

**OTOKAR OTOMOTİV VE SAVUNMA
SANAYİ ANONİM ŞİRKETİ**

**CONVENIENCE TRANSLATION INTO ENGLISH
OF CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY - 30 SEPTEMBER
2022**

(ORIGINALLY ISSUED IN TURKISH)

CONTENT	PAGE
CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION.....	1-2
CONDENSED CONSOLIDATED STATEMENTS OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME	3
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY.....	4
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS	5
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS	6-44

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

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF
FINANCIAL POSITION AS OF 30 SEPTEMBER 2022 AND 31 DECEMBER 2021**

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

		(Unaudited)	(Audited)
		30 September	31 December
	Notes	2022	2021
Assets			
Current assets			
Cash and cash equivalents	4	804,203	644,857
Trade receivables	9	1,957,593	1,761,233
<i>Due from related parties</i>	22	493,191	533,242
<i>Due from other parties</i>	9	1,464,402	1,227,991
Other receivables		1,469	1,212
Inventories	10	4,180,860	1,426,393
Derivative instruments	8	-	51
Prepaid expenses	14	143,767	20,045
Other current assets	14	427,557	106,634
Total current assets		7,515,449	3,960,425
Non-current assets			
Trade receivables	9	739,456	421,129
Other receivables		4,900	4,474
Investments accounted for using the equity method	5	233,233	182,456
Financial investments	7	10,147	147
Property, plant and equipment	11	573,113	396,704
Right of use assets	11	28,171	33,946
Intangible assets	12	1,030,617	739,375
Deferred tax asset	20	406,152	234,424
Prepaid expenses	14	56,453	16,446
Other non-current assets		37,721	-
Total non-current assets		3,119,963	2,029,101
Total assets		10,635,412	5,989,526

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 STATEMENTS OF
FINANCIAL POSITION AS OF 30 SEPTEMBER 2022 AND 31 DECEMBER 2021**

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

	Notes	(Unaudited) 30 September 2022	(Audited) 31 December 2021
Liabilities			
Current liabilities			
Short-term borrowings	6	2,720,114	473,279
<i>Bank loans</i>	6	2,696,092	455,503
<i>Short-term lease liabilities</i>	6	24,022	17,776
Short-term portion of long-term borrowings	6	998,477	644,014
<i>Bank loans</i>	6	998,477	644,014
Trade payables	9	1,620,174	554,860
<i>Due to related parties</i>	22	45,932	70,714
<i>Due to other parties</i>	9	1,574,242	484,146
Derivative instruments	8	5,768	-
Employee benefit obligations	14	72,773	67,060
Other payables		124,586	46,547
Current tax liabilities	20	165,760	-
Liabilities from customer contracts	14	641,586	602,791
Government promotion and subsidies		1,945	16,572
Short-term provisions	13	507,771	440,523
<i>Provisions for employee benefits</i>	13	47,677	20,705
<i>Other provisions</i>	13	460,094	419,818
Other current liabilities	14	11,929	6,688
Total current liabilities		6,870,883	2,852,334
Non-current liabilities			
Long-term borrowings	6	1,547,633	1,261,164
<i>Bank loans</i>	6	1,510,060	1,233,360
<i>Long-term lease liabilities</i>	6	37,573	27,804
Government promotion and subsidies		10,981	11,283
Long-term provisions	13	152,703	89,427
<i>Provisions for employee benefits</i>	13	152,703	89,427
Liabilities from customer contracts	14	426,797	278,783
Total non-current liabilities		2,138,114	1,640,657
Total liabilities		9,008,997	4,492,991
Equity			
Paid-in share capital		24,000	24,000
Inflation adjustment on share capital		52,743	52,743
Restricted reserves		183,398	133,530
Accumulated other comprehensive income / (expense) that will not be reclassified to statement of profit or loss		(16,775)	(12,925)
<i>Defined benefit plans remeasurement gain (losses)</i>		(16,775)	(12,925)
Accumulated other comprehensive income and expense that may be reclassified to statement of profit or loss		(176,912)	(210,099)
<i>Currency translation differences</i>		(176,912)	(210,099)
Retained earnings		959,418	467,762
Net profit or loss for the period		600,543	1,041,524
Total equity		1,626,415	1,496,535
Total liabilities and equity		10,635,412	5,989,526

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 SEPTEMBER 2022 AND 2021**

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

	Notes	(Unaudited)		(Unaudited)	
		1 January - 30 September 2022	1 July - 30 September 2022	1 January - 30 September 2021	1 July - 30 September 2021
Revenue	15	5,122,463	1,471,343	2,674,680	814,791
Cost of sales (-)	15	(3,538,075)	(1,091,559)	(1,742,352)	(552,782)
GROSS PROFIT (LOSS)		1,584,388	379,784	932,328	262,009
Marketing expenses (-)	16	(673,861)	(235,339)	(323,565)	(94,437)
General administrative expenses (-)	16	(325,874)	(114,034)	(127,127)	(41,449)
Research and development expenses (-)	16	(95,299)	(32,319)	(60,292)	(22,196)
Other operating income	17	934,138	339,591	352,072	48,588
Other operating expenses (-)	17	(601,509)	(261,146)	(244,003)	(26,207)
OPERATING PROFIT (LOSS)		821,983	76,537	529,413	126,308
Income from investing activities		2,937	867	557	95
Share of profit (losses) of investments accounted for using the equity method, net	5	179,939	189,802	75,248	21,972
OPERATING PROFIT (LOSS) BEFORE FINANCIAL INCOME (EXPENSE)		1,004,859	267,206	605,218	148,375
Financial income	18	193,107	57,095	88,518	31,802
Financial expense (-)	19	(602,428)	(256,003)	(225,195)	(69,099)
PROFIT (LOSS) BEFORE TAX FROM CONTINUED OPERATIONS		595,538	68,298	468,541	111,078
Tax income/(expense) from continued operations					
Current year tax income / (expense)	20	(165,760)	(24,933)	-	-
Deferred tax income/ (expense)	20	170,765	14,389	47,890	8,849
PROFIT (LOSS) FOR THE PERIOD		600,543	57,754	516,431	119,927
Items that will not be reclassified to statement of profit or loss					
Defined benefit plans remeasurement gains/(losses)	13	(4,813)	1,026	(864)	694
Deferred tax income/(expense)	20	963	(205)	173	(139)
Items that may be reclassified to statement of profit or loss					
Currency translation differences of investments accounted for using the equity method	5	74,145	23,832	36,478	4,047
Currency translation differences		(40,958)	(16,436)	(70,203)	4,272
Other comprehensive income /(expense)		29,337	8,217	(34,416)	8,874
TOTAL COMPREHENSIVE INCOME (EXPENSE)		629,880	65,971	482,015	128,801
Earnings per share (Kr)	21	2.502	0.241	2.152	0.500

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 SEPTEMBER 2022 AND 2021

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

						Accumulated other comprehensive income / expense that will not be reclassified to statement of profit or loss	Accumulated other comprehensive income/expense that may be reclassified to statement of profit or loss		
		Paid in share capital	Inflation adjustment on share capital	Restricted reserves	Defined benefit plans remeasurement gain(losses)	Currency translation differences	Retained earnings	Net profit or loss for the period	Total equity
1 January 2021-									
30 September 2021	Beginning of the period	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	-	-	-	(691)	(33,725)	-	516,431	482,015
	Closing balances	24,000	52,743	133,530	(12,280)	(92,828)	467,762	516,431	1,089,358
1 January 2022-									
30 September 2022	Beginning of the period	24,000	52,743	133,530	(12,925)	(210,099)	467,762	1,041,524	1,496,535
	Transfers	-	-	49,868	-	-	991,656	(1,041,524)	-
	Dividends paid	-	-	-	-	-	(500,000)	-	(500,000)
	Total comprehensive income	-	-	-	(3,850)	33,187	-	600,543	629,880
	Closing balances	24,000	52,743	183,398	(16,775)	(176,912)	959,418	600,543	1,626,415

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 CASH FLOWS
FOR THE PERIODS ENDED 30 SEPTEMBER 2022 AND 2021**

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

		(Unaudited)	(Unaudited)
	Notes	1 January – 30 September 2022	1 January – 30 September 2021
CASH FLOWS FROM OPERATING ACTIVITIES		(1,320,800)	620,082
Net profit / (loss) for the period		600,543	516,431
Adjustments to reconcile net profit (loss) for the period to cash flows from operating activities		717,468	217,466
Adjustments for depreciation and amortization	11,12	110,303	81,595
Adjustments in relation to impairment:		30,576	13,649
- Provision for doubtful receivables	9	19,630	7,901
- Provision for inventories	10	10,946	5,748
Adjustments in relation to provision		274,232	111,596
- Provision for employee benefits	13	91,466	15,543
- Provision for warranty expenses	13	155,441	81,716
- Adjustments for other provisions		27,325	14,337
Adjustments in relation to interest income and expenses:		337,862	84,233
- Adjustment in relation to interest income	18	(30,022)	(23,353)
- Adjustment in relation to interest expense	19	367,884	107,586
Adjustments in relation to unrealised foreign exchange gains and losses	6	150,051	33,505
Adjustments in relation to fair value gains and losses		3,287	16,583
Fair value losses/(gains) on financial derivative instruments		3,287	16,583
Adjustments for undistributed profits of investments accounted for using equity method		(179,939)	(75,248)
- Adjustments for undistributed profits of joint ventures	5	(179,939)	(75,248)
Adjustment on tax income / (expense)		(5,967)	(47,890)
Adjustments in relation to gains or losses on sales of property, plant and equipment		(2,937)	(557)
- Losses / (gains) on sale of property, plant and equipments		(2,937)	(557)
Changes in net working capital		(2,492,827)	(62,846)
Change in trade receivables		(535,114)	(97,178)
Change in inventories		(2,765,413)	(80,504)
Change in trade payables		1,065,314	(44,435)
Other changes		(257,614)	159,271
- (Increase)/ decrease in other assets related to activities		(523,056)	31,894
- Increase/ (decrease) in other liabilities related to activities		265,442	127,377
Cash flows from operations		(1,174,816)	671,051
Payments in relation to employee benefits	13	(6,030)	(3,246)
Payments in relation to other provisions		(142,490)	(48,940)
Other cash collections (payments)		2,536	1,217
CASH FLOWS FROM INVESTING ACTIVITIES		(370,094)	(202,833)
Cash outflows for the acquisition of shares of other businesses or funds or debt instruments		(10,000)	-
Cash inflows from sale of property, plant and equipment and intangible assets		3,871	958
- Proceeds from sale of property, plant and equipment and intangible assets		3,871	958
Cash outflows due to purchase of property, plant and equipment and intangible assets		(567,272)	(265,124)
- Cash outflows due to purchase of property, plant and equipment	11	(208,382)	(79,647)
- Cash outflows due to purchase of intangible assets	12	(358,890)	(185,477)
Dividends Received		203,307	61,333
CASH FLOWS FROM FINANCING ACTIVITIES		1,891,097	(529,048)
Cash inflow from to borrowings		5,373,199	1,349,536
- Proceeds from bank borrowings	6	5,373,199	1,349,536
Cash outflow due to repayment of borrowings		(2,761,176)	(1,399,832)
- Repayments of borrowings	6	(2,761,176)	(1,399,832)
Cash outflows on debt payments from leasing agreements		(5,116)	(7,057)
Dividends paid		(500,000)	(400,000)
Interest paid		(245,832)	(95,048)
Interest received		30,022	23,353
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS BEFORE THE EFFECT OF CURRENCY TRANSLATION DIFFERENCES		200,203	(111,799)
Effect of currency translation difference on cash and cash equivalents		(40,857)	(70,199)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		159,346	(181,998)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	4	644,857	517,422
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	4	804,203	335,424

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 30 SEPTEMBER 2022

(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 Group operates in the automotive industry and off-road vehicles, military vehicles, minibuses, midibuses and autobuses, light truck comprise 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

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

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 September 2022		31 December 2021	
	Period end	Average	Period end	Average
Total personnel number	3.583	2.915	2.286	2.248

The condensed interim consolidated financial statements for the period ended 30 September 2022 were authorized for issue and signed by the Board of Directors of Otokar on 26 October 2022.

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 September 2022, 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 30 SEPTEMBER 2022**

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

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

As of 30 September 2022, 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/IFRS”) 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. IFRS 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 September 2022, 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 2021.

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.

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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 SEPTEMBER 2022

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

POA made an announcement on January 20, 2022 in order to eliminate the hesitations about for the entities which apply Turkish Financial Reporting Standards (“TFRS”) will apply TAS 29, “Financial Reporting in Hyperinflationary Economies” (IAS 29 Financial Reporting in Hyperinflationary Economies) or not for the year ended 31 December 2021. In accordance with the announcement, companies that apply TFRS should not adjust financial statements for TAS 29 - Financial Reporting in Hyperinflationary Economies, Afterwards, no new statement was made by the POA about the TMS 29 application. As of the preparation date of the consolidated financial statements, POA did not make an additional announcement and no adjustment was made to the consolidated financial statements in accordance with TAS 29.

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 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 September 2022 are consistent with those used in the preparation of consolidated financial statements for the year ended 31 December 2021.

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 SEPTEMBER 2022

(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

The accounting policies adopted in preparation of the consolidated financial statements as of 30 September 2022 are consistent with those of the previous financial year, except for the adoption of new and amended TFRS and TFRS interpretations effective as of 1 January 2022 and thereafter. The effects of these standards and interpretations on the Group’s financial position and performance have been disclosed in the related paragraphs.

i) The new standards, amendments and interpretations which are effective as at January 1, 2022 are as follows:

Amendments to TFRS 3 – Reference to the Conceptual Framework

In July 2020, the POA issued amendments to TFRS 3 Business combinations. The amendments are intended to replace to a reference to a previous version of the Conceptual Framework (the 1989 Framework) with a reference to the current version issued in March 2018 (the Conceptual Framework) without significantly changing requirements of TFRS 3. At the same time, the amendments add a new paragraph to TFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date. The amendments must be applied prospectively.

The amendments did not have a significant impact on the financial position or performance of the Group.

Amendments to TAS 16 – Proceeds before intended use

In July 2020, the POA issued amendments to TAS 16 Property, plant and equipment. The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment (PP&E), any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and costs of producing those items, in profit or loss. The amendments must be applied retrospectively only to items of PP&E made available for use on or after beginning of the earliest period presented when the entity first applies the amendment.

The amendments did not have a significant impact on the financial position or performance of the Group.

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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 SEPTEMBER 2022

(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)

Amendments to TAS 37 – Onerous contracts – Costs of Fulfilling a Contract

In July 2020, the POA issued amendments to TAS 37 Provisions, Contingent Liabilities and Contingent assets. The amendments specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making and also apply a “directly related cost approach”. Amendments must be applied prospectively to contracts for which an entity has not fulfilled all of its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application).

The amendments did not have a significant impact on the financial position or performance of the Group.

Annual Improvements – 2018–2020 Cycle

In July 2020, the POA issued Annual Improvements to TFRS Standards 2018–2020 Cycle, amending the followings:

- *TFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter*: The amendment permits a subsidiary to measure cumulative translation differences using the amounts reported by the parent. The amendment is also applied to an associate or joint venture.
- *TFRS 9 Financial Instruments – Fees in the “10 per cent test” for derecognition of financial liabilities*: The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either borrower or lender on the other’s behalf.
- *TAS 41 Agriculture – Taxation in fair value measurements*: The amendment removes the requirement in paragraph 22 of TAS 41 that entities exclude cash flows for taxation when measuring fair value of assets within the scope of TAS 41.

The Group is in the process of assessing the impact of the amendments / improvements on financial position or performance of the Group.

ii) Standards issued but not yet effective and not early adopted

Standards, interpretations and amendments to existing standards that are issued but not yet effective up to the date of issuance of the consolidated financial statements are as follows. The Group will make the necessary changes if not indicated otherwise, which will be affecting the consolidated financial statements and disclosures, when the new standards and interpretations become effective.

**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 SEPTEMBER 2022**

(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)

Amendments to TFRS 10 and TAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

In December 2017, POA postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. Early application of the amendments is still permitted.

The Group will wait until the final amendment to assess the impacts of the changes.

TFRS 17 - The new Standard for insurance contracts

The POA issued TFRS 17 in February 2019, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. TFRS 17 model combines a current balance sheet measurement of insurance contract liabilities with the recognition of profit over the period that services are provided. Certain changes in the estimates of future cash flows and the risk adjustment are also recognised over the period that services are provided. Entities will have an option to present the effect of changes in discount rates either in profit and loss or in OCI. The standard includes specific guidance on measurement and presentation for insurance contracts with participation features. TFRS 17 will become effective for annual reporting periods beginning on or after 1 January 2023; early application is permitted. In accordance with amendments issued by POA in December 2021, entities have transition option for a “classification overlay” to avoid possible accounting mismatches between financial assets and insurance contract liabilities in the comparative information presented on initial application of TFRS 17.

The standard is not applicable for the Group and will not have an impact on the financial position or performance of the Group.

Amendments to TAS 1- Classification of Liabilities as Current and Non-Current Liabilities

On January 15, 2021, the POA issued amendments to TAS 1 Presentation of Financial Statements. The amendments issued to TAS 1 which are effective for periods beginning on or after 1 January 2023, clarify the criteria for the classification of a liability as either current or non-current. Amendments must be applied retrospectively in accordance with TAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. Early application is permitted.

The Group is in the process of assessing the impact of the amendments on financial position or performance of the Group.

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 SEPTEMBER 2022

(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)

Amendments to TAS 8 - Definition of Accounting Estimates

In August 2021, the POA issued amendments to TAS 8, in which it introduces a new definition of ‘accounting estimates’. The amendments issued to TAS 8 are effective for annual periods beginning on or after 1 January 2023. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, the amended standard clarifies that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors. The previous definition of a change in accounting estimate specified that changes in accounting estimates may result from new information or new developments. Therefore, such changes are not corrections of errors. This aspect of the definition was retained by the POA. The amendments apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of the effective date. Earlier application is permitted.

The Group is in the process of assessing the impact of the amendments on financial position or performance of the Group.

Amendments to TAS 1 - Disclosure of Accounting Policies

In August 2021, the POA issued amendments to TAS 1, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments issued to TAS 1 are effective for annual periods beginning on or after 1 January 2023. In the absence of a definition of the term ‘significant’ in TFRS, the POA decided to replace it with ‘material’ in the context of disclosing accounting policy information. ‘Material’ is a defined term in TFRS and is widely understood by the users of financial statements, according to the POA. In assessing the materiality of accounting policy information, entities need to consider both the size of the transactions, other events or conditions and the nature of them. Examples of circumstances in which an entity is likely to consider accounting policy information to be material have been added.

The Group is in the process of assessing the impact of the amendments on financial position or performance of the Group.

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 SEPTEMBER 2022

(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)

Amendments to TAS 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction

In August 2021, the POA issued amendments to TAS 12, which narrow the scope of the initial recognition exception under TAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences. The amendments issued to TAS 12 are effective for annual periods beginning on or after 1 January 2023. The amendments clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognised in the financial statements (and interest expense) or to the related asset component (and interest expense). This judgement is important in determining whether any temporary differences exist on initial recognition of the asset and liability. The amendments apply to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period presented, a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for all deductible and taxable temporary differences associated with leases and decommissioning obligations should be recognized.

The Group is in the process of assessing the impact of the amendments on financial position or performance of the Group.

2.4 Significant accounting judgments and estimates

Group accounting

The condensed interim 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.

The table below sets out the subsidiaries of the Company and shows the total interest of the Company in these companies at 30 September 2022 and 31 December 2021:

Subsidiaries	2022		2021	
	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 Ventures	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

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 SEPTEMBER 2022

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

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

2.5 Convenience translation into english of financial statements

The accounting principles described in Note 2 (defined as Turkish Accounting Standards/Turkish Financial Reporting Standards) to the accompanying financial statements differ from International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board with respect to the application of inflation accounting, classification of some income statement items and also for certain disclosure requirements of the POA.

NOTE 3 - SEGMENT REPORTING

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

The Group's operations are considered as a single operating segment, Chief Executive Decision Makers (composed of key management, board members, general manager and assistant general managers) follow the activities and the results of these activities holistically in a single segment, therefore segment reporting is not performed.

Seasonality in operations

Operations of the Companies within the consolidation may show increase or decrease as of periods. Thus, the results of the nine months period ended 30 September 2022 may not be an indicator for the whole year.

NOTE 4 - CASH AND CASH EQUIVALENTS

	30 September 2022	31 December 2021
Banks		
- Time deposits	513,449	545,213
- Demand deposits	290,668	99,593
Other	86	51
	804,203	644,857

As of 30 September 2022, time deposit accounts with a total amount of TRY 513,449 thousand, corresponding to TRY 135,212 thousand, are in foreign currency, the effective interest rate is 0.13% per annum, and the average maturity is 1 day. The remaining amount of TRY 378,237 thousand, the effective interest rate is 19.27% per annum with an average maturity of 1 day.

(As of 31 December 2021, time deposit accounts with a total amount of TRY 545,213 thousand, corresponding to TRY 209,292 thousand, are in foreign currency, the effective interest rate is 0.77% per annum, and the average maturity is 1 day. The remaining amount of TRY 335,921 thousand The effective interest rate is 25% per annum with an average maturity of 1 day).

As of 30 September 2022, the Group has restricted bank deposit amounting to TRY 31,691 thousand (31 December 2021: TRY 0.2 thousand).

**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 SEPTEMBER 2022**

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

NOTE 5 - INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

As of 30 September 2022 and 31 December 2021, the details of carrying value and ownership rate subject to equity accounting of the joint venture is as follows:

Joint ventures	30 September 2022		31 December 2021	
	(%)	Amount	(%)	Amount
Al Jasoor	49	233,233	49	182,456
		233,233		182,456

The movements of joint ventures for the periods ended on 30 September 2022 and 2021 are as follows:

	2022	2021
Beginning- 1 January	182,456	169,689
Shares of profit /(loss)	179,939	75,248
Currency translation differences	74,145	36,477
Dividend paid	(203,307)	(61,333)
Closing- 30 September	233,233	220,081

The summary of the financial statements of Al Jasoor Heavy Vehicle Industry LLC as of 30 September 2022 and 31 December 2021 is as follows:

	30 September 2022	31 December 2021
Total assets	531,475	1,081,715
Total liabilities	(55,489)	(709,350)
Net assets	475,986	372,365
Ownership of the Group	49%	49%
Net asset share of the Group	233,233	182,456

**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 SEPTEMBER 2022**

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

NOTE 6 - BORROWINGS

Short-term financial borrowings

30 September 2022	Annual average effective interest rate (%)	TRY equivalent
Maturities		
Bank loans		
TRY loans	25 October 2022- 18 September 2023	29.11 2,696,092
		2,696,092
Borrowings from lease liabilities		
TRY lease liabilities	-	30.00 7,478
EUR lease liabilities	-	2.00 16,544
		24,022
Total short-term financial liabilities		2,720,114

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

30 September 2022	Annual average effective interest rate (%)	TRY equivalent
Maturities		
Bank loans		
EUR loans	9 January 2023 – 15 September 2023	2.95 783,801
TRY loans	18 November 2022 – 5 September 2023	17.97 214,676
		998,477

(*) Bearing fixed interest rate

**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 SEPTEMBER 2022**

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

NOTE 6 - BORROWINGS (Continued)

30 September 2022		Annual average effective interest rate (%)	TRY equivalent
	Maturities		
Long-term bank loans (*)			
Bank loans			
TRY loans	3 October 2023 - 5 August 2025	16.73	1,510,060
			1,510,060
Borrowings from lease liabilities			
TRY lease liabilities	-	30.00	11,696
EUR lease liabilities	-	2.00	25,877
			37,573
Total long-term financial borrowings			1,547,633
(*) Bearing fixed interest rate			
Short-term bank loans			
31 December 2021		Annual effective interest rate (%)	TRY equivalent
	Maturities		
Bank loans			
RON loans	28 January 2022	5.16	454,573
TRY loans	3 June 2022	8.75	930
			455,503
Short-term lease liabilities			
EUR lease liabilities	-	2.00	12,242
TRY lease liabilities	-	25.00	5,534
			17,776
Total short-term borrowings			473,279

**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 SEPTEMBER 2022**

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

NOTE 6 - BORROWINGS (Continued)

31 December 2021	Maturities	Annual effective interest rate (%)	TRY equivalent
Bank loans			
TRY loans	31 December 2022	13.49	641,846
EUR loans	15 September 2023	2.82	2,168
			644,014
Long-term borrowings (*)			
31 December 2021	Maturities	Annual effective interest rate (%)	TRY equivalent
Bank loans			
TRY loans	5 August 2025	18.85	641,406
EUR loans	15 August 2023	3.15	591,954
			1,233,360
			27,804
Total long-term borrowings			1,261,164

(*) Bearing fixed interest rate

As of 30 September 2022, the Group has not provided any guarantees for the borrowings (31 December 2021: None).

The movements of borrowings over the periods ended on 30 September 2022 and 2021 are as follows:

	2022	2021
1 January	2,378,457	1,854,064
Borrowing received during the period	5,373,199	1,349,536
Cash outflows related to debt payments from leasing agreements	(5,116)	(7,057)
Changes in lease obligations under TFRS 16	8,759	10,169
Principal payments (-)	(2,761,176)	(1,399,832)
Change in interest accruals	122,050	12,538
Change in exchange rates	150,051	33,508
30 September	5,266,224	1,852,926

**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 SEPTEMBER 2022**

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

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.

Financial investments include Otokar's investments in Private Venture Capital Investment Fund amounting to TRY 10,000.

**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 SEPTEMBER 2022**

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

NOTE 8 - DERIVATIVE INSTRUMENTS

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

30 September 2022	Contract amount	Current period contract maturity	Fair value liabilities
Forward transactions	1,072,564	6 October 2022- 13 October 2022	(5,768)
Short-term derivative instruments	1,072,564		(5,768)
Total derivative instruments	1,072,564		(5,768)

	Contract amount	Current period contract maturity	Fair value assets
31 December 2021			
Forward transactions	132,090	6 January 2022	51
Short-term derivative instruments	132,090		51
Total derivative instruments	132,090		51

NOTE 9 - TRADE RECEIVABLES AND PAYABLES

Trade receivables

	30 September 2022	31 December 2021
Trade receivables, net	1,447,476	1,073,224
Notes receivables, net	133,627	252,151
Subtotal	1,581,103	1,325,375
Less: provision for doubtful receivables	(116,701)	(97,384)
Trade receivables from third parties	1,464,402	1,227,991
Trade receivables from related parties (Note 22)	493,191	533,242
Short-term trade receivables	1,957,593	1,761,233
Long-term trade receivable, net	739,456	421,129
Long-term trade receivables	739,456	421,129

**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 SEPTEMBER 2022**

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

NOTE 9 - TRADE RECEIVABLES AND PAYABLES (Continued)

As of 30 September 2022, the average maturity of short-term trade receivables is between 60-90 days (excluding notes receivables) (31 December 2021: 60-90 days).

As of 30 September 2022 and 31 December 2021 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 defense vehicle sales. As of 30 September 2022, the total trade receivable from dealers amounting to TRY 547,203 thousand (31 December 2021: TRY 268,134 thousand), after provision provided for doubtful receivables, has been secured by mortgages and guarantees at the amount of TRY 547,203 thousand (31 December 2021: TRY 268,479 thousand).

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

30 September 2022	Trade receivables
1- 30 days past due	-
1- 3 months past due	-
3- 12 months past due	-
1- 5 years past due	-
Over 5 years past due	297
	297
Amount secured with guarantees	297
31 December 2021	Trade receivables
1- 30 days past due	-
1- 3 months past due	-
3- 12 months past due	-
1- 5 years past due	-
Over 5 years past due	395
	395
Amount secured with guarantees	395

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

**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 SEPTEMBER 2022**

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

NOTE 9 - TRADE RECEIVABLES AND PAYABLES (Continued)

The movement of the provision for doubtful receivables for the periods ended 30 September 2022 and 2021 are as follows:

	2022	2021
1 January	97,384	61,524
Collections	(1,110)	-
Currency translation differences	797	298
Current year charge	19,630	7,901
30 September	116,701	69,723

Trade payables

	30 September 2022	31 December 2021
Trade payables, net	1,574,242	484,146
Short-term other trade payables	1,574,242	484,146
Trade payables to related parties (Note 22)	45,932	70,714
Short-term trade payables	1,620,174	554,860

As of 30 September 2022, average payment term for trade payables is 45-60 days (31 December 2021: 45-60 days).

As of 30 September 2022 and 31 December 2021, the fair values of trade payables approximate to their carrying values due to short-term maturity of those payables.

NOTE 10 - INVENTORIES

	30 September 2022	31 December 2021
Raw material	1,827,838	576,526
Semi-finished goods	833,390	73,797
Finished goods	473,325	276,878
Merchandise goods	337,341	164,392
Goods in transit	748,509	363,397
Less: Impairment for inventories (*)	(39,543)	(28,597)
	4,180,860	1,426,393

(*) TRY 479 thousand of impairment is related to finished goods (31 December 2021: TRY 110 thousand) and TRY 4,274 thousand is related to merchandises (31 December 2021: TRY 4,026 thousand). TRY 34,790 thousand of impairment (31 December 2021: TRY 24,461 thousand) is related to raw materials. The impairment has been accounted for under cost of sales.

**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 SEPTEMBER 2022**

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

NOTE 11 - PROPERTY, PLANT AND EQUIPMENT

Movements of property, plant and equipment and related accumulated depreciation for the periods ended 30 September 2022 and 2021 is as follows:

	1 January 2022	Additions	Disposal	Transfers	Currency translation differences	30 September 2022
Cost						
Land	37,437	-	-	-	-	37,437
Land improvements	18,112	449	-	-	-	18,561
Buildings	108,514	9,874	-	-	-	118,388
Machinery and equipment	246,086	43,171	(1,225)	-	1,433	289,465
Motor vehicles	19,869	7,954	(805)	-	-	27,018
Furniture and fixtures	131,673	51,821	(111)	-	856	184,239
Leasehold improvements	1,715	288	-	-	-	2,003
Construction in progress	36,526	94,825	-	-	-	131,351
	599,932	208,382	(2,141)	-	2,289	808,462
Accumulated depreciation						
Land improvements	(5,351)	(463)	-	-	-	(5,814)
Buildings	(50,692)	(3,022)	-	-	-	(53,714)
Machinery and equipment	(104,958)	(15,453)	889	-	(948)	(120,470)
Motor vehicles	(8,062)	(1,925)	305	-	-	(9,682)
Furniture and fixtures	(33,090)	(10,704)	13	-	(645)	(44,426)
Leasehold improvements	(1,075)	(168)	-	-	-	(1,243)
	(203,228)	(31,735)	1,207	-	(1,593)	(235,349)
Net book value	396,704					573,113

There is no mortgage on property, plant and equipment as of 30 September 2022 (31 December 2021: None).

	1 January 2021	Additions	Disposal	Transfers	Currency translation differences	30 September 2021
Cost						
Land	37,437	-	-	-	-	37,437
Land improvements	8,920	-	-	-	-	8,920
Buildings	60,781	896	-	341	-	62,018
Machinery and equipment	134,800	8,139	(672)	4,644	489	147,400
Motor vehicles	14,561	796	(452)	-	-	14,905
Furniture and fixtures	74,749	20,797	(229)	68	301	95,686
Leasehold improvements	1,132	25	-	-	-	1,157
Construction in progress	74,109	48,994	-	(5,053)	-	118,050
	406,489	79,647	(1,353)	-	790	485,573
Accumulated depreciation						
Land improvements	(5,027)	(224)	-	-	-	(5,251)
Buildings	(48,582)	(1,003)	-	-	-	(49,585)
Machinery and equipment	(93,657)	(6,971)	672	-	(302)	(100,258)
Motor vehicles	(6,970)	(872)	126	-	-	(7,716)
Furniture and fixtures	(24,240)	(5,497)	154	-	(192)	(29,775)
Leasehold improvements	(999)	(52)	-	-	-	(1,051)
	(179,475)	(14,619)	952	-	(494)	(193,636)
Net book value	227,014					291,937

**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 SEPTEMBER 2022**

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

NOTE 11 - PROPERTY, PLANT AND EQUIPMENT (Continued)

The allocation of accumulated depreciation and amortisation for the periods ended 30 September 2022 and 2021 is as follows:

	30 September 2022	30 September 2021
Research and development expenses	62,212	58,026
Cost of goods sold	15,134	6,482
Right of use of assets	10,861	7,134
Developments projects in progress	7,859	3,441
Depreciation on inventories	7,835	2,481
General administrative expenses	5,155	3,197
Selling and marketing expenses	1,247	834
Currency translation differences	1,593	495
	111,896	82,090

Right of use assets

The allocation of right of use assets for the periods ended 30 September 2022 and 2021 is as follows:

30 September 2022	Buildings	Motor vehicles	Furniture and fixture	Total
Cost	23,723	45,959	595	70,277
Accumulated depreciation	(14,130)	(27,494)	(482)	(42,106)
	9,593	18,465	113	28,171
30 September 2021	Buildings	Motor vehicles	Furniture and fixture	Total
Cost	21,369	23,831	666	45,866
Accumulated depreciation	(9,910)	(15,545)	(524)	(25,979)
	11,459	8,286	142	19,887

**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 SEPTEMBER 2022**

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

NOTE 12 - INTANGIBLE ASSETS

Movements of intangible assets and related accumulated amortisation for the periods ended 30 September 2022 and 2021 are as follows:

	1 January 2022	Additions	Currency translation differences	Disposals	Transfers	30 September 2022
Cost						
Other intangible assets	36,066	18,241	58	-	-	54,365
Development costs	731,479	-	-	-	1,057	732,536
Developments projects in progress	427,413	340,649	-	-	(1,057)	767,005
	1,194,958	358,890	58	-	-	1,553,906
Accumulated amortization						
Other intangible assets	(20,010)	(5,486)	1	-	-	(25,495)
Development costs	(435,573)	(62,221)	-	-	-	(497,794)
	(455,583)	(67,707)	1	-	-	(523,289)
Net book value	739,375					1,030,617
	1 January 2021	Additions	Currency translation differences	Disposals	Transfers	30 September 2021
Cost						
Other intangible assets	26,463	2,787	-	-	-	29,250
Development costs	574,432	-	-	-	36,690	611,122
Developments projects in progress	286,464	182,690	-	-	(36,690)	432,464
	887,359	185,477	-	-	-	1,072,836
Accumulated amortization						
Other intangible assets	(17,142)	(1,824)	-	-	-	(18,966)
Development costs	(369,490)	(58,017)	-	-	-	(427,507)
	(386,632)	(59,841)	-	-	-	(446,473)
Net book value	500,727					626,364

**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 SEPTEMBER 2022**

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

NOTE 13 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

Short-term provisions

	30 September 2022	31 December 2021
Provision for warranty expenses	267,770	254,819
Provision for purchase costs	74,697	41,890
Provision for employee benefists	47,677	20,705
Litigation provisions	4,696	3,667
Other	112,931	119,442
	507,771	440,523

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 30 September 2022 and 2021, the movement of provision for warranty expenses is follows:

	2022	2021
1 January	254,819	134,240
Additional provision	155,441	81,716
Claim payments	(142,490)	(48,940)
30 September	267,770	167,016

Provision for employment termination benefits

	30 September 2022	31 December 2021
Provision for employment termination benefits	152,703	89,427
Provision for unused vacation	47,677	20,705
	200,380	110,132

**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 SEPTEMBER 2022**

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

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

Provision for employment termination benefits

The amount payable consists of one month’s salary limited to a maximum of TRY 15,371.40 in full for each year of service as of 30 September 2022 (31 December 2021: TRY 8,284.51 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:

	30 September 2022	31 December 2021
Net discount rate (%)	4.45	4.45
Turnover rate to estimate the probability of retirement (%)	97.81	97.61

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 TRY 15,371.40 in full which is effective from 1 July 2022, has been taken into consideration in calculation of retirement benefit provision in the consulate.

As of 30 September 2022 and 2021, the movements of provision for employment termination benefits are as follows:

	2022	2021
1 January	89,427	63,725
Interest expense	6,070	4,325
Charge for the period	58,423	7,443
Actuarial loss	4,813	864
Payments	(6,030)	(3,246)
30 September	152,703	73,111

**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 SEPTEMBER 2022**

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

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

Provision for unused vacation

As of 30 September 2022 and 2021, the movements of provision for unused vacation are as follows:

	2022	2021
1 January	20,705	15,880
Charge for the period, net	26,972	3,775
30 September	47,677	19,655

Commitments and contingencies

As of 30 September 2022 and 31 December 2021, the tables which represent the position of guarantees, pledges and mortgages are as follows:

	30 September 2022	31 December 2021
a, Total amount of guarantees, pledges and mortgages given the name of legal entity	3,424,577	1,856,622
b, Total amount of guarantees, pledges and mortgages given in favour of the parties which are included in the scope of full consolidation	61,737	567,653
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	-	-
	3,486,314	2,424,275

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

	30 September 2022		31 December 2021	
	Original currency	TRY equivalent	Original currency	TRY equivalent
USD	76,837	1,421,768	85,823	1,113,770
EUR	23,441	420,134	58,640	860,970
TRY	1,455,244	1,455,244	308,493	308,493
RON	52,349	188,526	47,814	141,042
CNY	15,000	642	-	-
		3,486,314		2,424,275

**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 SEPTEMBER 2022**

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

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

Guarantee letters

a) Guarantees given as of 30 September 2022 and 31 December 2021 are as follows:

	30 September 2022	31 December 2021
Bank letters of guarantee	3,486,314	1,888,371
Surety	-	535,904
	3,486,314	2,424,275

b) Guarantees received as of 30 September 2022 and 31 December 2021 are as follows:

	30 September 2022	31 December 2021
Bank letters of guarantee	1,327,837	700,650
Guarantee notes	6,353	6,191
Mortgages received	21	20
	1,334,211	706,861

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

a) **Prepaid expenses**

Prepaid expenses – short-term

	30 September 2022	31 December 2021
Prepaid expenses	143,767	20,045
	143,767	20,045

**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 SEPTEMBER 2022**

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

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

Prepaid expenses – long-term

	30 September 2022	31 December 2021
Prepaid expenses	49,491	-
Advances given	6,962	16,446
	56,453	16,446

b) Other current assets

	30 September 2022	31 December 2021
Value added tax receivables	415,341	97,129
Other	12,216	9,505
	427,557	106,634

c) Liabilities arising from customer contracts

Liabilities arising from customer contracts - short-term

	30 September 2022	31 December 2021
Advances received	505,649	552,711
Deferred maintenance revenues	135,937	50,080
	641,586	602,791

Liabilities arising from customer contracts - long- term

	30 September 2022	31 December 2021
Deferred maintenance revenues	426,797	278,783
	426,797	278,783

d) Employee benefits obligation

	30 September 2022	31 December 2021
Social security payables	35,076	22,002
Payables to employees	25,367	23,330
Taxes and funds payable	12,330	21,728
	72,773	67,060

**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 SEPTEMBER 2022**

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

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

e) Other current liabilities

	30 September 2022	31 December 2021
Taxes and funds payable	8,888	3,985
Deferred special consumption tax	460	1,101
Other	2,581	1,602
	11,929	6,688

NOTE 15 - REVENUE AND COST OF SALES

Net sales	1 January - 30 September 2022	1 July - 30 September 2022	1 January - 30 September 2021	1 July - 30 September 2021
Domestic sales	1,905,722	489,851	959,469	287,591
Export sales	3,250,824	992,701	1,732,139	533,006
Gross sales	5,156,546	1,482,552	2,691,608	820,597
Less: sales discounts and returns	(34,083)	(11,209)	(16,928)	(5,806)
Net sales	5,122,463	1,471,343	2,674,680	814,791

Sales of the Group for the periods ended 30 September 2022 and 2021 in terms of the products are as follows:

	1 January - 30 September 2022	1 July - 30 September 2022	1 January - 30 September 2021	1 July - 30 September 2021
Commercial vehicle	2,980,594	1,199,866	1,178,689	389,269
Military vehicle	1,416,644	-	1,086,480	256,456
Other sales (*)	725,225	271,477	409,511	169,066
	5,122,463	1,471,343	2,674,680	814,791

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

Cost of sales

	1 January - 30 September 2022	1 July - 30 September 2022	1 January - 30 September 2021	1 July - 30 September 2021
Cost of finished goods sold	(3,343,231)	(1,021,317)	(1,609,451)	(466,097)
Cost of merchandise goods sold	(194,844)	(70,242)	(132,901)	(86,685)
Cost of sales	(3,538,075)	(1,091,559)	(1,742,352)	(552,782)

**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 SEPTEMBER 2022**

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

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

	1 January - 30 September 2022	1 July - 30 September 2022	1 January - 30 September 2021	1 July - 30 September 2021
Marketing expenses	(673,861)	(235,339)	(323,565)	(94,437)
General administrative expenses	(325,874)	(114,034)	(127,127)	(41,449)
Research and development expenses	(95,299)	(32,319)	(60,292)	(22,196)
	(1,095,034)	(381,692)	(510,984)	(158,082)

NOTE 17 - OTHER OPERATING INCOME AND EXPENSES

	1 January 30 September 2022	1 July 30 September 2022	1 January 30 September 2021	1 July 30 September 2021
Other operating income				
Foreign exchange gains on operating activities	538,930	208,373	259,297	17,977
Gain on forward transactions	287,535	100,234	43,079	19,876
Revenue from charge of due date receivables	65,580	15,100	33,218	4,159
Incentives income	1,452	484	-	-
Other income	40,641	15,400	16,478	6,576
	934,138	339,591	352,072	48,588

	1 January 30 September 2022	1 July 30 September 2022	1 January 30 September 2021	1 July 30 September 2021
Other operating expenses				
Foreign exchange loss on operating activities	(513,014)	(228,554)	(184,613)	(15,953)
Expected credit losses related to trade receivables	(68,865)	(30,174)	(49,801)	(10,742)
Provision for doubtful receivables	(19,630)	(2,418)	(7,901)	308
Other expenses	-	-	(1,688)	180
	(601,509)	(261,146)	(244,003)	(26,207)

**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 SEPTEMBER 2022**

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

NOTE 18 - FINANCIAL INCOME

	1 January 30 September 2022	1 July 30 September 2022	1 January 30 September 2021	1 July 30 September 2021
Foreign exchange gains on bank deposits	112,543	25,184	37,109	10,862
Interest income from bank deposits	30,022	15,807	23,353	336
Interest income from bank loans	50,542	16,104	28,056	20,604
	193,107	57,095	88,518	31,802

NOTE 19 - FINANCIAL EXPENSES

	1 January 30 September 2022	1 July 30 September 2022	1 January 30 September 2021	1 July 30 September 2021
Interest expense on bank borrowings	(367,884)	(205,800)	(107,586)	(35,582)
Foreign exchange losses on bank borrowings	(192,913)	(33,351)	(83,244)	(21,528)
Foreign exchange losses on bank deposits	(36,937)	(15,366)	(31,961)	(11,278)
Other	(4,694)	(1,486)	(2,404)	(711)
	(602,428)	(256,003)	(225,195)	(69,099)

NOTE 20 - TAX ASSETS AND LIABILITIES

In Turkey, the corporation tax rate is 23% (2021: 25%). 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 23% 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 30 September 2022 and 31 December 2021, income tax payables are presented net of prepaid taxes in the balance sheet as follows:

	30 September 2022	31 December 2021
Income tax payable	(165,760)	827
Prepaid taxes (-)	-	(827)
Current tax liabilities / (assets)	(165,760)	-

**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 SEPTEMBER 2022**

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

NOTE 20 - TAX ASSETS AND LIABILITIES (Continued)

The allocation of total tax expense for the periods ended 30 September 2022 and 2021 are as follows:

	1 January - 30 September 2022	1 January - 30 September 2021
Current tax charge	(165,760)	-
Deferred tax income / (expense) reflected in profit or loss		
Charged to profit for the period	170,765	47,890
Charged to other comprehensive income /(expense)	963	173
	5,968	48,063

As of 30 September 2022 and 31 December 2021, the allocation of deferred tax bases and deferred tax liability computed using the current effective tax rates are as follows:

	Cumulative temporary differences		Deferred tax assets	
	30 September 2022	31 December 2021	30 September 2022	31 December 2021
Property, plant and equipment	(129,332)	(94,471)	(22,385)	(15,413)
Intangible assets	(102,650)	(123,144)	(20,530)	(24,629)
Deferred financial expenses	(747)	(3,144)	(172)	(786)
Inventories	47,592	40,541	10,703	9,538
Provision for warranty expenses	267,770	254,819	61,587	63,705
Provision for employment termination benefits	152,703	89,427	35,122	22,357
Deferred financial income	301,237	49,520	69,285	12,380
Other provisions and accrued expenses	726,639	55,663	167,127	13,916
Deferred maintenance income	553,140	196,887	77,743	60,225
Investment incentives (*)	-	86,238	-	86,238
Other	172,930	23,019	27,672	6,893
Deferred tax assets, net			406,152	234,424

(*) The application of Investment Incentive Certificate made by the Group to T.C. Ministry of Industry and Technology, General Directorate of Incentive Implementation and Foreign Capital has been approved and an Investment Incentive Certificate numbered 512845 with a total amount of TRY 656,725 thousand was issued for the modernization investment envisaged to be made in the next 4 years.

**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 SEPTEMBER 2022**

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

NOTE 20 - TAX ASSETS AND LIABILITIES (Continued)

The movement of deferred tax asset for the periods ended 30 September 2022 and 2021 are as follows:

	1 January - 30 September 2022	1 January - 30 September 2021
1 January	234,424	96,285
Deferred tax income charged to profit or loss and other comprehensive income/expense for the period		
- Charged to profit for the period	170,765	47,890
- Charged to other comprehensive income / (expense)	963	173
30 September	406,152	144,348

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.

	30 September 2022	30 September 2021
Net profit/(loss) for the period	600,548	516,431
Weighted average number of issued shares	24,000,000,000	24,000,000,000
Earnings/(Loss) per share (KR)	2.502	2.152

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 September 2022 and 31 December 2021

Due from related parties	30 September 2022	31 December 2021
Ram Dış Ticaret A.Ş. (1) (**)	459,729	229,946
Al Jasoor Heavy Vehicles Industry LLC (3) (*)	23,760	303,111
Other (1)	9,702	185
	493,191	533,242

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

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

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

**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 SEPTEMBER 2022**

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

NOTE 22 - RELATED PARTY DISCLOSURES (Continued)

Due to related parties	30 September 2022	31 December 2021
Ram Dış Ticaret A.Ş. (1)	30,470	14,020
Zer Merkezi Hizmetler A.Ş. (1)	3,733	16,530
Otokoç Otomotiv Tic. ve San. A.Ş. (1)	3,380	2,916
Setur Servis Turistik A.Ş. (1)	2,845	5,312
Akpa Dayanımlı Tük.Paz. A.Ş. (1)	1,566	525
Opet Fuchs Madeni Yağ A.Ş. (1)	1,415	1,798
Ford Otosan A.Ş. (2)	1,118	456
Ram Sigorta Aracılık Hz. A.Ş. (1)	359	62
Koç Holding A.Ş. (2)	-	19,066
Other (1)	1,046	10,029
	45,932	70,714

Advances received from related parties	30 September 2022	31 December 2021
Ram Dış Ticaret A.Ş. (1)	291,454	421,792
Al Jasoor Heavy Vehicles Industry LLC (3)	-	6,271
	291,454	428,063

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

Sales of products and services	1 January 30 September 2022	1 July 30 September 2022	1 January 30 September 2021	1 July 30 September 2021
Ram Dış Ticaret A.Ş. (1) (*)	1,443,006	26,706	143,078	5,353
Al Jasoor Heavy Vehicle Industry LLC (3)	76,418	22,544	1,023,960	253,456
Other (1)	253	104	142	3
	1,519,677	49,354	1,167,180	258,812

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

Fixed asset purchases	1 January 30 September 2022	1 July 30 September 2022	1 January 30 September 2021	1 July 30 September 2021
Koç Sistem Bilgi ve İletişim Hiz. A.Ş. (1)	14,426	2,347	7,821	3,502
Otokoç Otomotiv Tic. Ve San. A.Ş. (1)	1,763	(68)	-	-
Zer Merkezi Hizmetler A.Ş. (1)	1,538	530	-	-
Ark İnşaat A.Ş. (1)	-	-	8,730	6,327
Other (1)	277	58	1,194	692
	18,004	2,867	17,745	10,521

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

**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 SEPTEMBER 2022**

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

NOTE 22 - RELATED PARTY DISCLOSURES (Continued)

	1 January 30 September 2022	1 July 30 September 2022	1 January 30 September 2021	1 July 30 September 2021
Inventory purchases				
Zer Merkezi Hizmetler ve Ticaret A.Ş. (1)	135,893	75,100	48,362	21,668
Ram Dış Ticaret A.Ş. (1)	37,688	16,836	5,709	2,342
Opet Petrolcülük A.Ş. (1)	10,756	5,379	2,516	1,024
Opet Fuchs Madeni Yağ A.Ş. (1)	9,594	3,807	3,935	1,350
Ford Otosan A.Ş. (2)	8,477	6,488	20,449	3,281
Akpa Dayanıklı Tük. Paz. A.Ş. (1)	8,004	3,227	1,836	526
Other (1)	2,228	1,008	799	374
	212,640	111,845	83,606	30,565

	1 January 30 September 2022	1 July 30 September 2022	1 January 30 September 2021	1 July 30 September 2021
Service purchases				
Ram Dış Ticaret A.Ş. (1)	71,233	36,510	37,753	30,100
Eltek Elektrik Enerji İth. İhr.Top.Tic. A.Ş. (1)	31,907	16,381	7,278	3,154
Setur Servis Turistik A.Ş.(1)	28,007	12,265	5,634	3,101
Ram Sigorta Aracılık Hz. A.Ş. (1) (**)	17,511	1,097	9,320	792
Otokoç Otomotiv Tic. ve San. A.Ş. (1)	14,795	4,622	9,119	3,372
Koç Holding A.Ş. (2)(*)	13,885	3,147	3,997	1,404
Koç Sistem Bilgi ve İletişim Hiz. A.Ş. (1)	12,623	5,468	8,295	4,344
Ingage Dijital (1)	3,571	577	-	-
Other (1)	7,695	4,593	7,309	1,393
	201,227	84,660	88,705	47,660

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

(**) It includes paid and accrued premium as of 30 September 2022 and 30 September 2021 in accordance with insurance policies signed between insurance companies via Ram Sigorta Aracılık Hizmetleri A.Ş. which is an insurance agency.

Bank deposits	30 September 2022	31 December 2021
Yapı ve Kredi Bankası A.Ş. (1)		
- Time deposits	148,475	365,436
- Demand deposits	31,700	2
	180,175	365,438

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

**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 SEPTEMBER 2022**

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

NOTE 22 - RELATED PARTY DISCLOSURES (Continued)

Loans	30 September 2022	31 December 2021
Yapı ve Kredi Bankası A.Ş. (1)	300,747	141,828
	300,747	141,828

For the periods ended 30 September 2022 and 2021, financial income and expense with related parties are as follows:

	1 January 30 September 2022	1 July 30 September 2022	1 January 30 September 2021	1 July 30 September 2021
Trade receivables and payables foreign exchange gains				
Ram Dış Ticaret A.Ş. (1)	199,177	43,559	90,926	2,684
Zer Merkezi Hizmetler ve Ticaret A.Ş. (1)	438	155	324	105
Other (1)	404	83	306	190
	200,019	43,797	91,556	2,979
Trade receivables and payables foreign exchange expenses				
Ram Dış Ticaret A.Ş. (1)	32,923	24,309	103,801	1,391
Zer Merkezi Hizmetler ve Ticaret A.Ş. (1)	2,205	846	-	-
Other (1)	268	(14)	8,335	71
	35,396	25,141	112,136	1,462

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

**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 SEPTEMBER 2022**

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

NOTE 22 - RELATED PARTY DISCLOSURES (Continued)

For the periods ended 30 September 2022 and 2021, financial income and expense with related parties are as follows:

	1 January 30 September 2022	1 July 30 September 2022	1 January 30 September 2021	1 July 30 September 2021
Interest income				
Yapı ve Kredi Bankası A.Ş. (1)	15,216	5,422	1,448	28
	15,216	5,422	1,448	28

	1 January 30 September 2022	1 July 30 September 2022	1 January 30 September 2021	1 July 30 September 2021
Interest expense				
Yapı ve Kredi Bankası A.Ş. (1)	4,772	1,991	9,820	3,309
	4,772	1,991	9,820	3,309

For the periods ended 30 September 2022 and 2021, financial income and expense with related parties are as follows:

	1 January 30 September 2022	1 July 30 September 2022	1 January 30 September 2021	1 July 30 September 2021
Foreign exchange income				
Yapı ve Kredi Bankası A.Ş. (1)	30,939	11,197	9,918	-
	30,939	11,197	9,918	-

	1 January 30 September 2022	1 July 30 September 2022	1 January 30 September 2021	1 July 30 September 2021
Foreign exchange expenses				
Yapı ve Kredi Bankası A.Ş. (1)	13,618	4,950	7,541	-
	13,618	4,950	7,541	-

Benefits provided to senior executives

For the period ended 30 September 2022, the total amount of benefits provided to senior management is TRY 16,501 thousand (30 September 2021: TRY 8,718 thousand). It consists of senior managers, members of the board of directors, general manager and assistant general managers.

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

**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 SEPTEMBER 2022**

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

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.

The recorded amounts of foreign currency assets and liabilities held by the Group by foreign currency type are as follows:

	TRY equivalent (functional currency)	USD	EUR	GBP
30 September 2022				
1. Trade receivables	1,581,436	30,749	56,480	8
2a. Monetary financial assets (including cash, bank accounts)	279,045	12,994	2,154	-
2b. Non-monetary financial assets	-	-	-	-
3. Other	37	2	-	-
4. Current assets (1+2+3)	1,860,518	43,745	58,634	8
5. Trade receivables	-	-	-	-
6a. Monetary financial assets	-	-	-	-
6b. Non-monetary financial assets	-	-	-	-
7. Other	54	-	3	-
8. Non-current assets (5+6+7)	54	-	3	-
9. Total assets (4+8)	1,860,572	43,745	58,637	8
10. Trade payables	(1,156,750)	(43,050)	(19,953)	(127)
11. Financial liabilities	(783,799)	-	(43,731)	-
12a. Monetary other liabilities	(450,863)	(16,277)	(8,351)	-
12b. Non-monetary other liabilities	-	-	-	-
13. Current liabilities (10+11+12)	(2,391,412)	(59,327)	(72,035)	(127)
14. Trade payables	-	-	-	-
15. Financial liabilities	-	-	-	-
16a. Monetary other liabilities	-	-	-	-
16b. Non-monetary other liabilities	-	-	-	-
17. Non-current liabilities (14+15+16)	-	-	-	-
18. Total liabilities (13+17)	(2,391,412)	(59,327)	(72,035)	(127)
Net balance sheet position (9+18)	(530,840)	(15,582)	(13,398)	(119)
19. Net asset/(liability) position of off-balance sheet derivative instruments (19a-19b)	533,398	15,750	13,500	-
19a. Hedged total assets amount	533,398	15,750	13,500	-
19b. Hedged total liabilities amount	-	-	-	-
20. Net foreign currency asset/(liability) position (9+18+19)	2,558	168	102	(119)
21. Net foreign currency asset/(liability) position of monetary items (=1+2a+5+6a-10-11-12a-14-15-16a)	(530,931)	(15,584)	(13,401)	(119)
22. Total fair value of financial instruments used for foreign currency hedging	5,768	-	-	5,768
23. Export (as of 30 September 2022)	3,220,856	105,358	83,615	10
24. Import (as of 30 September 2022)	2,793,386	52,939	112,248	330

**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 SEPTEMBER 2022**

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

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

31 December 2021	TRY equivalent (functional currency)	USD	EUR	GBP
1. Trade receivables	1,171,588	35,458	48,442	11
2a. Monetary financial assets (including cash, bank accounts)	319,360	21,648	2,617	-
2b. Non-monetary financial assets	-	-	-	-
3. Other	26	2	-	-
4. Current assets (1+2+3)	1,490,974	57,108	51,059	11
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)	1,490,974	57,108	51,059	11
10. Trade payables	(357,876)	(16,798)	(9,495)	(27)
11. Financial liabilities	(2,173)	-	(148)	-
12a. Monetary other liabilities	(544,449)	(35,147)	(6,016)	-
12b. Non-monetary other liabilities	-	-	-	-
13. Current liabilities (10+11+12)	(904,498)	(51,945)	(15,659)	(27)
14. Trade payables	-	-	-	-
15. Financial liabilities	(591,961)	-	(40,318)	-
16a. Monetary other liabilities	-	-	-	-
16b. Non-monetary other liabilities	-	-	-	-
17. Non-current liabilities (14+15+16)	(591,961)	-	(40,318)	-
18. Total liabilities (13+17)	(1,496,459)	(51,945)	(55,977)	(27)
Net balance sheet position (9+18)	(5,485)	5,163	(4,918)	(16)
Net asset/(liability) position of off-balance sheet				
19. derivative instruments(19a-19b)	51	(5,087)	4,500	-
19a. Hedged total assets amount	66,071	-	4,500	-
19b. Hedged total liabilities amount	(66,020)	(5,087)	-	-
Net foreign currency asset/(liability) position (9+18+19)	(5,434)	76	(418)	(16)
Net foreign currency asset/(liability) position of monetary items (=1+2a+5+6a-10-11-12a-14-15-16a)	(5,511)	5,161	(4,918)	(16)
Total fair value of financial instruments used for				
22. foreign currency hedging	(51)	(51)	-	-
23. Export (as of 30 September 2021)	1,804,050	150,998	58,441	20
24. Import (as of 30 September 2021)	679,597	30,133	44,221	470

**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 SEPTEMBER 2022**

(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 30 September 2022 and 31 December 2021:

30 September 2022	<u>Profit before tax Appreciation Foreign currency</u>	<u>Profit before tax Depreciation Foreign currency</u>
<i>In case 10% appreciation of USD against TRY:</i>		
1- USD net asset/liability	311	(311)
2- Amount hedged for USD risk (-)	-	-
3- USD net effect (1+2)	311	(311)
<i>In case 10% appreciation of EUR against TRY:</i>		
4- EUR net asset/liability	183	(183)
5- Amount hedged for EUR risk (-)	-	-
6- EUR net effect (4+5)	183	(183)
<i>In case 10% appreciation of GBP against TRY</i>		
7- GBP net asset/liability	(238)	238
8- Amount hedged for GBP risk (-)	-	-
9- GBP net effect (7+8)	(238)	238
Total (3+6+9)	256	(256)
	<u>Profit before tax Appreciation of foreign currency</u>	<u>Profit before tax Depreciation of foreign foreign currency</u>
31 December 2021		
<i>In case 10% appreciation of USD against TRY:</i>		
1- USD net asset/liability	99	(99)
2- Amount hedged for USD risk (-)	-	-
3- USD net effect (1+2)	99	(99)
<i>In case 10% appreciation of EUR against TRY:</i>		
4- EUR net asset/liability	(614)	614
5- Amount hedged for EUR risk (-)	-	-
6- EUR net effect (4+5)	(614)	614
<i>In case 10% appreciation of GBP against TRY</i>		
7- GBP net asset/liability	(28)	28
8- Amount hedged for GBP risk (-)	-	-
9- GBP net effect (7+8)	(28)	28
Total (3+6+9)	(543)	543

**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 SEPTEMBER 2022**

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

NOTE 24 - FAIR VALUE DISCLOSURES OF 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 September 2022 and 31 December 2021:

30 September 2022

Liabilities	Level 1	Level 2	Level 3	Total
Derivative financial instruments	-	5,768	-	5,768
	-	5,768	-	5,768

31 December 2021

Assets	Level 1	Level 2	Level 3	Total
Derivative financial instruments	-	51	-	51
	-	51	-	51

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.

**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 SEPTEMBER 2022**

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

NOTE 24 - FAIR VALUE DISCLOSURES OF 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

None.

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