)	0.62	0.50

Profitability Ratios	30 June 2023	30 June 2022
Net Profit for the Period/Total Assets	0.01	0.01
Net Profit / Equity	0.04	0.02

3.3. CAPITAL MARKET INSTRUMENTS ISSUED

In 2023, our company made coupon payments for the bonds that were in circulation. These payments were made within the approved issuance limit of 400 million Turkish Lira, as authorized by the decision of the Capital Markets Board dated May 7, 2020, with reference number 28/594. Additionally, Kıraca Holding A.Ş., the controlling shareholder, acted as a guarantor for all the payment obligations related to these bonds. On July 21, 2023, a bond with the ISIN code TRSKRSN72311, having a maturity of 1.093 days, quarterly coupon payments, a floating interest rate, and the principal payment made at maturity, with a nominal value of TL 42.8 million, was redeemed. The necessary explanations regarding bond issuance and bond coupon payments are published on the Public Disclosure Platform and on the Company's website (www.karsan.com.tr)

3.4. CREDIT RATING

In the Credit Rating Report dated September 26, 2022 prepared by JCR Avrasya Derecelendirme A.Ş. (JCR), our Company's long and short term national ratings were affirmed as 'A- (Trk)' and 'J2 (Trk)', respectively, and the outlook on the ratings was affirmed as "Stable". The international ratings of our company are limited to the country grade. There is no conflict of interest between JCR and our Company.

4. ASSESSMENT OF BOARD OF DIRECTORS ON CORPORATE RISK MANAGEMENT, INTERNAL AUDIT AND INTERNAL CONTROL SYSTEM

Karsan conducts its activities in a transparent, accountable, fair and responsible manner. The Board of Directors establishes internal control systems, including risk management, information systems and processes that may minimize the effects of risks that may affect the Company's stakeholders, especially shareholders, by taking into account the opinion of the relevant Board of Directors committees. The Board of Directors at Karsan Otomotiv plays a crucial role in managing and representing the company. Through strategic decision-making, the board ensures that the company maintains a balance between risk, growth, and return at the most suitable level.

The responsibility for risk management and reporting of Karsan Otomotiv is carried out under the leadership of the Legal and Internal Audit Department in coordination with the other departments. With the workshops organized periodically, the risks are questioned and evaluated in detail. The Legal and Internal Audit Department reports to Karsan CEO with the Audit Committee appointed by the Board of Directors and the Early Detection of Risk Committee. The Audit Committee provided 4 reports during the first six months of 2023. The risks identified through the activities conducted within the approved plan by the Early Detection of Risk Committee are evaluated, considering the institution's risk appetite, with the objective of establishing an effective internal control system configuration. Action plans are developed based on risk-oriented Internal Audit activities, aiming to provide effective mitigation measures for the identified risks.

The Early Detection of Risk Committee makes recommendations on the early detection, evaluation, calculation of the effects and probabilities of all kinds of strategic, financial, operational, etc. risks that may affect the Company, managing and reporting these risks in accordance with the Company's corporate risk-taking profile, implementing the necessary measures related to the identified risks, taking them into account in decision-making mechanisms, and establishing and integrating an effective internal control system accordingly. During the first six-month period of 2023, the Early Detection of Risk Committee, comprised of members selected from the Board of Directors, provided us with 3 reports.

5. EVENTS AFTER BALANCE SHEET DATE

Our company announced the Registration notification of the Ordinary General Assembly Meeting for the year 2022 and the Registration notification of the Independent Audit Company Election on the Public Disclosure Platform on 06.07.2023.

Our company announced the Special Case Disclosure regarding the Increase in the Number of Personnel on the Public Disclosure Platform on 21.07.2023.

Our company announced the 12th coupon and redemption payment of the bond with the ISIN code TRSKRSN72311 on 24.07.2023 on the Public Disclosure Platform.

Our company announced the Sustainability Principles Compliance Report for 2022 on the Public Disclosure Platform on 31.07.2023.

6. OTHER MATTERS-INFORMATION TO SHAREHOLDERS

You can access the investor presentation, which includes our company's expectations for 2022 and the future periods, from the links below.

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

<https://www.kap.org.tr/tr/Bildirim/1138254>

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DISCOUNT

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