

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

**CONVENIENCE TRANSLATION INTO ENGLISH OF
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY - 31 MARCH 2021**

(ORIGINALLY ISSUED IN TURKISH)

**CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED
FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH**

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENT
FOR THE PERIOD 1 JANUARY - 31 MARCH 2021**

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CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED
FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS AS OF
31 MARCH 2021 AND 31 DECEMBER 2020

(Amounts expressed in thousand Turkish Lira ("TRY") unless otherwise indicated.)

	Notes	(Non-Audited) 31 March 2021	(Audited) 31 December 2020
Assets			
Current assets			
Cash and cash equivalents	4	265,145	517,422
Trade receivables	9	1,168,999	1,188,748
<i>Due from related parties</i>	22	390,127	440,683
<i>Due from third parties</i>	9	778,872	748,065
Other receivables		678	450
Inventories	10	1,340,526	1,335,582
Derivative financial instruments	8	-	15,937
Prepaid expenses	14	23,028	19,444
Current tax assets		-	281
Other current assets	14	85,455	100,649
Total current assets		2,883,831	3,178,513
Non-current assets			
Trade receivables	9	312,689	130,567
Other receivables		3,718	2,656
Investments accounted for using the equity method	5	194,117	169,689
Financial investment	7	147	147
Property, plant and equipment, net	11	239,180	227,014
Right of use assets, net	11	17,558	19,485
Intangible assets, net	12	539,461	500,727
Deferred income tax asset	20	99,644	96,285
Prepaid expenses	14	15,404	9,092
Total non-current assets		1,421,918	1,155,662
Total assets		4,305,749	4,334,175

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

**CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED
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OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS AS OF
31 MARCH 2021 AND 31 DECEMBER 2020**

(Amounts expressed in thousand Turkish Lira ("TRY") unless otherwise indicated.)

	Notes	(Non-Audited) 31 March 2021	(Audited) 31 December 2020
Liabilities			
Current liabilities			
Short-term borrowings	6	608,061	586,057
<i>Bank loans</i>	6	599,773	577,078
<i>Short-term lease liabilities</i>		8,288	8,979
Short-term portion of long-term borrowings	6	842,297	289,014
<i>Bank loans</i>	6	842,297	289,014
Trade payables	9	365,421	349,519
<i>Due to related parties</i>	22	12,518	58,964
<i>Due to third parties</i>	9	352,903	290,555
Derivative financial liabilities	8	620	-
Employee benefit obligations	14	26,593	51,147
Other payables		51,125	48,012
Obligations arising from customer contracts	14	706,131	538,712
Government grants		7,534	2,895
Short-term provisions	13	278,697	234,231
<i>Provisions for employee benefits</i>	13	19,901	15,880
<i>Other provisions</i>		258,796	218,351
Other current liabilities	14	29,291	27,097
Total current liabilities		2,915,770	2,126,684
Non-current liabilities			
Long-term borrowings	6	450,096	978,993
<i>Bank loans</i>	6	437,133	964,949
<i>Long-term lease liabilities</i>	6	12,963	14,044
Government grants		5,608	2,314
Long-term provisions	13	65,465	63,725
<i>Provisions for employee benefits</i>	13	65,465	63,725
Obligations arising from customer contracts	14	185,196	155,116
Total non-current liabilities		706,365	1,200,148
Total liabilities		3,622,135	3,326,832
Equity			
Paid-in share capital		24,000	24,000
Inflation adjustment on share capital		52,743	52,743
Restricted reserves		133,530	93,650
Accumulated other comprehensive income and expense that will not be reclassified to statement of profit or loss		(13,111)	(11,589)
<i>Defined benefit plans remeasurement losses</i>		(13,111)	(11,589)
Accumulated other comprehensive income and expense that may be reclassified to statement of profit or loss		(88,754)	(59,103)
<i>Currency translation differences</i>		(88,754)	(59,103)
Retained earnings		467,762	289,374
Net profit for the period		107,444	618,268
Total equity		683,614	1,007,343
Total liabilities and equity		4,305,749	4,334,175

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

**CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED
FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH**

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME AS OF 31 MARCH 2021 AND 2020**

(Amounts expressed in thousand Turkish Lira ("TRY") unless otherwise indicated.)

	Notes	(Non-Audited) 1 January – 31 March 2021	(Non-Audited) 1 January – 31 March 2020
Revenue	15	877,242	458,789
Cost of sales (-)	15	(596,739)	(308,304)
GROSS PROFIT (LOSS)		280,503	150,485
Marketing expenses (-)	16	(116,846)	(77,311)
General administrative expenses (-)	16	(41,413)	(33,094)
Research and development expenses (-)	16	(18,510)	(17,342)
Other operating income	17	155,274	115,169
Other operating expenses (-)	17	(114,693)	(112,906)
OPERATING PROFIT (LOSS)		144,315	25,001
Income from investing activities		349	20
Share of profit/loss of investments accounted for using the equity method, net	5	618	10,206
OPERATING INCOME (EXPENSE) BEFORE FINANCIAL EXPENSES)		145,282	35,227
Financial income	18	41,099	13,031
Financial expense (-)	19	(81,915)	(30,752)
PROFIT BEFORE TAX		104,466	17,506
Tax income/(expense) from continued operations			
Current tax expense (-)	20	-	-
Deferred tax income/ (expense)	20	2,978	4,801
PROFIT (LOSS) FOR THE PERIOD		107,444	22,307
Items that will not be reclassified to statement of profit or loss			
Remeasurement (losses)/gains		(1,903)	(2,496)
Deferred tax income/(expense)		381	550
Items that may be reclassified to statement of profit or loss			
Currency translation differences of investments accounted for using the equity method		23,810	11,141
Currency translation differences		(53,461)	(9,976)
Other comprehensive (loss)/income		(31,173)	(781)
TOTAL COMPREHENSIVE INCOME (EXPENSE)		76,271	21,526
Earnings per share (Kr)	21	0.448	0.093

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

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OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE PERIODS ENDED 31 MARCH 2021 AND 2020

(Amounts expressed in thousand Turkish Lira ("TRY") unless otherwise indicated.)

					Accumulated other comprehensive income and expense that will not be reclassified to statement of profit or loss)	Accumulated other comprehensive income and expense that may be reclassified to statement of profit or loss)			
		Paid in share capital	Inflation adjustment on share capital	Restricted reserve	Remeasurement losses on defined benefit plans	Currency translation differences	Retained earnings	Net income for the period	Total equity
31 March 2020	Opening balances	24,000	52,743	73,770	(9,741)	(12,380)	157,662	351,592	637,646
	Transfers	-	-	19,880	-	-	331,712	(351,592)	-
	Dividends paid	-	-	-	-	-	(200,000)	-	(200,000)
	Total comprehensive income	-	-	-	(1,946)	1,165	-	22,307	21,526
	Closing balances	24,000	52,743	93,650	(11,687)	(11,215)	289,374	22,307	459,172
31 March 2021	Opening balances	24,000	52,743	93,650	(11,589)	(59,103)	289,374	618,268	1,007,343
	Transfers	-	-	39,880	-	-	578,388	(618,268)	-
	Dividends paid	-	-	-	-	-	(400,000)	-	(400,000)
	Total comprehensive income	-	-	-	(1,522)	(29,651)	-	107,444	76,271
	Closing balances	24,000	52,743	133,530	(13,111)	(88,754)	467,762	107,444	683,614

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OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS FOR
THE PERIODS ENDED 31 MARCH 2021 AND 2020**

(Amounts expressed in thousand Turkish Lira ("TRY") unless otherwise indicated.)

	Notes	(Non-Audited) 1 January – 31 March 2021	(Non-Audited) 1 January – 31 March 2020
CASH FLOWS FROM OPERATING ACTIVITIES		275,324	(107,055)
Net profit for the period		107,444	22,307
Adjustments to reconcile net profit for the period to cash flows from operating activities		151,584	78,033
Depreciation and amortization	11	24,710	23,064
Adjustments in relation to impairment:		7,651	4,365
- Provision for doubtful receivables	9	4,636	3,415
- Provision for inventories	10	3,015	950
Adjustments in relation to provision		61,371	37,781
- Provision for employee benefits	13	4,942	6,597
- Warranty provision expenses	13	37,308	29,043
- Adjustments for other provisions		19,121	2,141
Adjustments in relation to interest income and expenses:		15,657	13,035
- Interest income	18	(19,625)	(3,499)
- Interest expense	19	35,282	16,534
Adjustments in relation to unrealised foreign exchange gains and losses		31,140	11,752
Adjustments in relation to fair value gains and losses		15,000	(1,738)
- Fair value losses/(gains) on financial derivative instruments		15,000	(1,738)
Adjustments for undistributed profits of investments accounted for using equity method		(618)	(10,206)
- Adjustments for undistributed profits of joint ventures		(618)	(10,206)
Adjustment on tax (expense)/income		(2,978)	-
Adjustments in relation to gains or losses on sales of property, plant and equipment		(349)	(20)
- Gain on sale of property, plant and equipments		(349)	(20)
Changes in net working capital		31,807	(190,242)
Change in trade receivables		(167,175)	(46,713)
Change in inventories		(7,958)	(212,481)
Change in trade payables		15,902	87,967
Other changes		191,038	(19,015)
- Increase/(decrease) in other assets related to activities		4,008	(2,112)
- Increase/(decrease) in other liabilities related to activities		187,030	(16,903)
Cash flows from operations		290,835	(89,902)
Payments in relation to employee benefits	13	(1,084)	(3,328)
Payments in relation to other provisions	13	(15,984)	(16,180)
Other cash collections/(payments)		1,557	2,355
CASH FLOWS FROM INVESTING ACTIVITIES		(73,042)	(48,977)
Proceeds from sale of property, plant and equipment and intangible assets		712	349
- Proceeds from sale of property, plant and equipment		712	349
Cash outflows due to purchase of property, plant and equipment and intangible assets		(73,754)	(49,326)
- Purchase of property, plant and equipment	11	(16,661)	(11,527)
- Purchase of intangible assets	12	(57,093)	(37,799)
CASH FLOWS FROM FINANCING ACTIVITIES		(401,089)	452,806
Cash inflow from due to borrowings		562,582	912,329
- Proceeds from bank borrowings		562,582	912,329
Cash outflow due to repayment of borrowings		(555,504)	(245,705)
- Repayments of borrowings		(555,504)	(245,705)
Cash outflows related to loan payments arising from lease agreements		(2,517)	(2,671)
Dividends paid		(400,000)	(200,000)
Interest paid		(25,275)	(14,646)
Interest received		19,625	3,499
NET DECREASE IN CASH AND CASH EQUIVALENTS BEFORE THE EFFECT OF CURRENCY TRANSLATION DIFFERENCES		(198,807)	296,774
Currency translation difference on cash and cash equivalents		(53,470)	1,165
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(252,277)	297,939
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	4	517,422	222,722
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	4	265,145	520,661

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

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OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL
STATEMENTS AS OF AND FOR THE PERIOD ENDED 31 MARCH 2021**

(Amounts expressed in thousand Turkish Lira ("TRY") unless otherwise indicated.)

NOTE 1 - GROUP'S ORGANIZATION AND NATURE OF OPERATIONS

Otokar Otomotiv ve Savunma Sanayi A.Ş. ("Otokar" or the "Company"), was established in 1963 and is registered in Istanbul, Turkey and operating under the Turkish Commercial Code.

The Company operates in the automotive industry and off road vehicles, armored vehicles, minibuses, midibuses and autobuses, trailers, semi-trailers, light truck and cross-country comprises the majority of its production.

The registered addresses of the Company are as follows:

Headquarters: Aydınevler Mahallesi, Saygı Cad. No: 58 34854 Maltepe/İstanbul

Plant: Atatürk Cad. No: 6 54580 Arifiye/Sakarya

Information related to subsidiary of the Company subject to consolidation is as follows:

Subsidiaries	Country	Main activity	Field of activity
Otokar Europe SAS	France	Sales and marketing	Automotive
Otokar Land Systems Limited	United Arab Emirates	Sales and marketing	Automotive
Otokar Europe Filiala Bucuresti SRL	Romania	Sales and marketing	Automotive
Otokar Central Asia Limited	Kazakhstan	Sales and marketing	Automotive
Joint Ventures	Country	Main activity	Field of activity
Al Jasoor Heavy Vehicle Industry LLC	United Arab Emirates	Sales and marketing	Automotive

Otokar and its subsidiaries will be referred as the "Group" for the purpose of the preparation of this consolidated financial statements.

The end-period and the average number of personnel employed in the Group are as follows:

	31 March 2021		31 December 2020	
	Period end	Average	Period end	Average
Total personnel number	2,278	2,280	2,258	2,110

The condensed interim consolidated financial statements for the period ended 31 March 2021 were authorized for issue and signed by the Board of Directors of Otokar on 22 April 2021. The accompanying consolidated financial statements may be amended by the General Assembly.

Otokar is registered to the Capital Market Board ("CMB") and its shares are listed on the Borsa Istanbul A.Ş. ("BIST") since 1995. As of 31 March 2021, 27.85% of the shares are quoted on the BIST.

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**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL
STATEMENTS AS OF AND FOR THE PERIOD ENDED 31 MARCH 2021**

(Amounts expressed in thousand Turkish Lira ("TRY") unless otherwise indicated.)

NOTE 1 - GROUP'S ORGANIZATION AND NATURE OF OPERATIONS (Continued)

As of 31 March 2021, the principal shareholders and their respective shareholding percentages are as follows:

	(%)
Koç Holding A.Ş.	44.68
Ünver Holding A.Ş.	24.81
Other	30.51
	100.00

Otokar Otomotiv ve Savunma Sanayi A.Ş. is controlled by Koç Holding A.Ş.

The parent company (Koç Holding A.Ş.), is controlled by Koç Family and the companies owned by Koç Family.

The shareholder, Ünver Holding A.Ş., is controlled by Ünver Family.

The Group conducts part of its business transactions with the Koç Holding A.Ş. and related parties. There are certain related parties which are both customers and vendors of the Group.

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

2.1 Basis of presentation of consolidated financial statements

The condensed interim consolidated financial statements of the Group have been prepared in accordance with the Turkish Accounting Standards/Turkish Financial Reporting Standards, ("TAS/TFRS") and interpretations as adopted in line with international standards by the Public Oversight Accounting and Auditing Standards Authority of Turkey ("POA") in line with the communiqué numbered II-14.1 "Communiqué on the Principles of Financial Reporting In Capital Markets" (the "Communiqué") announced by the Capital Markets Board of Turkey ("CMB") on 13 June 2013 which is published on Official Gazette numbered 28676. TFRS are updated in harmony with the changes and updates in International Financial and Accounting Standards ("IFRS") by the communiqués announced by the POA.

The Group maintains its books of account and prepares its statutory financial statements in Turkish Lira (TRY) in accordance with regulations on accounting and reporting framework and the Uniform Chart of Accounts issued by the Ministry of Finance. Subsidiaries operating in foreign countries have prepared their statutory financial statements in accordance with the laws and regulations applicable in the countries where they operate.

The consolidated financial statements are presented in accordance with the formats specified in the "Announcement on TMS Taxonomy" and "Financial Table Samples Usage Guide" published by the POA on 15 April 2019.

The consolidated financial statements have been prepared from statutory financial statements with adjustments and reclassifications for the purpose of fair presentation in accordance with Turkish Accounting Standards as prescribed by POA. The adjustments are mainly related with deferred taxation, retirement pay liability, prorated and useful life depreciation adjustment of fixed assets, accounting of provisions, construction accounting for tank project and discount of receivables and payables.

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OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE PERIOD ENDED 31 MARCH 2021

(Amounts expressed in thousand Turkish Lira ("TRY") unless otherwise indicated.)

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

2.1 Basis of presentation of consolidated financial statements (Continued)

The consolidated financial statements have been prepared under the historical cost convention, except derivative financial assets and liabilities carried at fair value.

Functional and presentation currency

Items included in the consolidated financial statements of the Subsidiaries and Joint Ventures of the Group are measured using the currency of the primary economic environment in the entity operates ("the functional currency"). The consolidated financial statements are presented in TRY, which is the Company's functional and presentation currency.

Financial statements of foreign subsidiaries, joint ventures and associates

The assets and liabilities, presented in the financial statements of the foreign subsidiaries and joint ventures prepared in accordance with the Group's accounting policies, are translated into TRY at the exchange rate at the date of the balance sheet whereas income and expenses are translated at the average exchange rates for the respective periods. Exchange differences resulting from using the exchange rates at the balance sheet date and the average exchange rates are recognised in the currency translation differences under the equity.

2.2 Accounting errors and changes in accounting estimates

The Group recognizes, evaluates and presents similar events and transactions consistently. Accounting errors identified are restated retrospectively. The Group has applied the accounting policies consistent with the prior year.

If changes in accounting estimates are related to only one period, they are recognised in the period when changes are applied; if changes in estimates are related to future periods, they are recognized both in the period where the change is applied and future periods prospectively. The accounting policies except the situation stated below used in the preparation of these consolidated financial statements for the period ended 31 March 2021 are consistent with those used in the preparation of financial statements for the year ended 31 December 2020.

2.3 Changes in accounting policies

The Group changes accounting policies when it is believed that the change will lead to better presentation of transactions and events in the financial statements. When the intentional change can affect the prior period results, the change is applied retrospectively as though it was already applied before. Accounting policy changes arising from the application of a new standard are applied considering the transition principles of the related standard, if any, retrospectively or forward. If no transition principle for the standard exists, the changes are applied retrospectively.

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**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL
STATEMENTS AS OF AND FOR THE PERIOD ENDED 31 MARCH 2021**

(Amounts expressed in thousand Turkish Lira ("TRY") unless otherwise indicated.)

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

2.3 Changes in accounting policies (Continued)

2.3.1 New and amended standards and interpretations

a. Standards, amendments and interpretations applicable as at 31 March 2021:

- **Amendments to TAS 1 and TAS 8 on the definition of material;** effective from Annual periods beginning on or after 1 January 2020. These amendments to TAS 1, 'Presentation of financial statements', and TAS 8, 'Accounting policies, changes in accounting estimates and errors', and consequential amendments to other TFRSs:
 - i) use a consistent definition of materiality throughout TFRSs and the Conceptual Framework for Financial Reporting;
 - ii) clarify the explanation of the definition of material; and
 - iii) incorporate some of the guidance in TAS 1 about immaterial information.
- **Amendments to TFRS 3 - definition of a business;** effective from Annual periods beginning on or after 1 January 2020. This amendment revises the definition of a business. According to feedback received by the IASB, application of the current guidance is commonly thought to be too complex, and it results in too many transactions qualifying as business combinations.
- **Amendments to IFRS 9, IAS 39 and IFRS 7 - Interest rate benchmark reform;** effective from Annual periods beginning on or after 1 January 2020. These amendments provide certain reliefs in connection with interest rate benchmark reform. The reliefs relate to hedge accounting and have the effect that IBOR reform should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the income statement. Given the pervasive nature of hedges involving IBOR-based contracts, the reliefs will affect companies in all industries.

b. Standards, amendments and interpretations that are issued but not effective as at 31 March 2021:

- **IFRS 16, 'Leases' - Covid - 19 related rent concessions;** effective from Annual periods beginning on or after 1 June 2020. As a result of the coronavirus (COVID - 19) pandemic, rent concessions have been granted to lessees. Such concessions might take a variety of forms, including payment holidays and deferral of lease payments. On 28 May 2020, the IASB published an amendment to IFRS 16 that provides an optional practical expedient for lessees from assessing whether a rent concession related to COVID - 19 is a lease modification. Lessees can elect to account for such rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as variable lease payments in the period(s) in which the event or condition that triggers the reduced payment occurs.

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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE PERIOD ENDED 31 MARCH 2021

(Amounts expressed in thousand Turkish Lira ("TRY") unless otherwise indicated.)

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

2.3 Changes in accounting policies (Continued)

2.3.1 New and amended standards and interpretations (Continued)

- **IFRS 17, 'Insurance contracts'**; effective from annual periods beginning on or after 1 January 2023. This standard replaces IFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features.
- **IAS 1, "Presentation of financial statements' on classification of liabilities"**; effective from 1 January 2022. These narrow-scope amendments to IAS 1, 'Presentation of financial statements', clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what IAS 1 means when it refers to the 'settlement' of a liability.
- **A number of narrow - scope amendments to IFRS 3, IAS 16, IAS 37 and some annual improvements on IFRS 1, IFRS 9, IAS 41 and IFRS 16**; effective from Annual periods beginning on or after 1 January 2022.
 - o **Amendments to IFRS 3, "Business combinations"** update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.
 - o **Amendments to IAS 16, "Property, plant and equipment"** prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.
 - o **Amendments to TAS 37, "Provisions, contingent liabilities and contingent assets"** specify which costs a company includes when assessing whether a contract will be loss-making.

Annual improvements make minor amendments to TFRS 1, "First - time Adoption of TFRS", TFRS 9, "Financial instruments", IAS 41, "Agriculture" and the Illustrative Examples accompanying TFRS 16, "Leases".
- **Narrow scope amendments to TAS 1, Practice statement 2 and TAS 8**; effective from annual periods beginning on or after 1 January 2023. The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies.
- **Amendments to TFRS 9, TAS 39, TFRS 7, TFRS 4 and TFRS 16 Interest Rate Benchmark Reform Phase 2**; effective from annual periods beginning on or after 1 January 2021. The Phase 2 amendments address issues that arise from the implementation of the reforms, including the replacement of one benchmark with an alternative one.
- **Amendments to TFRS 17 and TFRS 4, 'Insurance contracts', deferral of TFRS 9**; effective from annual periods beginning on or after 1 January 2021. These amendments change the fixed date of the temporary exemption in TFRS 4 from applying TFRS 9, Financial Instrument until 1 January 2023.

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

2.4 Significant accounting judgments and estimates

Group accounting

The consolidated financial statements include the accounts of the parent company, Otokar and its subsidiaries on the basis set out in sections below. The financial statements of the companies included in the scope of consolidation have been prepared as of the date of the consolidated financial statements and have been prepared in accordance with TFRS. The results of subsidiaries are included or excluded from their effective dates of acquisition or disposal, respectively.

Subsidiaries

Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

The Group combines individual income and expenses, assets and liabilities and cash flows of subsidiaries on a line-by-line basis with similar items in the consolidated financial statements. Intercompany transactions, balances and unrealised gains/losses on transactions between group companies are eliminated on consolidation

Disposal of a subsidiary

If the Group loses control of a subsidiary, it recognizes any investment retained in the former subsidiary at its fair value when control is lost and any difference between the fair value and net book value of investment is accounted for as gain or loss. That fair value shall be regarded as the fair value on initial recognition of a financial asset, when appropriate, the cost on initial recognition of an investment in an associate or joint venture. Additionally, assets and liabilities that were previously recognized as other comprehensive income attributable to that subsidiary are accounted for as if those were disposed the Group. This may result in a fact that these amounts previously recognized as other comprehensive income may be classified to profit or loss.

The table below sets out the subsidiaries of the Company and shows the total interest of the Company in these companies at 31 March 2021 and 31 December 2020:

Subsidiaries	2021		2020	
	Direct and indirect ownership (%)	Proportion of effective interest (%)	Direct and indirect ownership (%)	Proportion of effective interest (%)
Otokar Europe SAS	100.00	100.00	100.00	100.00
Otokar Land Systems Limited	100.00	100.00	100.00	100.00
Otokar Europe Filiala Bucuresti SRL	100.00	100.00	100.00	100.00
Otokar Central Asia Limited	100.00	100.00	100.00	100.00
Join Venture	Direct and indirect ownership (%)	Proportion of effective interest (%)	Direct and indirect ownership (%)	Proportion of effective interest (%)
Al Jasoore Heavy Vehicle Industry LLC	49.00	49.00	49.00	49.00

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NOTE 3 - SEGMENT REPORTING

The Group does not prepare segment reporting and follows financial statements by one operating unit.

Since Chief Executive Decision Makers (composed of key management, board members, general manager and assistant general managers) do not monitor cost of sales, operating expenses and financial expenses, the products are only monitored based on revenue (Note 14). Thus, segment reporting is not performed.

NOTE 4 - CASH AND CASH EQUIVALENTS

	31 March 2021	31 December 2020
Banks		
- Time deposits	193,854	452,463
- Demand deposits	71,258	64,949
Other	33	10
	265,145	517,422

As of 31 March 2021 TRY193,854 thousand of the total amount of time deposits amounting to TRY71,925 thousand is denominated in foreign currency and the annual effective interest rate is 0.01% and has a maturity of 1 days. The annual effective interest rate of the remaining TRY121,929 thousand is 19.35% and has a maturity of 1 days

(As of 31 December 2020, TRY452,463 thousand of the total amount of time deposits amounting to TRY86,718 thousand is denominated in foreign currency and the annual effective interest rate is 0.74% and has a maturity of 4 days. The annual effective interest rate of the remaining TRY365,745 thousand is 19.11% and has a maturity of 15 days)

Cheques and notes received consist of cheques and notes which are due as of balance sheet date and were sent to banks for collection.

As of 31 March 2021, the Group has restricted bank deposit amounting to TRY0,2 thousand (31 December 2020: TRY0,2 thousand).

NOTE 5 - INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

The details of carrying value and consolidation rate subject to equity accounting of joint venture is as follows

Joint ventures	2021		2020	
	(%)	Amount	(%)	Amount
Al Jasoore	49	194,117	49	169,689
		194,117		169,689

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NOTE 5 - INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (Continued)

The movements of joint ventures for the periods ended on 31 March 2021 and 2020 are as follows:

	2021	2020
Beginning- 1 January	169,689	56,162
Shares of profit	618	10,206
Currency translation differences	23,810	11,141
Closing- 31 March	194,117	77,509

The summary of the financial statements of Al Jasoor Heavy Vehicle Industry LLC as of 31 March 2021 and 31 December 2020 is as follows:

	31 March 2021	31 December 2020
Total assets	1,265,597	1,130,199
Total liabilities	(835,123)	(783,895)
Foreign currency translation differences	(34,317)	-
Net assets	396,157	346,304
Ownership of the Group	49%	49%
Net asset share of the Group	194,117	169,689

NOTE 6 - BORROWINGS

Short-term financial borrowings (*)

31 March 2021		Annual average effective interest rate(%)	TRY equivalent
	Maturities		
Bank credits			
RON credits	30 June 2021	4.93	327,087
TRY credits	7 June 2021	9.05	272,686
			599,773
Borrowings from lease liabilities			
TRY lease liabilities	-	10.00	2,580
EUR lease liabilities	-	2.00	5,708
			8,288
Total short-term financial liabilities			608,061

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NOTE 6 - BORROWINGS (Continued)

**Short-term portion of long-term
borrowings (*)**

31 March 2021	Maturities	Annual effective interest rate(%)	TRY equivalent
Bank credits			
EUR credits	-	2.35	196,599
TRY credits	-	8.75-9.25	645,698
			842,297

Long term borrowings (*)

Bank Loans

TRY credits	4 October 2021- 5 August 2025	9.19	240,658
EUR credits	20 September 2021- 25 August 2023	3.10	196,475
			437,133

Payables from leasing transactions

TRY payables	-	10.00	4,035
EUR payables	-	2.00	8,928
			12,963

Total long term borrowings **450,096**

(*) Bearing fixed interest rate

Short term borrowings (*)

31 December 2020	Maturities	Annual effective interest rate(%)	TRY equivalent
Bank credits			
RON credits	30 June 2021	5.18	304,455
TRY credits	7 June 2021	9.05	272,623
			577,078

Payables from leasing transactions

EUR payables	-	2.00	6,399
TRY payables	-	10.00	2,580
			8,979

Total short term borrowings **586,057**

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NOTE 6 - BORROWINGS (Continued)

31 December 2020	Maturities	Annual effective interest rate (%)	TRY equivalent
Short-term portion of long-term borrowings (*)			
TRY credits	-	9.19	107,684
EUR credits	-	2.73	181,330
			289,014
<hr/>			
31 December 2020	Maturities	Annual effective interest rate (%)	TRY equivalent
Long term borrowings (*)			
Banka Credit			
TRY credits	4 October 2021 - 5 August 2025	9.19	784,802
EUR credits	20 September 2021 - 25 January 2023	2.73	180,147
			964,949
<hr/>			
Payables from leasing transactions			
EUR payables	-	2.00	10,009
TRY payables	-	10.00	4,035
			14,044
<hr/>			
Total long term borrowings			978,993

(*) Bearing fixed interest rate

As of 31 March 2021, the Group has not provided any guarantees for the borrowings (31 December 2020: None).

The movement of the borrowings for the periods ended 31 March 2021 and 2020 are as follows:

	2021	2020
1 January	1,854,064	801,849
Borrowing received during the period	562,582	912,329
Cash outflows related to debt payments from leasing agreements	(2,517)	(2,671)
Changes in lease liabilities within the scope of TFRS 16	682	5,637
Principal payments (-)	(555,504)	(245,704)
Change in interest accruals	10,005	1,890
Change in exchange rates	31,142	11,752
31 March	1,900,454	1,485,082

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NOTE 7 - FINANCIAL INVESTMENT

Otokar Central Asia Limited company was established on 5 November 2019 in Astana International Financial Center (AIFC), a special-status region that accepts the principles of British Law in Nur Sultan, Kazakhstan, in order to increase overseas sales and follow up export activities .

NOTE 8 - DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments consist of the forward contracts which are entered in order to hedge foreign currency risk arising from Group's foreign currency sales.

	Contract amount	Current period contract maturity	Fair value liabilities
31 March 2021:			
Forward transactions	303,452	8 April 2021- 8 April 2021	(620)
Short-term derivative financial instruments	303,452		(620)
Total derivative financial instruments	303,452		(620)
	Contract amount	Prior period contract maturity	Fair value assets
31 December 2020:			
Forward transactions	691,263	7 January 2021- 29 January 2021	15,937
Short-term derivative financial instruments	691,263		15,937
Total derivative financial instruments	691,263		15,937

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NOTE 9 - TRADE RECEIVABLES AND PAYABLES

Trade receivables

	31 March 2021	31 December 2020
Trade receivables, net	747,173	699,074
Notes receivables, net	98,025	110,515
	845,198	809,589
Less: provision for doubtful receivables	(66,326)	(61,524)
Short-term trade receivables	778,872	748,065
Trade receivables from related parties (Note 22)	390,127	440,683
Short-term trade receivables	1,168,999	1,188,748
Long-term notes receivable, net	312,689	130,567
Long-term trade receivables	312,689	130,567

As of 31 March 2021, the average maturity of trade receivables is between 60-90 days (31 December 2020: 60-90 days).

As of 31 March 2021 and 31 December 2020, the fair values of trade receivables approximate to their carrying values due to short term maturity of those receivables.

Guarantees received for trade receivables

Receivables of the Group are mainly composed of minibuses and bus sales to dealers and trailer and armored vehicle sales. As of 31 March 2021, the total trade receivable from dealers amounting to TRY127,863 thousand (31 December 2020: TRY108,658 thousand), after provision provided for doubtful receivables, has been secured by mortgages and guarantees at the amount of TRY127,863 thousand (31 December 2020: TRY108,658 thousand).

The aging of the past due but not impaired receivables is as follows:

31 March 2021

1- 30 day past due	-
1- 3 month past due	-
3- 12 month past due	-
1- 5 year past due	-
Over 5 years past due	352
	352
Amount secured with guarantees	352

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NOTE 9 - TRADE RECEIVABLES AND PAYABLES (Continued)

Trade payables (Continued)

31 December 2020

1- 30 day past due	-
1- 3 month past due	-
3- 12 month past due	-
1- 5 year past due	-
Over 5 years past due	325

325

Amount secured with guarantees

325

Legal follow up has been started for trade receivable balances which are overdue for 1-5 years.

The movement of the provision for doubtful receivables for the years ended 31 March 2021 and 2020 are as follows:

	2021	2020
As of 1 January	61,524	46,701
Collections	-	-
Currency translation differences	166	138
Exchange differences	4,636	3,415

31 March

66,326

50,254

	31 March 2021	31 December 2020
Trade payables, net	352,707	290,065
Notes payables, net	196	490
Short-term other trade payables	352,903	290,555
Trade payables to related parties (Note 22)	12,518	58,964
Short-term trade payables	365,421	349,519

As of 31 March 2021, average payment term for trade payables is 45-60 days (31 December 2020: 45-60 days).

As of 31 March 2021 and 31 December 2020, the fair values of trade payables approximate to their carrying values due to short-term maturity of those payables.

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NOTE 10 - INVENTORIES

	31 March 2021	31 December 2020
Raw material	502,924	535,169
Semi-finished goods	192,912	103,059
Finished goods	322,206	346,811
Merchandise goods	135,949	165,437
Goods in transit	211,270	206,826
Impairment for inventories (*)	(24,735)	(21,720)
	1,340,526	1,335,582

(*) TRY425 thousand of impairment is related to finished goods (31 December 2020: -) and TRY1,550 thousand is related to merchandises (31 December 2020: TRY862 thousand). TRY22,759 thousand of impairment (31 December 2020: TRY20,858 thousand) is related to raw materials. The impairment has been accounted for under cost of sales.

NOTE 11 - PROPERTY, PLANT AND EQUIPMENT

Movements of property, plant and equipment and related accumulated depreciation for the periods ended 31 March 2021 and 31 March 2020 is as follows:

	1 January 2021	Additions	Currency translation differences	Disposal	Transfers	31 March 2021
Cost						
Land	37,437	-	-	-	-	37,437
Land improvements	8,920	-	-	-	-	8,920
Buildings	60,781	-	-	-	341	61,122
Machinery and equipment	134,800	1,471	287	(1)	-	136,557
Motor vehicles	14,561	285	-	(452)	-	14,394
Furniture and fixtures	74,749	2,005	178	(129)	24	76,827
Leasehold improvements	1,132	20	-	-	-	1,152
Construction in process	74,109	12,880	-	-	(365)	86,624
	406,489	16,661	465	(582)	-	423,033
Accumulated depreciation:						
Land improvements	(5,027)	(75)	-	-	-	(5,102)
Buildings	(48,582)	(327)	-	-	-	(48,909)
Machinery and equipment	(93,657)	(1,971)	(177)	1	-	(95,804)
Motor vehicles	(6,970)	(289)	-	126	-	(7,133)
Furniture and fixtures	(24,240)	(1,628)	(113)	92	-	(25,889)
Special costs	(999)	(17)	-	-	-	(1,016)
	(179,475)	(4,307)	(290)	219	-	(183,853)
Net book value	227,014					239,180

As of 31 March 2021, there is no mortgage on property, plant and equipment (31 December 2020: None).

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NOTE 11 - PROPERTY, PLANT AND EQUIPMENT (Continued)

	1 January 2020	Additions	Currency translation	Disposal	Transfers	31 March 2020
Cost						
Land	37,437	-	-	-	-	37,437
Land improvements	8,608	290	-	-	-	8,898
Buildings	59,620	-	-	-	-	59,620
Machinery and equipment	112,253	466	209	-	10,157	123,085
Motor vehicles	9,782	2,914	-	(135)	-	12,561
Furniture and fixtures	53,168	2,915	114	(14)	-	56,183
Leasehold improvements	1,117	-	-	-	-	1,117
Construction in process	12,011	-	-	(143)	(10,157)	1,711
	293,996	6,585	323	(292)	-	300,612
Accumulated depreciation:						
Land improvements	(4,730)	(73)	-	-	-	(4,803)
Buildings	(47,350)	(307)	-	-	-	(47,657)
Machinery and equipment	(86,988)	(1,473)	(99)	-	-	(88,560)
Motor vehicles	(6,026)	(225)	-	15	-	(6,236)
Furniture and fixtures	(18,910)	(1,331)	(60)	201	-	(20,100)
Special costs	(920)	(20)	-	-	-	(940)
	(164,924)	(3,429)	(159)	216	-	(168,296)
Net book value	129,072					132,316

The distribution of depreciation and amortization expenses of tangible and intangible assets for the years ended 31 March 2021 and 2020 are as follows

	31 March 2021	31 March 2020
Research and development expenses	18,289	17,781
Cost of goods sold	1,088	1,625
Depreciation on inventories	1,561	257
Development projects in process	555	(916)
General administrative expenses	894	726
Selling and marketing expenses	279	236
Currency translation differences	290	159
Right of use assets	2,044	3,355
	25,000	23,223

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NOTE 11 - PROPERTY, PLANT AND EQUIPMENT (Continued)

RIGHT OF USE ASSETS

The allocation of right of use assets for the periods ended 31 March 2021 and 2020 is as follows:

31 March 2021	Buildings	Motor vehicles	Furniture and fixture	Total
Cost	21,369	16,516	561	38,446
Accumulated depreciation	(8,330)	(12,134)	(424)	(20,888)
	13,039	4,382	137	17,558

31 March 2020	Buildings	Motor vehicles	Furniture and fixture	Total
Cost	19,517	16,028	1,093	36,638
Accumulated depreciation	(3,894)	(7,343)	(305)	(11,542)
	15,623	8,685	788	25,096

NOTE 12 - INTANGIBLE ASSETS

Movements of intangible assets and related accumulated amortisation for the periods ended 31 March 2021 and 2020 are as follows:

	1 January 2021	Additions	Currency translation differences	Disposals	Transfers	31 March 2021
Cost						
Other intangible assets	26,463	714	-	-	-	27,177
Development costs	574,432	-	-	-	6,700	581,132
Developments projects in progress	286,464	56,379	-	-	(6,700)	336,143
	887,359	57,093	-	-	-	944,452
Accumulated amortization						
Other intangible assets	(17,142)	(79)	-	-	-	(17,221)
Development costs	(369,490)	(18,280)	-	-	-	(387,770)
	(386,632)	(18,359)	-	-	-	(404,991)
Net book value	500,727					539,461

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NOTE 12 - INTANGIBLE ASSETS

	1 January 2020	Additions	Currency translation differences	Disposals	Transfers	31 March 2020
Cost						
Other intangible assets	21,821	969	-	-	-	22,790
Development costs	542,609	-	-	-	-	542,609
Developments projects in progress	123,643	36,830	-	-	-	160,473
	688,073	37,799	-	-	-	725,872
Accumulated amortization						
Other intangible assets	(14,693)	(549)	-	-	-	(15,242)
Development costs	(300,841)	(15,731)	-	-	-	(316,572)
	(315,534)	(16,280)	-	-	-	(331,814)
Net book value	372,539					394,058

NOTE 13 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

Short-term provisions

	31 March 2021	31 December 2020
Provision for warranty expenses	155,564	134,240
Provision for employee benefits	19,901	15,880
Other	103,232	84,111
	278,697	234,231

Provision for warranty expenses

The Group covers the vehicles it has sold for a period of 2 years. Accordingly, as of the balance sheet date, a provision is provided for the warranty expenses for the vehicles under warranty.

As of 31 March 2021 and 2020, the tables which represent the position of guarantees, pledges and mortgages are as follows:

	2021	2020
1 January	134,240	77,897
Additional provision	37,308	29,043
Claim payments	(15,984)	(16,180)
31 March	155,564	90,760

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NOTE 13 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

Provision for employment termination benefits

	31 March 2021	31 December 2020
Provision for employment termination benefits	65,465	63,725
Provision for unused vacation	19,901	15,880
	85,366	79,605

Provision for employment termination benefits

The amount payable consists of one month's salary limited to a maximum of TRY7,638.96 n full for each year of service as of 31 March 2021 (31 December 2020: TRY7,117.17 in full).

The reserve for employment termination benefits is not legally subject to any funding and there are no funding requirements.

Provision for employment termination benefits is calculated by estimating the present value of the probable obligation that the employees will have to pay in case of retirement.

Turkish Accounting Standards promulgated by POA require actuarial valuation methods to be developed to estimate the enterprises' obligation under defined benefit plans. Accordingly, the following actuarial assumptions were used in the calculation of the total liability

	31 March 2021	31 December 2020
Net discount rate (%)	4.63	4.63
Turnover rate to estimate the probability of retirement (%)	97.90	97.80

The principal assumption is that the maximum liability for each year of service will increase in line with inflation. Thus, the discount rate applied represents the real rate free of expected effects of inflation. The termination indemnity ceiling is revised semi-annually and the ceiling amounting to TRY7,638.96 in full (1 January 2020: TRY6,730.15 in full), which is effective from 1 January 2021, has been taken into consideration in calculation of retirement benefit provision in the consulate.

The movements of provision for employment termination benefits are as follows:

	2021	2020
1 January	63,725	48,460
Interest expense	1,442	1,096
Charge for the period	(521)	3,044
Actuarial loss	1,903	2,496
Payments	(1,084)	(3,328)
31 March	65,465	51,768

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NOTE 13 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Continued)

Provision for unused vacation

The movements of provision for unused vacation are as follows:

	2021	2020
1 January	15,880	12,520
Charge for the period, net	4,021	2,457
31 March	19,901	14,977

Commitments and contingencies

As of 31 March 2021 and 31 December 2020, the tables which represent the position of guarantees, pledges and mortgages are as follows

	30 March 2021	31 December 2020
a. Total amount of guarantees, pledges and mortgages given the name of legal entity	1,502,818	1,584,476
b. Total amount of guarantees, pledges and mortgages given in favour of the parties which are included in the scope of full consolidation	392,181	339,921
c. Total amount of guarantees, pledges and mortgages given to third parties for their liabilities in the purpose of conducting the ordinary operations	-	-
d. Total amount of other guarantees, pledges and mortgages	-	-
	1,894,999	1,924,397

The details of guarantees, pledges and mortgages in terms of original currencies are as follows:

	31 March 2021		31 December 2020	
	Original currency	TRY Equivalents	Original currency	TRY Equivalents
USD	118,643	989,571	147,855	1,085,331
EUR	60,603	593,089	58,823	529,870
TRY	219,093	219,093	191,425	191,425
RON	46,450	92,826	46,450	85,343
PLN	200	420	-	-
Chinese Yuan	-	-	29,000	32,428
	1,894,999		1,924,397	

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NOTE 13 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Continued)

a) Guarantees given as of 31 March 2021 and 31 December 2020 are as follows:

	31 March 2021	31 December 2020
Bank letters of guarantee	1,537,795	1,595,609
Guarantee	357,204	328,788
	1,894,999	1,924,397

b) Guarantees received as of 31 March 2021 and 31 December 2020 are as follows

	31 March 2021	31 December 2020
Bank letters of guarantee	450,469	443,378
Guarantee notes	12,657	12,619
Guarantee cheques	-	270
Mortgages received	20	20
	463,146	456,287

Contingent asset

The legal case related to tax deduction for the research and development activities in 2011-2012-2013-2014 and 2015 was concluded in favor of the Group and the same cases is still in progress at appeal phase. The appeal process ended in favor of the Group for 2011-2012-2013. The administration has sent an appeal to the Council of State to appeal the decision in favor of the Group and the appeal stage continues. The appeal process is still in progress for 2014-2015.

**NOTE 14 - PREPAID EXPENSES, DEFERRED REVENUE, OTHER ASSETS AND
LIABILITIES**

a) **Prepaid expenses**

Short- term prepaid expenses

	31 March 2021	31 December 2020
Prepaid expenses	23,028	19,444
	23,028	19,444

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**NOTE 14 - PREPAID EXPENSES, DEFERRED REVENUE, OTHER ASSETS AND
LIABILITIES(Continued)**

Long-term prepaid expenses

	31 March 2021	31 December 2020
Advances given	15,404	9,092
	15,404	9,092

b) Other non-current assets

	31 March 2021	31 December 2020
Value added tax receivables	82,058	96,884
Other	3,397	3,765
	85,455	100,649

c) Deferred revenues

Deferred revenues - short term	31 March 2021	31 December 2020
Advances received	671,129	508,165
Deferred maintenance revenues	35,002	28,750
Other	-	1,797
	706,131	538,712

Deferred revenues - long term	31 March 2021	31 December 2020
Deferred maintenance revenues	185,196	155,116
	185,196	155,116

d) Employee benefits obligation:

	31 March 2021	31 December 2020
Social security payables	12,180	22,978
Payables to employees	11,080	14,802
Taxes and funds payable	3,333	13,367
	26,593	51,147

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**NOTE 14 - PREPAID EXPENSES, DEFERRED REVENUE, OTHER ASSETS AND
LIABILITIES(Continued)**

e) Other current liabilities:

	31 March 2021	31 December 2020
Payables to shareholders	14,874	147
Taxes and funds payable	12,795	25,370
Deferred special consumption tax	422	418
Other	1,200	1,162
	29,291	27,097

NOTE 15 - REVENUE AND COST OF SALES

Net sales

	1 January - 31 March 2021	1 January - 31 March 2020
Domestic sales	379,624	167,759
Export sales	503,161	295,030
Gross sales	882,785	462,789
Less: sales discounts and returns	(5,543)	(4,000)
Net sales	877,242	458,789

Sales of the Group for the periods ended 31 December 2021 and 2020 in terms of the products are as follows:

	1 January - 31 March 2021	1 January - 31 March 2020
Commercial vehicle	449,980	224,937
Armored vehicle	322,506	163,041
Other sales (*)	104,756	70,811
	877,242	458,789

(*) Consists of spare parts, service and other sales income.

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NOTE 15 - REVENUE AND COST OF SALES (Continued)

Cost of sales

	1 January - 31 March 2021	1 January - 31 March 2020
Cost of finished goods sold	(589,920)	(288,017)
Cost of merchandise goods sold	(6,819)	(20,287)
	(596,739)	(308,304)

**NOTE 16 - RESEARCH AND DEVELOPMENT EXPENSES, MARKETING AND
GENERAL ADMINISTRATIVE EXPENSES**

	1 January - 31 March 2021	1 January - 31 March 2020
Sales and marketing expenses	(116,846)	(77,311)
General administrative expenses	(41,413)	(33,094)
Research and development expenses	(18,510)	(17,342)
	(176,769)	(127,747)

NOTE 17 - OTHER OPERATING INCOME AND EXPENSES

	1 January - 31 March 2021	1 January - 31 March 2020
Other operating income		
Foreign exchange gains on operating activities	121,580	95,285
Gain on forward transactions	19,747	9,059
Revenue from charge of due date receivables	8,512	2,814
Incentives income	119	79
Other	5,316	7,932
	155,274	115,169
Other operating expenses		
Foreign exchange loss on operating activities	(74,699)	(96,738)
Loss on forward transactions	(34,747)	(7,322)
Provision for doubtful receivables	(4,636)	(3,415)
Expected credit losses related to trade receivables	(168)	(1,816)
Other	(443)	(3,615)
	(114,693)	(112,906)

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NOTE 18 - FINANCIAL INCOME

	1 January - 31 March 2021	1 January - 31 March 2020
Foreign exchange gains on bank borrowings	16,030	8,874
Foreign exchange gains on deposits	19,625	3,499
Interest income from time deposits	5,444	658
	41,099	13,031

NOTE 19 - FINANCIAL EXPENSES

	1 January - 31 March 2021	1 January - 31 March 2020
Foreign exchange losses on bank borrowings	(36,584)	(9,869)
Interest expense on bank borrowings	(35,282)	(16,534)
Foreign exchange losses on deposits	(9,580)	(989)
Other	(469)	(3,360)
	(81,915)	(30,752)

NOTE 20 - TAX ASSETS AND LIABILITIES

In Turkey, the corporation tax rate is 20% (2020 - 22%). Corporate tax returns are required to be filed by the twenty-fifth day of the fourth month following the balance sheet date and taxes must be paid in one installment by the end of the fourth month. The tax legislation provides for a temporary tax of 20% to be calculated and paid based on earnings generated for each quarter. The amounts thus calculated and paid are offset against the final corporate tax liability for the year.

As of 31 March 2021 and 31 December 2020, income tax payables are presented net of prepaid taxes in the balance sheet as follows:

	31 March 2021	31 December 2020
Income tax payable	7,103	685
Prepaid taxes (-)	(7,103)	(685)
Period profit tax liability/(asset)	-	-

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NOTE 20 - TAX ASSETS AND LIABILITIES (Continued)

The breakdown of total tax expense for the periods ended 31 March 2021 and 2020 are as follows:

	1 January - 31 March 2021	1 January - 31 March 2020
Current tax charge	-	-
Deferred tax income / expense reflected in profit or loss		
Charged to profit for the period	2,978	4,801
Charged to other comprehensive income	381	550
	3,359	5,351

As of 31 March 2021 and 31 December 2020, the breakdown of deferred tax bases and deferred tax liability computed using the current effective tax rates are as follows:

	Cumulative temporary differences		Deferred tax assets / (liability)	
	31 March 2021	31 December 2020	31 March 2021	31 December 2020
Property, plant and equipment	(42,940)	(42,416)	(5,107)	(5,002)
Intangible assets	(92,363)	(98,580)	(18,473)	(19,716)
Deferred financial expenses	(1,892)	(2,620)	(378)	(576)
Inventories	24,996	24,359	4,999	5,311
Warranty provision	155,564	134,240	31,113	26,527
Provision for employment termination benefits	65,465	63,725	13,093	12,745
Deferred financial income	67,146	16,098	13,429	3,542
Other provisions	99,525	77,169	19,905	15,793
Deferred maintenance income	158,855	132,143	37,907	30,495
Investment allowance (*)	5,999	32,787	5,599	32,787
Other	(9,426)	(26,712)	(2,443)	(5,621)
Deferred tax assets, net			99,644	96,285

- (*) The Group's T.C. The Investment Incentive Certificate application to the Ministry of Industry and Technology Incentive Application and Foreign Capital General Directorate was approved and an Investment Incentive Certificate numbered 512845 was issued for the modernization investment for a total of TRY447,596 thousand, which is expected to be made in a 4-year period

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NOTE 20 - TAX ASSETS AND LIABILITIES (Continued)

The movement of deferred tax asset for the years ended 31 March 2021 and 2020 are as follows:

:

	1 January - 31 March 2021	1 January - 31 March 2020
1 January	96,285	101,997
Deferred tax income charged to profit or loss and other comprehensive income for the period		
- Charged to profit for the period	2,978	4,801
- Charged to other comprehensive income	381	550
31 March	99,644	107,348

NOTE 21 - EARNINGS PER SHARE

Earnings per share are calculated by dividing net profit by the weighted average number of shares that have been outstanding during the period concerned.

Companies can increase their share capital by making a pro rata distribution of shares to existing shareholders without consideration for amounts resolved to be transferred to share capital from retained earnings. For the purpose of the earnings per share calculation such Bonus Share issues are regarded as stock dividends. Dividend payments, which are immediately reinvested in the shares of the Company, are regarded similarly.

Earnings per main share are determined by dividing net income of the shareholders by the weighted average number of shares that have been outstanding during the related year concerned

	31 March 2021	31 March 2020
Net profit/(loss) for the period	107,444	22,307
Weighted average number of issued shares	24,000,000,000	24,000,000,000
Earnings per share (Kr)	0.448	0.093

NOT 22 - RELATED PARTY DISCLOSURES

Due from and due to the related parties at the period end and transactions with related parties during the periods are as follows:

Due from and due to related party balances as of 31 March 2021 and 31 December 2020:

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NOT 22 - RELATED PARTY DISCLOSURES (Continued)

Due from related parties	31 March 2021	31 December 2020
Al Jasoor Heavy Vehicle Industry LLC (3) (**)	228,810	175,866
Ram Dış Ticaret A.Ş. (1) (*)	161,309	264,814
Other (1)	8	3
	390,127	440,683

(*) The export registered sales to Ram Dış Ticaret A.Ş., comprise export sales made to third party customers.

(**) This amount consists of the trade receivables due to the sales to Al Jasoor Heavy Vehicles Industry LLC,

Due to related parties	31 March 2021	31 December 2020
Ram Sigorta Aracılık Hz. A.Ş.(1)	6,407	-
Zer Merkezi Hizmetler A.Ş. (1)	1,773	9,305
Ram Dış Ticaret A.Ş. (1)	913	11,661
Ford Otosan A.Ş. (2)	893	1,418
Otokoç Otomotiv Tic. ve San. A.Ş. (1)	843	1,135
Koç Holding A.Ş. (2)	439	15,833
Opet Fuchs Madeni Yağ A.Ş. (1)	316	1,190
Akpa Dayanıklı Tük.Paz. A.Ş. (1)	257	-
Setur Servis Turistik A.Ş. (1)	223	874
Other (1)	454	17,548
	12,518	58,964

(1) Related parties of the parent company

(2) Shareholder

(3) Joint venture

Advances received from related parties	31 March 2021	31 December 2020
Al Jasoor Heavy Vehicle Industry LLC (3) (*)	318,342	336,848
	318,342	336,848

(*) These are the advances received due to sales to Al Jasoor Heavy Vehicles Industry LLC, which is a Joint Venture of the Group

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NOT 22 - RELATED PARTY DISCLOSURES (Continued)

ii) Significant sales to related parties and significant purchases from related parties:

Sales of products and services	1 January - 31 March 2021	1 January - 31 March 2020
Al Jasoore Heavy Vehicle Industry LLC (3)	234,605	172,435
Ram Dış Ticaret A.Ş. (1) (*)	117,463	9,175
Other (1)	137	20
	352,205	181,630

(*) The export registered sales to Ram Dış Ticaret A.Ş., comprise export sales made to third party customers.

Fixed asset purchases	1 January - 31 March 2021	1 January - 31 March 2020
Ark İnşaat A.Ş. (1)	3,056	-
Otokoç Otomotiv Tic. ve San. A.Ş. (1)	285	-
Koç Sistem Bilgi ve İletişim Hiz. A.Ş. (1)	214	912
Other (1)	97	97
	3,652	1,009

Inventory purchases	1 January - 31 March 2021	1 January - 31 March 2020
Ford Otosan A.Ş. (2)	13,778	643
Zer Merkezi Hizmetler ve Ticaret A.Ş. (1)	10,850	8,424
Ram Dış Ticaret A.Ş. (1)	1,033	1,924
Opet Fuchs Madeni Yağ A.Ş. (1)	771	1,173
Akpa Dayanıklı Tük.Paz. A.Ş. (1)	676	639
Opet Petrolcülük A.Ş.(1)	635	781
Bal Kaynak Su İth. İhr. San ve Tic A.Ş. (1)	228	-
Other (1)	9	47
	27,980	13,631

- (1) Related parties of the parent company
(2) Shareholder
(3) Joint venture

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NOT 22 - RELATED PARTY DISCLOSURES (Continued)

Service purchases	1 January - 31 March 2021	1 January - 31 March 2020
Ram Sigorta Aracılık Hz. A.Ş.(1)(**)	7,779	5,314
Ram Dış Ticaret A.Ş.(1)	5,292	2,819
Ark İnşaat A.Ş. (1)	3,167	-
Otokoç Otomotiv Tic. ve San. A.Ş.(1)	2,633	1,909
Eltek Elektrik Enerji İth.İhr.Top.Tic. A.Ş. (1)	2,565	2,188
Koç Sistem Bilgi ve İletişim Hiz. A.Ş. (1)	2,494	2,099
Koç Holding A.Ş. (2) (*)	1,190	905
Setur Servis Turistik A.Ş.(1)	948	2,064
Other (1)	1,155	656
	27,223	17,954

(*) It includes service cost that are based on finance, law, planning, tax and management provided by Koç Holding A.Ş. to the companies within the group organization, invoiced to Company with the contest of "11-Intercompany Services" in numbered 1 General Communique about Concealed Gain Distribution by Transfer Pricing.

(**) It includes paid and accrued premium as of 31 March 2021 and 31 March 2020. in accordance with insurance policies signed between insurance companies via Ram Sigorta Aracılık Hizmetleri A.Ş. which is an insurance agency

Banks deposits	31 March 2021	31 Decemer 2020
Yapı ve Kredi Bankası A.Ş. (1)		
- Time deposits	109,639	44,161
- Deposit deposits	6	16
	109,645	44,177

Credits	31 March 2021	31 December 2020
Yapı ve Kredi Bankası A.Ş. (1)	141,557	141,531
	141,557	141,531

- (1) Related parties of the parent company
(2) Shareholder

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NOT 22 - RELATED PARTY DISCLOSURES (Continued)

For the periods ended 31 March 2021 and 2020, financial income and expense with related parties are as follows

Trade receivables and payables foreign exchange gains	1 January - 31 March 2021	1 January - 31 March 2020
Ram Dış Ticaret A.Ş. (1)	18,028	54,210
Zer Merkezi Hizmetler ve Ticaret A.Ş. (1)	216	6
Other (1)	78	13
	18,322	54,229

Trade receivables and payables foreign exchange expenses	1 January - 31 March 2021	1 January - 31 March 2020
Ram Dış Ticaret A.Ş. (1)	23,385	41,216
Zer Merkezi Hizmetler ve Ticaret A.Ş. (1)	228	97
Other (1)	6	28
	23,619	41,341

For the periods ended 31 March 2021 and 2020, financial income and expense with related parties are as follows:

Interest income	1 January - 31 March 2021	1 January - 31 March 2020
Yapı ve Kredi Bankası A.Ş. (1)	1,412	532
	1,412	532

Interest expense	1 January - 31 March 2021	1 January - 31 March 2020
Yapı ve Kredi Bankası A.Ş. (1)	2,122	927
	2,122	927

(1) Related parties of the parent company

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NOT 22 - RELATED PARTY DISCLOSURES (Continued)

For the periods ended 31 March 2021 and 2020, financial income and expense with related parties are as follows:

	1 January - 31 March 2021	1 January - 31 March 2020
Foreign exchange income		
Yapı ve Kredi Bankası A.Ş. (1)	2,729	3,586
	2,729	3,586
Foreign exchange expense		
Yapı ve Kredi Bankası A.Ş. (1)	2,537	306
	2,537	306

(1) Related parties of the parent company

Benefits provided to senior executives

For the period ended 31 March 2020, the total amount of benefits provided to senior management is TRY2,692 thousand (31 March 2020: TRY2,285 thousand). The senior executives consist of board members, general manager and deputy general managers.

NOTE 23 - NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

a) Foreign currency risk and related sensitivity analysis

The Group is exposed to a variety of financial risks, including the effects of changes in debt and equity market prices, foreign currency exchange rates and interest rates. These risks are market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance of the Group

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**NOT 23 - NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS
(Continued)**

The accompanying table represents the foreign currency risk of the assets and liabilities of the Group in the original currencies:

31 March 2021	TRY equivalent (functional currency)	USD	EUR	GBP
1. Trade receivables	836,561	59,226	35,148	9
2a. Monetary financial assets (including cash, bank accounts)	145,377	6,954	8,955	-
2b. Non-monetary financial assets	-	-	-	-
3. Other	17	2	-	-
4. Current assets (1+2+3)	981,955	66,182	44,103	9
5. Trade receivables	-	-	-	-
6a. Monetary financial assets	-	-	-	-
6b. Non-monetary financial assets	-	-	-	-
7. Other	-	-	-	-
8. Non-current assets (5+6+7)	-	-	-	-
9. Total assets (4+8)	981,955	66,182	44,103	9
10. Trade payables	(214,842)	(18,678)	(6,040)	5
11. Financial liabilities	(196,599)	-	(20,089)	-
12a. Monetary other liabilities	(374,223)	(29,116)	(13,424)	-
12b. Non-monetary other liabilities	-	-	-	-
13. Current liabilities (10+11+12)	(785,664)	(47,794)	(39,553)	5
14. Trade payables	-	-	-	-
15. Financial liabilities	(196,472)	-	(20,076)	-
16a. Monetary other liabilities	-	-	-	-
16b. Non-monetary other liabilities	-	-	-	-
17. Non-current liabilities (14+15+16)	(196,472)	-	(20,076)	-
18. Total liabilities (13+17)	(982,136)	(47,794)	(59,629)	5
Net balance sheet position (9+18)	(181)	18,388	(15,526)	14
19. Net asset/(liability) position of off-balance sheet derivative instruments (19a-19b)	(620)	(18,228)	15,500	-
19a. Hedged total assets amount	151,416	-	15,500	-
19b. Hedged total liabilities amount	(152,036)	(18,228)	-	-
20. Net foreign currency asset/(liability) position (9+18+19)	(801)	160	(26)	14
21. Net foreign currency asset/(liability) position of monetary items (=1+2a+5+6a-10-11-12a-14-15-16a)	(198)	18,386	(15,526)	14
22. Total fair value of financial instruments used for foreign currency hedging	620	620	-	-
23. Export (As of 31 March 2021)	498,001	50,940	14,279	9
24. Import, (As of 31 March 2021)	192,195	8,012	14,676	221

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**NOTE 23 - NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS
(Continued)**

31 December 2020	TRY equivalent (functional currency)	USD	EUR	GBP
1. Trade receivables	931,704	70,677	45,832	5
2a. Monetary financial assets (including cash, bank accounts)	95,319	5,798	5,857	-
2b. Non-monetary financial assets	-	-	-	-
3. Other	15	2	-	-
4. Current assets (1+2+3)	1,027,038	76,477	51,689	5
5. Trade receivables	-	-	-	-
6a. Monetary financial assets	-	-	-	-
6b. Non-monetary financial assets	-	-	-	-
7. Other	-	-	-	-
8. Non-current assets (5+6+7)	-	-	-	-
9. Total assets (4+8)	1,027,038	76,477	51,689	5
10. Trade payables	(140,738)	(14,070)	(4,113)	(41)
11. Financial liabilities	(181,329)	-	(20,130)	-
12a. Monetary other liabilities	(252,892)	(19,100)	(12,510)	-
12b. Non-monetary other liabilities	-	-	-	-
13. Current liabilities (10+11+12)	(574,959)	(33,170)	(36,753)	(41)
14. Trade payables	-	-	-	-
15. Financial liabilities	(180,149)	-	(19,999)	-
16a. Monetary other liabilities	-	-	-	-
16b. Non-monetary other liabilities	-	-	-	-
17. Non-current liabilities (14+15+16)	(180,149)	-	(19,999)	-
18. Total liabilities (13+17)	(755,108)	(33,170)	(56,752)	(41)
Net balance sheet position (9+18)	271,930	43,307	(5,063)	(36)
Net asset/(liability) position of off-balance sheet derivative instruments (19a-19b)	(337,663)	(46,000)	-	-
19a. Hedged total assets amount	-	-	-	-
19b. Hedged total liabilities amount	(337,663)	(46,000)	-	-
20. Net foreign currency asset/(liability) position (9+18+19)	(65,733)	(2,693)	(5,063)	(36)
Net foreign currency asset/(liability) position of monetary items (=1+2a+5+6a-10-11-12a-14-15-16a)	271,915	43,305	(5,063)	(36)
Total fair value of financial instruments used for foreign currency hedging	(15,937)	(15,937)	-	-
23. Export (As of 31 March 2020)	292,255	29,330	16,212	2
24. Import (As of 31 March 2021)	219,127	14,746	18,929	378

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(Amounts expressed in thousand Turkish Lira ("TRY") unless otherwise indicated.)

**NOTE 23 - NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS
(Continued)**

The following table demonstrates the sensitivity to a possible change of 10% in the USD, Euro and GBP exchange rates, with all other variables held constant, on the Group's income before tax as of 31 March 2021 and 31 December 2020:

	<u>Profit before tax</u>	<u>Profit before tax</u>
	<u>Appreciation of</u>	<u>Depreciation of foreign</u>
<u>31 March 2021</u>	<u>foreign currency</u>	<u>foreign currency</u>
<i>In case 10% appreciation of USD against TRY</i>		
1- USD net asset/liability	34	(34)
2- Amount hedged for USD risk (-)	-	-
3- USD net effect (1+2)	34	(34)
<i>In case 10% appreciation of EUR against TRY:</i>		
4- EUR net asset/liability	(130)	130
5- Amount hedged for EUR risk (-)	-	-
6- EUR net effect (4+5)	(130)	130
<i>In case 10% appreciation of GBP against TRY</i>		
7- GBP net asset/liability	16	(16)
8- Amount hedged for GBP risk (-)	-	-
9- GBP net effect (7+8)	16	(16)
Total (3+6+9)	(80)	80

	<u>Profit before tax</u>	<u>Profit before tax</u>
	<u>Appreciation of</u>	<u>Depreciation of foreign</u>
<u>31 December 2020</u>	<u>foreign currency</u>	<u>foreign currency</u>
<i>In case 10% appreciation of USD against TRY</i>		
1- USD net asset/liability	(1,977)	1,977
2- Amount hedged for USD risk (-)	-	-
3- USD net effect (1+2)	(1,977)	1,977
<i>In case 10% appreciation of EUR against TRY:</i>		
4- EUR net asset/liability	(4,561)	4,561
5- Amount hedged for EUR risk (-)	-	-
6- EUR net effect (4+5)	(4,561)	4,561
<i>In case 10% appreciation of GBP against TRY</i>		
7- GBP net asset/liability	(36)	36
8- Amount hedged for GBP risk (-)	-	-
9- GBP net effect (7+8)	(36)	36
Total (3+6+9)	(6,574)	6,574

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NOTE 24 - FINANCIAL INSTRUMENTS

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. Disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1),
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2),
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The following table presents the Group's assets that are measured at fair value at 31 March 2021 and 31 December 2020:

31 March 2021

Liabilities	Level 1	Level 2	Level 3	Total
Derivative financial instruments	-	620	-	620
	-	620	-	620

31 December 2020

Assets	Level 1	Level 2	Level 3	Total
Derivative financial instruments	-	15,937	-	15,937
	-	15,937	-	15,937

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by a quoted market price, if one exists.

The estimated fair values of financial instruments have been determined by the Group using available market information and appropriate valuation methodologies. However, judgment is necessarily required to interpret market data to estimate the fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Group could realize in a current market exchange.

The Group considers that carrying amounts reflect fair values of the financial instruments.

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NOTE 24 - FINANCIAL INSTRUMENTS(Continued)

Monetary assets - Short term monetary assets are considered to approximate their respective carrying values due to their short-term nature and low level of credit risk.

Monetary liabilities - Trade payables and other monetary liabilities are considered to approximate their respective carrying values due to their short-term nature. The fair values of long-term bank borrowings with fixed interest rates are noted that it is close to approximate their respective carrying values, since the interest rate as of balance sheet date is used. The fair values of short-term bank borrowings are considered to approximate their respective carrying values due to their short-term nature.

NOTE 25 - SUBSEQUENT EVENTS

None.

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