

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

**CONVENIENCE TRANSLATION INTO ENGLISH OF
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY - 30 JUNE 2020**

(ORIGINALLY ISSUED IN TURKISH)



**CONVENIENCE TRANSLATION INTO ENGLISH OF
INDEPENDENT AUDITOR'S REVIEW REPORT
ORIGINALLY ISSUED IN TURKISH
REPORT ON REVIEW OF CONDENSED CONSOLIDATED
INTERIM FINANCIAL INFORMATION**

To the General Assembly of
Otokar Otomotiv ve Savunma Sanayi A.Ş.

Introduction

We have reviewed the accompanying condensed consolidated statement of financial position of Otokar Otomotiv ve Savunma Sanayi A.Ş. (the "Company") and its subsidiaries (collectively referred as the "Group") as at 30 June 2020, the condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated changes in equity, condensed consolidated cash flows and other explanatory notes for the six-month period then ended ("condensed consolidated interim financial information"). The management of the Group is responsible for the preparation and fair presentation of this condensed consolidated interim financial information in accordance with Turkish Accounting Standard 34 ("TAS 34") "Interim Financial Reporting". Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of review

We conducted our review in accordance with the Standard on Review Engagements ("SRE") 2410, "Review of interim financial information performed by the independent auditor of the entity". A review of condensed consolidated interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Standards on Auditing and the objective of which is to express an opinion on the consolidated financial statements. Consequently, a review on the condensed consolidated interim financial information does not provide assurance that the audit firm will be aware of all significant matters which would have been identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to conclude that the accompanying condensed consolidated interim financial information of Otokar Otomotiv ve Savunma Sanayi A.Ş. is not prepared, in all material respects, in accordance with TAS 34.

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

Cihan Harman, SMMM
Partner

Istanbul, 29 July 2020

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**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENT
FOR THE PERIOD 1 JANUARY - 30 JUNE 2020**

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OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS AS OF
30 JUNE 2020 AND 31 DECEMBER 2019**

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

	Notes	(Reviewed) 30 January 2020	(Audited) 31 December 2019
Assets			
Current assets			
Cash and cash equivalents	4	478,808	222,722
Trade receivables	9	1,122,571	896,618
<i>Due from related parties</i>	22	396,193	219,900
<i>Due from third parties</i>	9	726,378	676,718
Other receivables		251	470
Inventories	10	1,047,976	768,185
Derivative financial instruments	8	397	-
Prepaid expenses	14	15,867	8,646
Other current assets	14	75,443	46,003
Total current assets		2,741,313	1,942,644
Non-current assets			
Trade receivables	9	56,984	51,001
Other receivables		1,700	874
Investments accounted for using the equity method	5	115,326	56,162
Financial investment	7	147	147
Property, plant and equipment, net	11	134,104	129,072
Right of use assets, net	11	23,431	23,281
Intangible assets, net	12	426,423	372,539
Deferred income tax asset	20	66,060	101,997
Total non-current assets		824,175	735,073
Total assets		3,565,488	2,677,717

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 FINANCIAL STATEMENTS AS OF
30 JUNE 2020 AND 31 DECEMBER 2019**

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

	Notes	(Reviewed) 30 June 2020	(Audited) 31 December 2019
Liabilities			
Current liabilities			
Short-term borrowings	6	695,020	246,400
<i>Bank loans</i>	6	684,688	236,856
<i>Short-term lease liabilities</i>	6	10,332	9,544
Short-term portion of long-term borrowings	6	8,118	7,509
<i>Bank loans</i>	6	8,118	7,509
Trade payables	9	271,278	256,191
<i>Due to related parties</i>	22	10,733	29,731
<i>Due to third parties</i>	9	260,545	226,460
Derivative financial liabilities		-	1,100
Employee benefit obligations	14	37,800	38,276
Other payables		52,683	46,434
Obligations arising from customer contracts	14	384,788	288,137
Government grants		254	314
Short-term provisions	13	172,253	147,505
<i>Provisions for employee benefits</i>	13	15,417	12,520
<i>Other provisions</i>	13	156,836	134,985
Other current liabilities	14	39,260	5,881
Total current liabilities		1,661,454	1,037,747
Non-current liabilities			
Long-term borrowings	6	960,324	547,940
<i>Bank loans</i>	6	944,164	533,012
<i>Long-term lease liabilities</i>	6	16,160	14,928
Government grants		1,414	1,392
Long-term provisions	13	56,507	48,460
<i>Provisions for employee benefits</i>	13	56,507	48,460
Obligations arising from customer contracts	14	290,984	404,532
Total non-current liabilities		1,309,229	1,002,324
Total liabilities		2,970,683	2,040,071
Equity			
Paid-in share capital		24,000	24,000
Inflation adjustment on share capital		52,743	52,743
Restricted reserves		93,650	73,770
Accumulated other comprehensive income and expense that will not be reclassified to statement of profit or loss		(11,678)	(9,741)
<i>Defined benefit plans remeasurement losses</i>		(11,678)	(9,741)
Accumulated other comprehensive income and expense that may be reclassified to statement of profit or loss		(25,601)	(12,380)
<i>Currency translation differences</i>		(25,601)	(12,380)
Retained earnings		289,374	157,662
Net profit for the period		172,317	351,592
Total equity		594,805	637,646
Total liabilities and equity		3,565,488	2,677,717

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 30 JUNE 2020 AND 2019**

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

	Notes	(Reviewed)		(Reviewed)	
		1 January - 30 June 2020	1 April - 30 June 2020	1 January - 30 June 2019	1 April - 30 June 2019
Revenue	15	1,136,248	677,459	1,283,896	864,826
Cost of sales (-)	15	(697,132)	(388,828)	(805,836)	(490,377)
GROSS PROFIT (LOSS)		439,116	288,631	478,060	374,449
Marketing expenses (-)	16	(140,184)	(62,873)	(196,970)	(125,069)
General administrative expenses (-)	16	(61,788)	(28,694)	(58,122)	(32,900)
Research and development expenses (-)	16	(35,558)	(18,216)	(28,507)	(14,542)
Other operating income	17	208,492	93,323	170,606	86,500
Other operating expenses (-)	17	(188,836)	(75,930)	(98,802)	(43,357)
OPERATING PROFIT (LOSS)		221,242	196,241	266,265	245,081
Income from investing activities		20	-	105	(6)
Share of profit/loss of investments accounted for using the equity method, net	5	40,727	30,521	13,910	14,947
OPERATING INCOME (EXPENSE) BEFORE FINANCIAL EXPENSES		261,989	226,762	280,280	260,022
Financial income	18	32,636	19,605	18,114	4,984
Financial expense (-)	19	(85,824)	(55,072)	(109,245)	(57,570)
PROFIT (LOSS) BEFORE TAX		208,801	191,295	189,149	207,436
Tax income/(expense) from continued operations					
Current tax expense (-)	20	-	-	-	-
Deferred tax income/(expense)	20	(36,484)	(41,285)	6,181	(1,154)
PROFIT (LOSS) FOR THE PERIOD		172,317	150,010	195,330	206,282
Items that will not be reclassified to statement of profit or loss					
Remeasurement (losses)/gains	13	(2,484)	12	(4,978)	436
Deferred tax income/(expense)		547	(3)	1,094	(96)
Items that may be reclassified to statement of profit or loss					
Currency translation differences of investments accounted for using the equity method		18,437	7,297	239	(454)
Currency translation differences		(31,658)	(21,683)	(23,044)	(18,091)
Other comprehensive (loss)/income		(15,158)	(14,377)	(26,689)	(18,205)
TOTAL COMPREHENSIVE INCOME (EXPENSE)		157,159	135,633	168,641	188,077
Earnings per share (Kr)	21	0,718	0,625	0,814	0,860

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 CHANGES IN EQUITY FOR THE PERIODS ENDED 30 JUNE 2020 AND 2019

(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
1 January 2019-30 June 2019								
Opening balances	24,000	52,743	66,678	(3,586)	12,997	72,418	164,336	389,586
Transfers	-	-	7,080	-	-	157,256	(164,336)	-
Dividends paid	-	-	-	-	-	(72,000)	-	(72,000)
Total comprehensive income	-	-	-	(3,884)	(22,805)	-	195,330	168,641
Closing balances	24,000	52,743	73,758	(7,470)	(9,808)	157,674	195,330	486,227
1 January 2020-30 June 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	-	-	-	(1,937)	(13,221)	-	172,317	157,159
Closing balances	24,000	52,743	93,650	(11,678)	(25,601)	289,374	172,317	594,805

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

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FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH**

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS FOR
THE PERIODS ENDED 30 JUNE 2020 AND 2019**

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

	Notes	(Reviewed) 1 January – 30 June 2020	(Reviewed) 1 January – 30 June 2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit for the period		(207,310)	(190,205)
Adjustments to reconcile net profit for the period to cash flows from operating activities		172,317	195,330
Depreciation and amortization	11	46,755	39,206
Adjustments in relation to impairment:		18,304	4,449
- Provision for doubtful receivables	9	6,395	3,506
- Provision for inventories	10	11,909	943
Adjustments in relation to provision		60,296	59,764
- Provision for employee benefits	13	11,827	3,993
- Warranty provision expenses	13	41,809	55,771
- Adjustments for other provisions		6,660	-
Adjustments in relation to interest income and expenses:		39,402	71,463
- Interest income on time deposits	18	(14,357)	(1,217)
- Interest expense on borrowings	19	53,759	72,680
Adjustments in relation to unrealised foreign exchange gains and losses		21,616	18,929
Adjustments in relation to fair value gains and losses		(827)	(19,005)
- Fair value losses/(gains) on financial derivative instruments		(827)	(19,005)
Adjustments for undistributed profits of investments accounted for using equity method		(40,727)	(13,910)
- Adjustments for undistributed profits of joint ventures		(40,727)	(13,910)
Adjustment on tax (expense)/income		36,484	(6,181)
Adjustments in relation to gains or losses on sales of property, plant and equipment		(20)	(105)
- Gain on sale of property, plant and equipments		(20)	(105)
Changes in net working capital		(530,255)	(519,505)
Change in trade receivables		(238,591)	(519,550)
Change in inventories		(291,700)	(85,145)
Change in trade payables		15,087	(10,066)
Other changes		(15,051)	95,256
- Changes in other operating assets		(37,268)	(26,669)
- Changes in other operating liabilities		22,217	121,925
Cash flows from operations		(176,655)	(169,565)
Payments in relation to employee benefits	13	(3,367)	(4,008)
Payments in relation to other provisions	13	(26,618)	(31,482)
Other cash collections/(payments)		(670)	14,850
CASH FLOWS FROM INVESTING ACTIVITIES			
-Proceeds from sale of property, plant and equipment		96	476
Cash outflows due to purchase of property, plant and equipment and intangible assets		(99,292)	(92,203)
- Cash outflows due to purchase of property, plant and equipment	11	(11,700)	(26,893)
- Cash outflows due to purchase of intangible assets	12	(87,592)	(65,310)
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash inflow from to borrowings		1,490,850	1,054,553
- Proceeds from bank borrowings	6	1,490,850	1,054,553
Cash outflow due to repayment of borrowings		(663,995)	(685,098)
- Repayments of borrowings	6	(663,995)	(685,098)
Cash outflows on debt payments from leasing agreements	6	(5,481)	(4,925)
Dividends paid		(200,000)	(72,000)
Interest paid		(41,431)	(54,508)
Interest received		14,357	1,217
NET DECREASE IN CASH AND CASH EQUIVALENTS BEFORE THE EFFECT OF CURRENCY TRANSLATION DIFFERENCES		287,794	(42,693)
Effect of currency translation difference on cash and cash equivalents		(31,708)	(22,805)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS)		256,086	(65,498)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	4	222,722	173,017
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	4	478,808	107,519

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

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL
STATEMENTS AS OF AND FOR THE PERIOD ENDED 30 JUNE 2020**

(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 A Bl.
34854 Küçükyalı/İstanbul

Plant:

Atatürk Cad. No: 6
54580 Arifiye / Sakarya

The information regarding the subsidiary of the Group within the scope of 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.

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 Kazakhstan, in order to increase its international sales and follow up export activities. Since the financial activities of Otokar Central Asia Limited Company have not started yet, the investment was presented under financial investments in the condensed interim consolidated financial statements.

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

	30 June 2020		31 December 2019	
	Period end	Average	Period end	Average
Total personel number	1.988	1.978	1.957	1.994

The condensed interim consolidated financial statements for the period ended 30 June 2020 were authorized for issue and signed by the Board of Directors of Otokar on 29 July 2020.

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 30 June 2020, 27.85% of the shares are quoted on the BIST.

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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 30 JUNE 2020**

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

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

As of 30 June 2020, 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.

For the period ended 30 June 2020, the Group prepared its condensed interim consolidated financial statements in accordance with the Turkish Accounting Standard No.34 Interim Financial Reporting. Condensed interim consolidated financial statements of the Group do not include all the information and disclosures required in the annual financial statements, therefore should be read in conjunction with the Group’s annual financial statements as of 31 December 2019.

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. Consolidated financial statements have been presented in accordance with the formats specified in the "Announcement about TMS Taxonomy" published by the UPS on 15 April 2019 and the "Guidelines for Using Financial Statement Examples".

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.

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

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

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE PERIOD ENDED 30 JUNE 2020

(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)

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.

In accordance with the CMB's resolution dated 17 March 2005 and numbered 11/367, the financial statements were restated in accordance with Turkish Accounting Standards (TAS) 29 (Financial Reporting in Hyperinflationary Economies) for the last time as of 31 December 2004, since the objective conditions which require the application of restatement of financial statements have not been realized and that based on the existing data CMB has foreseen that the indications whether such conditions are going to be realized in the future is no longer probable. Therefore, non-monetary assets, liabilities and equity items including the share capital as of 31 December 2019 and 31 December 2018 have been restated by applying the relevant conversion factors through carrying additions after 31 December 2004 at their nominal values.

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 period.

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 used in the preparation of these condensed interim consolidated financial statements for the period ended 30 June 2020 are consistent with those used in the preparation of consolidated financial statements for the year ended 31 December 2019.

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(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

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.

2.3.1 New and amended standards and interpretations

a. *Standards, amendments and interpretations applicable as at 30 June 2020:*

- **Amendments to IAS 1 and IAS 8 on the definition of material;** effective from Annual periods beginning on or after 1 January 2020. These amendments to IAS 1, ‘Presentation of financial statements’, and IAS 8, ‘Accounting policies, changes in accounting estimates and errors’, and consequential amendments to other IFRSs:
 - i) use a consistent definition of materiality throughout IFRSs and the Conceptual Framework for Financial Reporting;
 - ii) clarify the explanation of the definition of material; and
 - iii) incorporate some of the guidance in IAS 1 about immaterial information.
- **Amendments to IFRS 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.

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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)

Amendment to 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

b. Standards, amendments and interpretations that are issued but not effective as at 30 June 2020:

- **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.
- **Amendments to 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 17 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.
- **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..
- **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.
- **Amendments to IAS 37, 'Provisions, contingent liabilities and contingent assets'** specify which costs a company includes when assessing whether a contract will be loss-making.

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**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)

Annual improvements make minor amendments to IFRS 1, ‘First-time Adoption of IFRS’, IFRS 9, ‘Financial instruments’, IAS 41, ‘Agriculture’ and the Illustrative Examples accompanying IFRS 16, ‘Leases’

These amendments do not have a significant impact on the financial position and performance of the Group.

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

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

2.4 Significant accounting judgments and estimates (Continued)

Group accounting (Continued)

The table below sets out the subsidiaries of the Company and shows the total interest of the Company in these companies at 30 June 2020 and 31 December 2019:

Subsidiaries	2020		2019	
	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 Jasoor Heavy Vehicle Industry LLC	49.00	49.00	49.00	49.00

2.5 Going Concern

The Group prepared consolidated financial statements in accordance with the going concern assumption.

2.6 Significant changes in the current period

In connection with the Covid-19 pandemic and parallel to the current conditions/slowdown in the global economy, there have been disruptions in the supply and sales processes and especially during the lockdowns the manufacturing have been temporarily suspended. In this context, Production activities were temporarily suspended at the Group's facility in Sakarya between 25.03.2020 - 20.04.2020.

The impact of Covid-19 (Coronavirus) pandemic to the Company's operations and financial results has been monitored and actions have been immediately taken for the Company to mitigate the impacts of the pandemic. In the meantime, the Group has taken measures for stock optimization and for savings on operational and capital expenditures. Cash management strategies have been reviewed for a stronger liquidity position. Emergency plan and risk analysis have been revised.

With the removal of restrictions to prevent outbreaks, production and sales activities continued without interruption as of the balance sheet date. It is still unclear, both in Turkey and around the world, how long the impact of the COVID-19 will last and to what extent the virus will continue to spread. It will be possible to make a more clear and accurate estimation for the medium and long-term when the impact and duration of the virus become more evident. In preparation of the condensed interim consolidated financial statements as of 30 June 2020, the Group has assessed the possible impacts of Covid-19 pandemic on the financial statements and reviewed the critical estimates and assumptions. Within this scope, the Group has tested the financial assets, inventories, tangible assets, goodwill and brands for a possible impairment and no impairments were identified.

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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 15). Thus, segment reporting is not performed.

NOTE 4 - CASH AND CASH EQUIVALENTS

	30 June 2020	31 December 2019
Banks		
- Time deposits	433,148	144,016
- Demand deposits	45,644	78,649
Other	16	57
	478,808	222,722

As of 30 June 2020, TRY433,148 of the total amount of time deposits amounting to TRY18,894 thousand is denominated in foreign currency and the annual effective interest rate is 0.1% and has a maturity of 1 days. The annual effective interest rate of the remaining TRY414,254 thousand is 9.04% and has a maturity of 51 days

(As of 31 December 2019, TRY62.74 of the total amount of time deposits amounting to TRY144,016 thousand is denominated in foreign currency and the annual effective interest rate is 0.95% and has a maturity of 6 days. The annual effective interest rate of the remaining TRY81,271 thousand is 10.48% and has a maturity of 6 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 30 June 2020, the Group has restricted bank deposit amounting to TRY274 thousand (31 December 2019: TRY0,2 thousand).

NOTE 5 - INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

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

Joint ventures	2020		2019	
	(%)	Amount	(%)	Amount
Al Jasoor	49	115,326	49	56,162
		115,326		56,162

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

The movements of joint ventures for the periods ended on 30 June 2020 and 2019 are as follows:

	2020	2019
Beginning- 1 January	56,162	13,305
Shares of profit	40,727	13,910
Currency translation differences	18,437	239
Closing- 30 June	115,326	27,454

The summary of the financial statements of Al Jasoor Heavy Vehicle Industry LLC as of 30 June 2020 and 31 December 2019 is as follows:

	30 June 2020	31 December 2019
Total assets	1,254,610	989,834
Total liabilities	(1,140,242)	(876,650)
Foreign currency translation differences	120,991	1,432
Net assets	235,359	114,616
Ownership of the Group	%49	%49
Net asset share of the Group	115,326	56,162

NOTE 6 - BORROWINGS

Short-term financial borrowings

30 June 2020	Maturities	Annual average effective interest rate (%)	Amount
Bank loans			
TRY borrowings	7 June 2021	8.44	423,092
RON borrowings	31 December 2020	5.53	261,594
USD borrowings	16 July 2020	4.70	1
EUR borrowings	16 July 2020	1.05	1
			684,688
Borrowings from lease liabilities			
TRY lease liabilities	-	10.00	2,968
EUR lease liabilities	-	2.00	7,364
			10,332
Total short-term financial liabilities			695,020

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NOTE 6 - BORROWINGS (Continued)

**Principals and interest accruals on
the short-term portion of long-term
borrowings (*)**

30 June 2020	Maturities	Annual average effective interest rate (%)	TRY Equivalent
Bank Loans			
TRY borrowings	-	9.30	7,146
EUR borrowings	-	2.35	972
			8,118

(*) Bearing fixed interest rate

30 June 2020	Maturities	Annual average effective interest rate (%)	TRY Equivalent
Long-term bank loans (*)			
Bank Loans			
TRY borrowings	4 October 2021- 3 June 2022	9.30	790,000
EUR borrowings	20 September 2021	2.35	154,164
			944,164

Borrowings from lease liabilities

TRY borrowings	-	10.00	4,643
EUR borrowings	-	2.00	11,517
			16,160
Total long-term financial borrowings			960,324

(*) Bearing fixed interest rate

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NOTE 6 - BORROWINGS (Continued)

Short-term bank loans

31 December 2019	Maturities	Annual average effective interest rate (%)	Amount
Bank loans			
EUR borrowings	2 January 2020	1.04	139,676
RON borrowings	14 December 2020	5.22	97,180
			236,856
Borrowings from lease liabilities			
EUR borrowings	-	6.00	6,802
TRY borrowings	-	25.00	2,742
			9,544
Total short-term financial borrowings			246,400

31 December 2019	Maturities	Annual average effective interest rate (%)	Amount
Principals and interest accruals on the short-term portion of long-term borrowings (*)			
TRY borrowings	-	14.87	6,697
EUR borrowings	-	2.35	812
			7,509

31 December 2019	Maturities	Annual average effective interest rate (%)	Amount
Long-term bank borrowings(*)			
Bank loans			
TRY borrowings	1 October 2021 – 3 October 2022	14.87	400,000
EUR borrowings	20 September 2021	2.35	133,012
			533,012

(*) Bearing fixed interest rate

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NOTE 6 - BORROWINGS (Continued)

31 December 2019	Maturities	Annual average effective interest rate (%)	Amount
Borrowings from lease liabilities			
EUR borrowings	-	6.00	10,639
TRY borrowings	-	25.00	4,289
			14,928
Total long-term financial borrowings			547,940

As of 30 June 2020, the Group has not provided any guarantees for the borrowings (31 December 2019: None).

The movements of borrowings over the periods ended on 30 June 2020 and 2019 are as follows:

	2020	2019
1 January	801,849	707,547
Borrowing received during the period	1,490,850	1,054,553
Lease liabilities for the first time adoption of TFRS 16	-	17,855
Cash outflows related to debt payments from leasing agreements	(5,481)	(4,925)
Effect of change due to TFRS 16	6,295	(70)
Principal payments	(663,995)	(685,098)
Change in interest accruals	12,328	18,962
Change in exchange rates	21,616	18,929
30 June	1,663,462	1,127,753

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 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.

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NOTE 8 - DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

	30 June 2020	Contract amount	Current period contract maturity	Fair value assets
Forward transactions		859,651	18 June 2020- 16 July 2020	397
Short-term derivative financial instruments		859,651		397
Total derivative financial instruments		859,651		397
	31 December 2019	Contract amount	Previous period contract maturity	Fair value assets
Forward transactions		612,478	9 January 2020- 31 January 2020	(1,100)
Short-term derivative financial instruments		612,478		(1,100)
Total derivative financial instruments		612,478		(1,100)

NOTE 9 - TRADE RECEIVABLES AND PAYABLES

Trade receivables

	30 June 2020	31 December 2019
Trade receivables, net	695,659	591,833
Notes receivables, net	83,488	131,586
	779,147	723,419
Less: provision for doubtful receivables	(52,769)	(46,701)
Short-term trade receivables	726,378	676,718
Trade receivables from related parties (Note 22)	396,193	219,900
Short-term trade receivables	1,122,571	896,618
Long-term trade receivables, net	56,984	51,001
Long-term trade receivables	56,984	51,001

As of 30 June 2020, the average maturity of trade receivables is between 60-90 days (excluding notes receivables) (31 December 2019: 60-90 days). As of 30 June 2020 and 31 December 2019 the fair values of trade receivables approximate to their carrying values due to short term maturity of those receivables.

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NOTE 9 - TRADE RECEIVABLES AND PAYABLES (Continued)

Guarantees received for trade receivables

Receivables of the Group are mainly composed of minibus and bus sales to dealers and trailer and armored vehicle sales. As of 30 June 2020, the total trade receivable from dealers amounting to TRY120,390 thousand (31 December 2019: TRY92,084 thousand), after provision provided for doubtful receivables, has been secured by mortgages and guarantees at the amount of TRY120,395 thousand (31 December 2019: TRY92,084 thousand). The Group manages the credit risk of remaining balance in the manner described in the Credit Risk section of Note 28 to the consolidated financial statements.

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

30 June 2020	Trade receivables	
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	309	-
		309
Amount secured with guarantees		309
31 December 2019	Trade receivables	
1- 30 day past due	-	-
1- 3 month past due	-	-
3- 12 month past due	-	-
1- 5 year past due	270	-
Over 5 years past due	-	-
		270
Amount secured with guarantees		270

The movement of the provision for doubtful receivables for the periods ended 30 June 2020 and 2019 are as follows:

	2020	2019
1 January	46,701	43,512
Collections	(587)	(419)
Exchange differences	260	151
Currency translation differences	6,395	3,355
30 June	52,769	46,599

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NOTE 9 - TRADE RECEIVABLES AND PAYABLES (Continued)

Trade payables

	30 June 2020	31 December 2019
Trade payables, net	259,969	225,948
Notes payables, net	576	512
Short-term other trade payables	260,545	226,460
Trade payables to related parties (Note 22)	10,733	29,731
Short-term trade payables	271,278	256,191

As of 30 June 2020, average payment term for trade payables is 45-60 days (31 December 2019: 45-60 days).

As of 30 June 2020 and 31 December 2019, the fair values of trade payables approximate to their carrying values due to short-term maturity of those payables.

NOTE 10 - INVENTORIES

	30 June 2020	31 December 2019
Raw material	480,008	229,304
Semi-finished goods	55,002	72,267
Finished goods	221,851	246,131
Merchandise goods	133,074	117,692
Goods in transit	179,312	112,153
Impairment for inventories (*)	(21,271)	(9,362)
	1,047,976	768,185

(*) TRY260 thousand of impairment is related to finished goods (31 December 2019: TRY325 thousand) and TRY531 thousand is related to merchandises (31 December 2019: TRY818 thousand). TRY20,480 thousand of impairment (31 December 2019: TRY8,219 thousand) is related to raw materials. The impairment has been accounted for under cost of sales.

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NOTE 11 - PROPERTY, PLANT AND EQUIPMENT

Movements of property, plant and equipment and related accumulated depreciation for the periods ended 30 June 2020 and 2019 is as follows:

	1 January 2020	Additions	Disposal	Transfers	Currency translation differences	30 June 2020
Cost						
Land	37,437	-	-	-	-	37,437
Land improvements	8,608	290	-	-	-	8,898
Buildings	59,620	-	-	-	-	59,620
Machinery and equipment	112,253	2,290	-	10,473	391	125,407
Motor vehicles	9,782	2,914	(135)	-	-	12,561
Furniture and fixtures	53,168	4,583	(14)	610	220	58,567
Leasehold improvements	1,117	-	-	-	-	1,117
Construction in areas	12,011	1,623	(143)	(11,083)	-	2,408
	293,996	11,700	(292)	-	611	306,015
Accumulated depreciation						
Land improvements	(4,730)	(147)	-	-	-	(4,877)
Buildings	(47,350)	(614)	-	-	-	(47,964)
Machinery and equipment	(86,988)	(3,105)	-	-	(186)	(90,279)
Motor vehicles	(6,026)	(474)	15	-	-	(6,485)
Furniture and fixtures	(18,910)	(2,522)	201	-	(115)	(21,346)
Furniture and fixtures	(920)	(40)	-	-	-	(960)
	(164,924)	(6,902)	216	-	(301)	(171,911)
Net book value	129,072					134,104

There is no mortgage on property, plant and equipment as of 30 June 2020 (31 December 2019: None).

	1 January 2019	Additions	Disposal	Transfers	Currency translation differences	30 June 2019
Cost						
Land	37,457	-	(20)	-	-	37,437
Land improvements	8,583	-	-	-	-	8,583
Buildings	58,489	490	-	-	-	58,979
Machinery and equipment	106,570	1,917	-	-	96	108,583
Motor vehicles	9,345	786	(127)	-	-	10,004
Furniture and fixtures	38,143	4,646	(3)	-	62	42,848
Leasehold improvements	1,089	26	-	-	-	1,115
Construction in process	4	1,244	-	-	-	1,248
	259,680	9,109	(150)	-	158	268,797
Accumulated depreciation						
Land improvements	(4,432)	(151)	-	-	-	(4,583)
Buildings	(44,870)	(1,306)	-	-	-	(46,176)
Machinery and equipment	(81,205)	(2,687)	-	-	(63)	(83,955)
Motor vehicles	(5,483)	(351)	31	-	-	(5,803)
Motor vehicles	(15,245)	(1,956)	1	-	(35)	(17,235)
Furniture and fixtures	(842)	(37)	-	-	-	(879)
	(152,077)	(6,488)	32	-	(98)	(158,631)
Net book value	107,603					110,166

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NOTE 11 - PROPERTY, PLANT AND EQUIPMENT (Continued)

The allocation of accumulated depreciation and amortisation for the periods ended 30 June 2020 and 2019 is as follows:

	30 June 2020	30 June 2019
Research and development expenses	34,615	27,434
Right of use of assets	6,144	-
Cost of goods sold	3,205	2,862
General administrative expenses	1,508	1,179
Depreciation on inventories	725	1,086
Selling and marketing expenses	473	738
Currency translation differences	302	98
Costs related to uncompleted contracts	84	1,531
	47,056	34,928

RIGHT OF USE ASSETS

The allocation of right of use assets for the periods ended 30 June 2020 and 2019 is as follows

30 June 2020	Buildings	Motor vehicles	Furniture and fixture	Total
Cost	20,585	16,687	491	37,763
Accumulated depreciation	(5,325)	(8,696)	(311)	(14,332)
	15,260	7,991	180	23,431
30 June 2019	Buildings	Motor vehicles	Furniture and fixture	Total
Cost	9,497	7,802	486	17,785
Accumulated depreciation	(1,692)	(2,570)	(115)	(4,377)
	7,805	5,232	371	13,408

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NOTE 12 - INTANGIBLE ASSETS

Movements of intangible assets and related accumulated amortisation for the periods ended 30 June 2020 and 2019 are as follows:

	1 January 2020	Additions	Currency translation differences	Disposals	Tranfers	30 June 2020
Cost						
Other intangible assets	21,821	1,778	-	-	-	23,599
Development costs	542,609	-	-	-	-	542,609
Developments projects in progress	123,643	85,814	-	-	-	209,457
	688,073	87,592	-	-	-	775,665
Accumulated amortization						
Other intangible assets	(14,693)	(1,143)	-	-	-	(15,836)
Development costs	(300,841)	(32,565)	-	-	-	(333,406)
	(315,534)	(33,708)	-	-	-	(349,242)
Net book value	372,539					426,423
	1 January 2019	Additions	Currency translation differences	Disposals	Tranfers	30 June 2019
Cost						
Other intangible assets	18,249	1,022	-	-	-	19,271
Development costs	427,570	-	-	-	269	427,839
Developments projects in progress	92,439	64,288	-	-	(269)	156,458
	538,258	65,310	-	-	-	603,568
Accumulated amortization						
Other intangible assets	(13,017)	(908)	-	-	-	(13,925)
Development costs	(244,585)	(27,434)	-	-	-	(272,019)
	(257,602)	(28,342)	-	-	-	(285,944)
Net book value	280,656					317,624

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**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL
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NOTE 13 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

Short-term provisions

	30 June 2020	31 December 2019
Provision for warranty expenses	93,088	77,897
Provision for Employee benefits	15,417	12,520
Other	63,748	57,088
	172,253	147,505

Warranty provision

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 30 June 2020 and 2019, the tables which represent the position of guarantees, pledges and mortgages are as follows:

	2020	2019
1 January	77,897	43,778
Additional provision	41,809	55,771
Claim payments	(26,618)	(31,482)
30 June	93,088	68,067

Provision for employment termination benefits

	30 June 2020	31 December 2019
Provision for employment termination benefits	56,507	48,460
Provision for unused vacation	15,417	12,520
	71,924	60,980

Provision for employment termination benefits

The amount payable consists of one month’s salary limited to a maximum of TRY6,730.15 in full for each year of service as of 30 June 2020 (31 December 2019: TRY6,379.86 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.

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

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:

	30 June 2020	31 December 2019
Net discount rate (%)	4.67	4.67
Turnover rate to estimate the probability of retirement (%)	97.89	97.66

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 TRY7,117.17 in full (1 January 2020: TRY6,730.15 in full), which is effective from 1 January 2020, 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:

	2020	2019
1 January	48,460	38,235
Interest expense	2,193	1,730
Charge for the period	6,737	2,263
Actuarial loss	2,484	4,978
Payments	(3,367)	(4,008)
30 June	56,507	43,198

Provision for unused vacation

The movements of provision for unused vacation are as follows:

	2020	2019
1 January	12,520	10,443
Charge for the period, net	2,897	3,661
30 June	15,417	14,104

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

Commitments and contingencies

As of 30 June 2020 and 31 December 2019, the tables which represent the position of guarantees, pledges and mortgages are as follows:

	30 June 2020	31 December 2019
a. Total amount of guarantees, pledges and mortgages given the name of legal entity	1,466,728	1,150,067
b. Total amount of guarantees, pledges and mortgages given in favour of the parties which are included in the scope of full consolidation	-	-
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	-	-
	1,466,728	1,150,067

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

	30 June 2020		31 December 2019	
	Original currency	TRY equivalent	Original currency	TRY equivalent
USD	152,928	1,046,363	151,597	900,516
EUR	26,029	200,639	22,452	149,317
TRY	118,228	118,228	91,779	91,779
RON	45,810	72,481	-	-
Chinese Yuan	30,000	28,844	10,000	8,455
PLN	100	173	-	-
		1,466,728		1,150,067

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

Guarantee letters

a) Guarantees given as of 30 June 2020 and 31 December 2019 are as follows:

	30 June 2020	31 December 2019
Bank letters of guarantee	1,466,728	1,150,067
	1,466,728	1,150,067

b) Guarantees received as of 30 June 2020 and 31 December 2019 are as follows:

	30 June 2020	31 December 2019
Bank letters of guarantee	333,785	245,208
Guarantee notes	1,305	9,974
Mortgages received	20	4,020
	335,110	259,202

Contingent assets

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**

	30 June 2020	31 December 2019
Prepaid expenses	15,867	8,646
	15,867	8,646

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

b) Other current assets

	30 June 2020	31 December 2019
Value added tax receivables	71,544	45,040
Othe	3,899	963
	75,443	46,003

c) Deferred revenues

Deferred revenues – short-term	30 June 2020	31 December 2019
Advances received	358,443	266,602
Deferred maintenance revenues	26,345	21,535
	384,788	288,137

Deferred revenues – long-term

	30 June 2020	31 December 2019
Advance received	153,721	273,347
Deferred maintenance revenues	137,263	131,185
	290,984	404,532

d) Employee benefits obligation

	30 June 2020	31 December 2019
Payables to employees	23,702	18,543
Taxes and funds payable	9,635	9,699
Social security payables	4,463	10,034
	37,800	38,276

e) Other current liabilities

	30 June 2020	31 December 2019
Taxes and funds payable	36,402	3,700
Deferred special consumption tax	1,437	1,064
Payables to shareholders	367	318
Other	1,054	799
	39,260	5,881

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NOTE 15 - REVENUE AND COST OF SALES

Net sales	1 January - 30 June 2020	1 April - 30 June 2020	1 January - 30 June 2019	1 April - 30 June 2019
Domestic sales	271,715	103,956	249,359	133,433
Export sales	871,513	576,483	1,042,889	735,254
Gross sales	1,143,228	680,439	1,292,248	868,687
Less: sales discounts and returns	(6,980)	(2,980)	(8,352)	(3,861)
Net sales	1,136,248	677,459	1,283,896	864,826

Sales of the Group for the periods ended 30 June 2020 and 2019 in terms of the products are as follows:

	1 January - 30 June 2020	1 April - 30 June 2020	1 January - 30 June 2019	1 April - 30 June 2019
Commercial vehicle	456,361	231,424	651,992	318,240
Armored vehicle	551,785	388,744	503,086	474,318
Other sales (*)	128,102	57,291	128,818	72,268
	1,136,248	677,459	1,283,896	864,826

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

Cost of sales

	1 January - 30 June 2020	1 April - 30 January 2020	1 January 30 June 2019	1 April - 30 June 2019
Cost of finished goods sold	(641,794)	(353,777)	(748,410)	(461,455)
Cost of merchandise goods sold	(55,338)	(35,051)	(57,426)	(28,922)
Cost of sales	(697,132)	(388,828)	(805,836)	(490,377)

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

	1 January - 30 June 2020	1 April - 30 January 2020	1 January - 30 June 2019	1 April - 30 June 2019
Sales and marketing expenses	(140,184)	(62,873)	(196,970)	(125,069)
General administrative expenses	(61,788)	(28,694)	(58,122)	(32,900)
Research and development expenses	(35,558)	(18,216)	(28,507)	(14,542)
	(237,530)	(109,783)	(283,599)	(172,511)

NOTE 17 - OTHER OPERATING INCOME AND EXPENSES

	1 January 30 June 2020	1 April 30 June 2020	1 January 30 June 2019	1 April 30 June 2019
Other operating income				
Foreign exchange gains on operating activities	162,786	67,501	106,988	58,529
Gain on forward transactions	25,457	16,398	33,585	17,730
Revenue from charge of due date receivables	4,386	1,572	17,788	8,181
Incentives income	157	78	738	369
Other	15,706	7,774	11,507	1,691
	208,492	93,323	170,606	86,500
Other operating expenses				
Foreign exchange loss on operating activities	(151,977)	(55,239)	(80,756)	(33,463)
Loss on forward transactions	(24,630)	(17,308)	(14,581)	(8,216)
Provision for doubtful receivables	(6,395)	(2,980)	(3,355)	(1,568)
Expected credit losses related to trade receivables	(2,219)	(403)	(110)	(110)C
Other	(3,615)	-	-	-
	(188,836)	(75,930)	(98,802)	(43,357)

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NOTE 18 - FINANCIAL INCOME

	1 January - 30 June 2020	1 April - 30 June 2020	1 January - 30 June 2019	1 April - 30 June 2019
Foreign exchange gains on bank borrowings	17,621	8,747	9,925	2,320
Foreign exchange gains on deposits	14,357	10,858	1,217	585
Interest income from time deposits	658	-	6,972	2,079
	32,636	19,605	18,114	4,984

NOTE 19 - FINANCIAL EXPENSES

	1 January - 30 June 2020	1 April - 30 June 2020	1 January - 30 June 2019	1 April - 30 June 2019
Interest expense on bank borrowings	(53,759)	(37,225)	(72,680)	(37,767)
Foreign exchange losses on bank borrowings	(19,733)	(9,864)	(9,755)	(3,298)
Foreign exchange losses on deposits	(4,691)	(3,702)	(25,901)	(16,068)
Other	(7,641)	(4,281)	(909)	(437)
	(85,824)	(55,072)	(109,245)	(57,570)

NOTE 20 - TAX ASSETS AND LIABILITIES

In Turkey, the corporation tax rate is 22% (2019: 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 22% 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.

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NOTE 20 - TAX ASSETS AND LIABILITIES (Continued)

As of 30 June 2020 and 31 December 2019, income tax payables are presented net of prepaid taxes in the balance sheet as follows:

	30 June 2020	31 December 2019
Income tax payable	-	4,960
Prepaid taxes (-)	-	(4,960)
Period profit tax liability/(asset)	-	-

The breakdown of total tax expense for the periods ended 30 June 2020 and 2019 are as follows:

	1 January - 30 June 2020	1 January - 30 June 2019
Current tax charge	-	-
Deferred tax income / expense reflected in profit or loss		
Charged to profit for the period	(36,484)	6,181
Charged to other comprehensive income	547	1,094
	(35,937)	7,275

As of 30 June 2020 and 31 December 2019, 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)	
	30 June 2020	31 December 2019	30 June 2020	31 December 2019
Incentives from research and development activities (*)	82,419	314,365	18,132	69,160
Property, plant and equipment	(29,142)	(27,051)	(2,347)	(1,929)
Intangible assets	(94,975)	(103,649)	(18,995)	(20,730)
Deferred financial expenses	(1,303)	(1,323)	(287)	(291)
Inventories	21,381	10,027	4,704	2,195
Warranty provision	93,088	77,897	19,265	16,226
Provision for employment termination benefits	56,507	48,460	11,301	9,692
Deferred financial income	(607)	(2,134)	(133)	(470)
Other provisions	68,440	49,968	14,038	10,283
Deferred maintenance income	134,455	145,908	25,890	24,435
Other	(25,666)	(32,061)	(5,508)	(6,574)
Deferred tax assets, net			66,060	101,997

- (*) The Company's incentive income from investments with incentive certificate are subject to corporate income tax exemption tax at reduced rates being effective starting from the period that investment is partially or entirely operated and till the period that investment reaches the contribution amount. In this context, as of 30 June 2020, the tax advantage of TRY82,419 (31 December 2019: TRY314,365), which the Company will use in the foreseeable future, has been recognized in the consolidated financial statements as deferred tax asset. The deferred tax asset on tax advantage carried from 2015 and before has not been calculated since the case regarding the use of tax benefit of TRY202,013 thousand for aforementioned years is still in progress.

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NOTE 20 - TAX ASSETS AND LIABILITIES (Continued)

The movement of deferred tax asset for the periods ended 30 June 2020 and 2019 are as follows

	1 January - 30 June 2020	1 January - 30 June 2019
1 January		
	101,997	90,064
Deferred tax income charged to profit or loss and other comprehensive income for the period		
- Charged to profit for the period	(36,484)	6,181
- Charged to other comprehensive income	547	1,094
30 June	66,060	97,339

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

	30 June 2020	30 June 2019
Net profit/(loss) for the period	172,317	195,330
Weighted average number of issued shares	24,000,000,000	24,000,000,000
Earnings per share (KR)	0,718	0,814

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NOTE 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:

i) Due from and due to related party balances as of 30 June 2020 and 31 December 2019

Due from related parties	30 June 2020	31 December 2019
Al Jasoor Heavy Vehicle Industry LLC (3) (**)	292,655	81,303
Ram Dış Ticaret A.Ş. (1) (*)	103,435	138,537
Other (1)	103	60
	396,193	219,900

(*) 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	30 June 2020	31 December 2019
Zer Merkezi Hizmetler A.Ş. (1)	4,089	4,914
Ram Dış Ticaret A.Ş. (1)	2,016	4,400
Koç Sistem Bilgi ve İletişim Hiz. A.Ş. (1)	1,034	3,803
Ford Otosan A.Ş. (2)	747	-
Otokoç Otomotiv Tic. ve San. A.Ş. (1)	745	830
Koç Holding A.Ş. (2)	487	11,787
Ram Sigorta Aracılık Hiz. A.Ş.(1)	416	-
Opet Fuchs Madeni Yağ A.Ş. (1)	207	479
Other (1)	992	3,518
	10,733	29,731

(1) Related parties of the parent company

(2) Shareholder

(3) Joint venture

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NOTE 22 - RELATED PARTY DISCLOSURES (Continued)

Advances received from related parties	30 June 2020	31 December 2019
Al Jasoor Heavy Vehicle Industry LLC (3) (*)	461,163	527,169
	461,163	527,169

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

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

Sales of products and services	1 January 30 June 2020	1 April 30 June 2020	1 January 30 June 2019	1 April 30 June 2019
Al Jasoor Heavy Vehicle Industry LLC (3)	556,523	384,088	385,920	385,828
Ram Dış Ticaret A.Ş. (1) (*)	12,357	3,182	120,751	96,172
Other (1)	42	22	74	5
	568,922	387,292	506,745	482,005

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

Fixed asset purchases	1 January 30 June 2020	1 April 30 June 2020	1 January 30 June 2019	1 April 30 June 2019
Koç Sistem Bilgi ve İletişim Hiz. A.Ş. (1)	2,603	1,691	1,782	302
Other (1)	108	11	248	248
	2,711	1,702	2,030	550

Inventory purchases	1 January 30 June 2020	1 April 30 June 2020	1 January 30 June 2019	1 April 30 June 2019
Zer Merkezi Hizmetler ve Ticaret A.Ş. (1)	17,030	8,606	19,402	9,358
Ram Dış Ticaret A.Ş. (1)	3,808	1,884	2,026	1,546
Opet Fuchs Madeni Yağ A.Ş. (1)	1,848	675	1,506	771
Opet Petrolcülük A.Ş.(1)	1,251	470	1,667	897
Akpa Dayanıklı Tük.Paz. A.Ş. (1)	1,032	393	1,408	666
Ford Otosan A.Ş. (2)	659	16	-	-
Türk Traktör ve Ziraat Makineleri A.Ş. (1)	-	-	2,196	1,115
Other (1)	53	6	82	80
	25,681	12,050	28,287	14,433

(1) Related parties of the parent company

(2) Shareholder

(3) Joint venture

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NOTE 22 - RELATED PARTY DISCLOSURES (Continued)

	1 January 30 June 2020	1 April 30 June 2020	1 January 30 June 2019	1 April 30 June 2019
Service purchases				
Ram Dış Ticaret A.Ş.(1)	11,221	8,402	22,505	11,333
Ram Sigorta Aracılık Hz. A.Ş.(1)(**)	5,601	287	5,436	728
Otokoç Otomotiv Tic. ve San. A.Ş.(1)	3,888	1,979	3,065	2,063
Koç Sistem Bilgi ve İletişim Hiz. A.Ş. (1)	3,858	1,759	1,791	1,193
Eltek Elektrik Enerji İth.İhr.Top.Tic. A.Ş. (1)	3,176	988	-	-
Koç Holding A.Ş. (2) (*)	2,503	1,598	1,789	894
Setur Servis Turistik A.Ş.(1)	2,194	130	5,178	2,858
Other (1)	1,569	915	1,368	942
	34,010	16,058	41,132	20,011

(*) 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 Communiqé about Concealed Gain Distribution by Transfer Pricing.

(**) It includes paid and accrued premium as of 30 June 2020 and 31 December 2019 in accordance with insurance policies signed between insurance companies via Ram Sigorta Aracılık Hizmetleri A.Ş. which is an insurance agency.

Bank deposits	30 June 2020	31 December 2019
Yapı ve Kredi Bankası A.Ş. (1)		
- Time deposits	-	4,510
- Demand deposits	7	2
	7	4,512

Checks and notes in collection	30 June 2020	31 December 2019
Yapı ve Kredi Bankası A.Ş. (1)	230	1,921
	230	1,921

Loans	30 June 2020	31 December 2019
Yapı ve Kredi Bankası A.Ş. (1)	141,479	-
	141,479	-

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

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NOTE 22 - RELATED PARTY DISCLOSURES (Continued)

For the periods ended 30 June 2020 and 2019, financial income and expense with related parties are as follows:

Trade receivables and payables foreign exchange gains	1 January 30 June 2020	1 April 30 June 2020	1 January 30 June 2019	1 April 30 June 2019
Ram Dış Ticaret A.Ş. (1)	46,203	(8,007)	29,899	25,602
Al Jasoor Heavy Vehicle Industry LLC (3)	223	210	551	551
Other (1)	34	28	160	118
	46,460	(7,769)	30,610	26,271

Trade receivables and payables foreign exchange expenses	1 January 30 June 2020	1 April 30 June 2020	1 January 30 June 2019	1 April 30 June 2019
Ram Dış Ticaret A.Ş. (1)	42,422	1,206	6,256	171
Zer Merkezi Hizmetler ve Ticaret A.Ş. (1)	325	228	301	90
Other (1)	103	74	5	2
	42,850	1,508	6,562	263

For the periods ended 30 June 2020 and 2019, financial income and expense with related parties are as follows:

Interest income	1 January 30 June 2020	1 April 30 June 2020	1 January 30 June 2019	1 April 30 June 2019
Yapı ve Kredi Bankası A.Ş. (1)	1,122	590	131	131
	1,122	590	131	131

(1) Related parties of the parent company

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NOTE 22 - RELATED PARTY DISCLOSURES (Continued)

Interest income	1 January 30 June 2020	1 April 30 June 2020	1 January 30 June 2019	1 April 30 June 2019
Yapı ve Kredi Bankası A.Ş. (1)	7,290	6,363	10,243	6,223
	7,290	6,363	10,243	6,223

For the periods ended 30 June 2020 and 2019, financial income and expense with related parties are as follows:

Foreign exchange income	1 January 30 June 2020	1 April 30 June 2020	1 January 30 June 2019	1 April 30 June 2019
Yapı ve Kredi Bankası A.Ş. (1)	6,670	3,084	3,437	948
	6,670	3,084	3,437	948
Foreign exchange expenses	1 January 30 June 2020	1 April 30 June 2020	1 January 30 June 2019	1 April 30 June 2019
Yapı ve Kredi Bankası A.Ş. (1)	2,515	2,209	3,192	1,297
	2,515	2,209	3,192	1,297

(1) Related parties of the parent company

Benefits provided to senior executives

For the period ended 30 June 2020, the total amount of benefits provided to senior management is TRY4,666 thousand (30 June 2019: TRY 4,786 thousand).

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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.

30 June 2020	TRY equivalent (functional currency))	USD	EUR	GBP
1. Trade receivables	875,645	62,525	58,091	7
2a. Monetary financial assets (including cash, bank accounts)	34,947	2,761	2,083	-
2b. Non-monetary financial assets	-	-	-	-
3. Other	27	4	-	-
4. Current assets (1+2+3)	910,619	65,290	60,174	7
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)	910,619	65,290	60,174	7
10. Trade payables	(160,911)	(14,966)	(7,594)	3
11. Financial liabilities	(971)	-	(126)	-
12a. Monetary other liabilities	(115,750)	(10,268)	(5,902)	-
12b. Non-monetary other liabilities	-	-	-	-
13. Current liabilities (10+11+12)	(277,632)	(25,234)	(13,622)	3
14. Trade payables	-	-	-	-
15. Financial liabilities	(154,164)	-	(20,000)	-
16a. Monetary other liabilities	(176,213)	(25,754)	-	-
16b. Non-monetary other liabilities	-	-	-	-
17. Non-current liabilities (14+15+16)	(330,377)	(25,754)	(20,000)	-
18. Total liabilities (13+17)	(608,009)	(50,988)	(33,622)	3
Net balance sheet position (9+18)	302,610	14,302	26,552	10
19. Net asset/(liability) position of off-balance sheet derivative instruments((19a-19b)	(276,088)	(11,060)	(26,000)	-
19a. Hedged total assets amount	153,539	22,440	-	-
19b. Hedged total liabilities amount	(429,627)	(33,500)	(26,000)	-
20. Net foreign currency asset/(liability) position (9+18+19)	26,522	3,242	552	10
21. Net foreign currency asset/(liability) position of monetary items (=1+2a+5+6a-10-11-12a-14-15-16a)	302,583	14,298	26,552	10
22. Total fair value of financial instruments used for foreign currency hedging	(398)	(1,023)	625	-
23. Export	866,890	86,659	39,056	9
24. Import	450,413	29,723	35,785	478

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

31 December 2019	TRY equivalent (functional currency)	USD	EUR	GBP
1. Trade receivables	760,010	29,718	87,717	14
2a. Monetary financial assets (including cash, bank accounts)	19,717	2,877	395	-
2b. Non-monetary financial assets	-	-	-	-
3. Other	24	4	-	-
4. Current assets (1+2+3)	779,751	32,599	88,112	14
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)	779,751	32,599	88,112	14
10. Trade payables	(147,618)	(14,402)	(9,218)	(98)
11. Financial liabilities	(140,487)	-	(21,124)	-
12a. Monetary other liabilities	(244,327)	(40,940)	(138)	(28)
12b. Non-monetary other liabilities	-	-	-	-
13. Current liabilities (10+11+12)	(532,432)	(55,342)	(30,480)	(126)
14. Trade payables	-	-	-	-
15. Financial liabilities	(133,012)	-	(20,000)	-
16a. Monetary other liabilities	(152,983)	(25,754)	-	-
16b. Non-monetary other liabilities	-	-	-	-
17. Non-current liabilities (14+15+16)	(285,995)	(25,754)	(20,000)	-
18. Total liabilities (13+17)	(818,427)	(81,096)	(50,480)	(126)
Net balance sheet position (9+18)				
Net asset/(liability) position of off-balance sheet derivative instruments(19a-19b)	(38,676)	(48,497)	37,632	(112)
19. Hedged total assets amount	49,641	51,461	(38,500)	-
19a. Hedged total liabilities amount	305,689	51,461	-	-
19b. Net foreign currency asset/(liability) position (9+18+19)	(256,048)	-	(38,500)	-
20. Net foreign currency asset/(liability) position of monetary items (=1+2a+5+6a-10-11-12a-14-15-16a)	10,965	2,964	(868)	(112)
21. Total fair value of financial instruments used for foreign currency hedging	(38,701)	(48,501)	37,632	(112)
22. Export	1,100	-	851	249
23. Import	1,037,520	79,208	34,845	2,388
24. Trade receivables	361,922	24,840	34,528	401

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**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 30 June 2020 and 31 December 2019:

	<u>Profit before tax</u> <u>Appreciation</u> <u>Foreign currency</u>	<u>Profit before tax</u> <u>Depreciation of foreign</u> <u>currency</u>
30 June 2020		
<i>In case 10% appreciation of USD against TRY:</i>		
1- USD net asset/liability	2,219	(2,219)
2- Amount hedged for USD risk (-)	-	-
3- USD net effect (1+2)	2,219	(2,219)
<i>In case 10% appreciation of EUR against TRY:</i>		
4- EUR net asset/liability	425	(425)
5- Amount hedged for EUR risk (-)	-	-
6- EUR net effect (4+5)	425	(425)
<i>In case 10% appreciation of GBP against TRY:</i>		
7- GBP net asset/liability	8	(8)
8- Amount hedged for GBP risk (-)	-	-
9- GBP net effect (7+8)	8	(8)
Total (3+6+9)	2,652	(2,652)
31 December 2019		
<i>In case 10% appreciation of USD against TRY:</i>		
1- USD net asset/liability		
2- Amount hedged for USD risk (-)	1,761	(1,761)
3- USD net effect (1+2)	1,761	(1,761)
<i>In case 10% appreciation of EUR against TRY:</i>		
4- EUR net asset/liability		
5- Amount hedged for EUR risk (-)	(577)	577
6- EUR net effect (4+5)	(577)	577
<i>In case 10% appreciation of GBP against TRY:</i>		
GBP net asset/liability		
7- Amount hedged for GBP risk (-)	(87)	87
8- GBP net effect (7+8)	-	-
9- In case 10% appreciation of USD against TRY:	(87)	87
Total (3+6+9)	1,097	(1,097)

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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 30 June 2020 and 31 December 2019:

30 June 2020

Assets	Level 1	Level 2	Level 3	Total
Derivative financial instruments	-	397	-	397
	-	397	-	397

31 December 2019

Liabilities	Level 1	Level 2	Level 3	Total
Derivative financial instruments	-	1,100	-	1,100
	-	1,100	-	1,100

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.

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.

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NOTE 24 - FINANCIAL INSTRUMENTS (Continued)

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

The application of Investment Incentive Certificate which covers the total investment of 398.169.189 TL foreseen to be made in the next 4 years within the scope of modernization investment has been approved by T.C. Ministry of Industry and Technology, General Directorate of Incentive Implementation and Foreign Capital on 21 July 2020. Thus, Investment Incentive Document No. 512845 was issued on our behalf.

The supporting elements regarding our investments within the scope of Regional Investment are as follows:

- 1- VAT Exception,
- 2- Customs Duty Exception,
- 3- Tax Reduction Rate % 80 – Investment Contribution Rate %40,
- 4- Support for employer's national insurance contribution (7 years)
- 5- Interest support

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