

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

**OTOKAR OTOMOTİV VE SAVUNMA
SANAYİ ANONİM ŞİRKETİ**

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS AND EXPLANATORY
NOTES FOR THE PERIOD 1 JANUARY - 31
MARCH 2022**

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

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

**INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENT
FOR THE PERIOD 1 JANUARY - 31 MARCH 2022**

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TURKISH**

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

**INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
AS OF 31 MARCH 2022 AND 31 DECEMBER 2021**

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

		(Unaudited)	(Audited)
	Notes	31 March 2022	31 December 2021
Assets			
Current assets			
Cash and cash equivalents	4	598.399	644.857
Trade receivables	9	1.256.902	1.761.233
<i>Due from related parties</i>	22	344.459	533.242
<i>Due from third parties</i>	9	912.443	1.227.991
Other receivables		1.420	1.212
Inventories	10	1.858.872	1.426.393
Derivative financial instruments	8	-	51
Prepaid expenses	14	47.658	20.045
Other current assets	14	162.825	106.634
Total current assets		3.926.076	3.960.425
Non-current assets			
Trade receivables	9	438.838	421.129
Other receivables		3.064	4.474
Investments accounted by equity method	5	199.677	182.456
Financial investment	7	147	147
Property, plant and equipment	11	429.786	396.704
Right of use assets	11	36.112	33.946
Intangible assets	12	810.132	739.375
Deferred tax assets	20	233.932	234.424
Prepaid expenses	14	11.640	16.446
Total non-current assets		2.163.328	2.029.101
Total assets		6.089.404	5.989.526

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

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OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

**INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
AS OF 31 MARCH 2022 AND 31 DECEMBER 2021**

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

	Notes	(Unaudited) 31 March 2022	(Audited) 31 December 2021
Liabilities			
Current liabilities			
Short-term borrowings	6	223.293	473.279
<i>Bank loans</i>	6	200.000	455.503
<i>Lease liabilities</i>	6	23.293	17.776
Short-term portion of long-term borrowings	6	737.278	644.014
<i>Bank loans</i>	6	737.278	644.014
Trade payables	9	689.634	554.860
<i>Due to related parties</i>	22	25.333	70.714
<i>Due to other parties</i>	9	664.301	484.146
Derivative financial instruments	8	188	-
Employee benefit obligations	14	64.463	67.060
Other payables		66.578	46.547
Liabilities from customer contracts	14	644.861	602.791
Government incentives		1.906	16.572
Short-term provisions	13	540.036	440.523
<i>Provisions for employee benefits</i>	13	34.751	20.705
<i>Other provisions</i>		505.285	419.818
Other current liabilities	14	15.570	6.688
Total current liabilities		2.983.807	2.852.334
Non-current liabilities			
Long-term borrowings	6	1.498.069	1.261.164
<i>Bank loans</i>	6	1.461.636	1.233.360
<i>Lease liabilities</i>	6	36.433	27.804
Government incentives		9.907	11.283
Long-term provisions	13	104.867	89.427
<i>Provisions for employee benefits</i>	13	104.867	89.427
Liabilities from customer contracts	14	297.015	278.783
Total non-current liabilities		1.909.858	1.640.657
Total liabilities		4.893.665	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 (loss)		(17.184)	(12.925)
<i>Defined benefit plans remeasurement gains (losses)</i>		(17.184)	(12.925)
Accumulated other comprehensive income (expense) that will be reclassified to statement of profit (loss)		(207.168)	(210.099)
<i>Currency translation differences</i>		(207.168)	(210.099)
Retained earnings or losses		959.418	467.762
Net profit or loss for the period		200.532	1.041.524
Total equity		1.195.739	1.496.535
Total liabilities and equity		6.089.404	5.989.526

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

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OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME AS OF 31 MARCH 2022 AND 2021**

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

		(Unaudited)	(Unaudited)
	Notes	1 January - 31 March 2022	1 January - 31 March 2021
Revenue	15	1.293.998	877.242
Cost of sales (-)	15	(827.250)	(596.739)
GROSS PROFIT (LOSS)		466.748	280.503
Marketing expenses (-)	16	(179.210)	(116.846)
General administrative expenses (-)	16	(111.159)	(41.413)
Research and development expenses (-)	16	(22.601)	(18.510)
Other operating income	17	327.796	155.274
Other operating expenses (-)	17	(176.699)	(114.693)
OPERATING PROFIT (LOSS)		304.875	144.315
Income from investing activities		839	349
Profit (loss) from investments accounted by equity method	5	(5.870)	618
OPERATING INCOME (EXPENSE) BEFORE FINANCIAL INCOME (EXPENSE)		299.844	145.282
Financial income	18	39.820	41.099
Financial expense (-)	19	(137.575)	(81.915)
PROFIT (LOSS) BEFORE TAXATION FROM CONTINUING OPERATIONS		202.089	104.466
Income (expense) tax from continuing operations			
Deferred tax income (expense)	20	(1.557)	2.978
PROFIT (LOSS) FOR THE PERIOD		200.532	107.444
Items that will not be reclassified to profit or loss			
Defined benefit plans remeasurement gains (losses)		(5.324)	(1.903)
Deferred tax income (expense)		1.065	381
Items that will be reclassified to profit or loss			
Currency translation differences of investments accounted by equity method		23.093	23.810
Currency translation differences		(20.162)	(53.461)
Other comprehensive income (expense)		(1.328)	(31.173)
TOTAL COMPREHENSIVE INCOME (EXPENSE)		199.204	76.271
Earnings (losses) per share (Kr)	21	0,836	0,448

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

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

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE PERIODS
ENDED 31 MARCH 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 (loss)	Accumulated other comprehensive income (expense) that will be reclassified to statement of profit (loss)			
	Paid-in share capital	Inflation adjustment on share capital	Restricted reserve	Remeasurement losses on defined benefit plans	Currency translation differences	Retained earnings	Net profit for the period	Total equity
31 March 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	-	-	-	(1.522)	(29.651)	-	107.444	76.271
Closing balances	24.000	52.743	133.530	(13.111)	(88.754)	467.762	107.444	683.614
31 March 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	-	-	-	(4.259)	2.931	-	200.532	199.204
Closing balances	24.000	52.743	183.398	(17.184)	(207.168)	959.418	200.532	1.195.739

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

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OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE PERIODS ENDED 31 MARCH 2022 AND 2021**

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

		(Unaudited)	(Unaudited)
	Notes	1 January – 31 March 2022	1 January – 31 March 2021
CASH FLOWS FROM OPERATING ACTIVITIES		657.930	275.324
Net profit/ (loss) for the period		200.532	107.444
Adjustments to reconcile net profit/ (loss)		317.226	151.584
Adjustments for depreciation and amortization	11,12	35.546	24.710
Adjustments in relation to impairment		13.704	7.651
- Provision for doubtful receivables	9	9.912	4.636
- Provision for inventories	10	3.792	3.015
Adjustments in relation to provision		140.995	61.371
- Provision for employee benefits	13	26.952	4.942
- Provision for warranty expenses	13	50.580	37.308
- Adjustments for other provisions		63.463	19.121
Adjustments in relation to interest income and expenses		43.839	15.657
- Adjustment in relation to interest income	18	(11.294)	(19.625)
- Adjustment in relation to interest expense	19	55.133	35.282
Adjustments in relation to unrealised foreign exchange gains and losses	6	77.010	31.140
Adjustments in relation to fair value losses (gains)		609	15.000
Fair value losses/(gains) on financial derivative instruments		609	15.000
Adjustments for undistributed profits of investments accounted by equity method		5.870	(618)
- Adjustments for undistributed profits of joint ventures	5	5.870	(618)
Adjustment on tax (income)/ expense		492	(2.978)
Adjustments in relation to losses (gains) on sales of property, plant and equipment		(839)	(349)
- Losses (gains) on sale of property, plant and equipments		(839)	(349)
Changes in net working capital		171.909	31.807
Decrease/(increase) in trade receivables		476.310	(167.175)
Decrease/(increase) in inventories		(436.271)	(7.958)
Increase/(decrease) in trade payables		134.774	15.902
Increase/(decrease) in other working capital		(2.904)	191.038
- Decrease/(increase) in other assets related to activities		(77.796)	4.008
- Increase/(decrease) in other liabilities related to activities		74.892	187.030
Cash flows from operations		689.667	290.835
Payments in relation to employee benefits	13	(2.790)	(1.084)
Payments in relation to other provisions		(28.576)	(15.984)
Other cash collections/(payments)		(371)	1.557
CASH FLOWS FROM INVESTING ACTIVITIES		(134.359)	(73.042)
Proceeds from sale of property, plant and equipment and intangible assets		1.326	712
- Proceeds from sale of property, plant and equipment		1.326	712
Cash outflows due to purchase of property, plant and equipment and intangible assets		(135.685)	(73.754)
- Cash outflows due to purchase of property, plant and equipment	11	(42.672)	(16.661)
- Cash outflows due to purchase of intangible assets	12	(93.013)	(57.093)
CASH FLOWS FROM FINANCING ACTIVITIES		(549.912)	(401.089)
Cash inflow from to borrowings		1.185.668	562.582
- Proceeds from bank borrowings	6	1.185.668	562.582
Cash outflow due to repayment of borrowings		(1.222.239)	(555.504)
- Repayments of borrowings	6	(1.222.239)	(555.504)
Cash outflows on debt payments from leasing agreements	6	(885)	(2.517)
Dividends paid		(500.000)	(400.000)
Interest paid		(23.750)	(25.275)
Interest received		11.294	19.625
NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS BEFORE THE EFFECT OF CURRENCY TRANSLATION DIFFERENCES		(26.341)	(198.807)
Effect of currency translation difference on cash and cash equivalents		(20.117)	(53.470)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(46.458)	(252.277)
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	598.399	265.145

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

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OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 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 Group 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
Otokar Land Systems LLC	United Arab Emirates	Sales and marketing	Automotive and defense industry
Otokar Europe Filiala Bucuresti SRL	Romania	Sales and marketing	Automotive
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	United Arab Emirates	Sales and marketing	Automotive and defense industry

Otokar and its subsidiaries and joint ventures 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 interim condensed consolidated financial statements.

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

	31 March 2022		31 December 2021	
	Period end	Average	Period end	Average
Total personnel number	2.536	2.408	2.286	2.248

The interim condensed consolidated financial statements for the period ended 31 March 2022 were approved by the Board of Directors of Otokar on 26 April 2022. Consolidated financial statements may be changed by the General Assembly.

Otokar is registered to the Capital Market Board (“CMB”) and its shares are listed on the Borsa Istanbul A.Ş. (“BIST”) since 1995. As of 31 March 2022, 27.85% of the shares of Otokar are quoted on the BIST.

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OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2022

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

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

As of 31 March 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 interim condensed consolidated financial statements of the Group have been prepared in accordance with the Turkish Financial Reporting Standards (“TFRS”) and interpretations promulgated 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 March 2013 which is published on Official Gazette numbered 28676. TFRS are updated by the communiqués in harmony with the changes and updates in International Financial Reporting Standards (“IFRS”).

For the period ended 31 March 2022, interim condensed consolidated financial statements are prepared in accordance with the Turkish Accounting Standard No.34 for the preparation of interim financial reporting of TFRS. Therefore interim condensed consolidated financial statements should be read in conjunction with the consolidated 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 TAS Taxonomy" published by the POA 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, depreciation calculation of fixed assets in accordance with useful life and prorata basis, accounting of provisions, reclassification of deferred maintenance income and discount of receivables and payables.

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 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 interim condensed consolidated financial statements have been prepared under the historical cost convention, except derivative financial assets and liabilities carried at fair value.

Functional and presentation currency

Items included in the consolidated financial statements of the subsidiaries and joint ventures of the Group are measured using the currency of the primary economic environment in which the entity operates (“the functional currency”). The interim condensed 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 Changes in the accounting estimates and errors

The Group consistently recognizes, values and presents similar transactions, events and situations in the interim condensed consolidated financial statements. Identified significant accounting errors are applied retrospectively and prior period financial statements are restated. 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 estimates used in the preparation of these interim condensed consolidated financial statements for the period ended 31 March 2022 are consistent with those used in the preparation of consolidated financial statements for the year ended 31 December 2021.

2.3 Changes in accounting policies

Changes in accounting policies are made when the effects of transactions and events on the consolidated financial position, performance or cash flows of the Group will result in a more appropriate and reliable presentation in the consolidated financial statements. If optional changes in accounting policies affect previous periods, the policy is applied retrospectively in the consolidated financial statements as if it had always been in use. Accounting policy changes resulting from the application of a new standard are applied retrospectively or prospectively in accordance with the transitional provisions of that standard, if any. Changes without any transitional provisions are applied retrospectively.

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

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

2.3 Changes in accounting policies (Continued)

2.3.1 New and amended standards and interpretations

The accounting policies adopted in preparation of the consolidated financial statements as of 31 March 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 of 1 January 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.

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.

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 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)

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 amendments did not have a significant impact on the 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.

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. TFRS 17 will become effective for annual reporting periods beginning on or after 1 January 2023; early application is permitted.

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

2.3 Changes in accounting policies (Continued)

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.

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 amendments are not applicable for the Group and will not have an impact on the 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.

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

2.3 Changes in accounting policies (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 amendments are not applicable for the Group and will not have an impact on the financial position or performance of the Group.

2.4 Significant accounting policies

Group accounting

The interim condensed 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 interim condensed consolidated financial statements and have been prepared in accordance with TFRS.

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

Subsidiaries	2022		2021	
	Ownership (%)	Rate of effective interest (%)	Ownership (%)	Rate of effective interest (%)
Otokar Europe SAS	100,00	100,00	100,00	100,00
Otokar Land Systems Limited	100,00	100,00	100,00	100,00
Otokar Europe Filiala Bucuresti SRL	100,00	100,00	100,00	100,00
Otokar Central Asia Limited	100,00	100,00	100,00	100,00
Join Venture	Ownership (%)	Rate of effective interest (%)	Ownership (%)	Rate of effective interest (%)
Al Jasoor Heavy Vehicle Industry LLC	49,00	49,00	49,00	49,00

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NOTE 3 - SEGMENT REPORTING

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

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

NOTE 4 - CASH AND CASH EQUIVALENTS

	31 March 2022	31 December 2021
Banks		
- Time deposits	449.248	545.213
- Demand deposits	149.121	99.593
Other	30	51
	598.399	644.857

As of 31 March 2022, all time deposit accounts with a total amount of TRY 449.248 thousand are in foreign currency, with an annual effective interest rate of 0,8% and a maturity of 1 day.

(As of 31 December 2021, total amount of time deposit accounts is TRY 545.213 thousand, corresponding to TRY 209.292 thousand, are in foreign currency, with an annual effective interest rate of 0,77% and the average maturity is 1 day. The remaining amount of TRY 335.921 thousand are with an annual effective interest rate of 25% and a maturity is 1 day.)

As of 31 March 2022, the Group has restricted bank deposit amounting to TRY 0,2 thousand (31 December 2021: TRY 0,2 thousand).

NOTE 5 - INVESTMENTS ACCOUNTED BY EQUITY METHOD

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

Joint ventures	2022		2021	
	(%)	Amount	(%)	Amount
Al Jasoor	49	199.677	49	182.456
		199.677		182.456

The movements of joint ventures for the periods ended on 31 March 2022 and 2021 are as follows:

	2022	2021
Beginning- 1 January	182.456	169.689
Shares of profit/(loss)	(5.870)	618
Currency translation differences	23.091	23.810
End of the period – 31 March	199.677	194.117

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NOTE 5 - INVESTMENTS ACCOUNTED BY EQUITY METHOD (Continued)

The summary of the financial statements of Al Jasoor Heavy Vehicle Industry LLC accounted by equity method as of 31 March 2022 and 31 December 2021 is as follows:

	31 March 2022	31 December 2021
Total assets	836.040	1.081.715
Total liabilities	(428.536)	(709.350)
Net assets	407.504	372.365
Ownership of the Group	49%	49%
Net asset share of the Group	199.677	182.456

NOTE 6 - BORROWINGS

Short-term financial borrowings

31 March 2022	Maturities	Annual average effective interest rate (%)	TRY equivalent
Bank loans			
TRY borrowings	16 September 2022	10,00	200.000
			200.000
Borrowings from lease liabilities			
EUR lease liabilities	-	2,00	16.042
TRY lease liabilities	-	30,00	7.251
			23.293
Total short-term financial liabilities			223.293

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

31 March 2022	Maturities	Annual average effective interest rate (%)	TRY equivalent
Bank loans			
EUR borrowings	9 January 2023 – 2 February 2023	3,15	383.373
TRY borrowings	3 June 2022 – 31 March 2023	14,10	353.905
			737.278

(*) Bearing fixed interest rate

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NOTE 6 - BORROWINGS (Continued)

31 March 2022	Maturities	Annual average effective interest rate (%)	TRY equivalent
Long-term borrowings (*)			
Bank loans			
TRY borrowings	7 April 2023 – 5 August 2025	17,67	1.135.464
EUR borrowings	14 September 2023 – 15 September 2023	2,70	326.172
			1.461.636
Borrowings from lease liabilities			
EUR borrowings	-	2,00	25.092
TRY borrowings	-	30,00	11.341
			36.433
Total long-term financial borrowings			1.498.069

(*) Bearing fixed interest rate

Short-term borrowings

31 December 2021	Maturities	Annual average effective interest rate (%)	Amount
Bank loans			
RON borrowings	28 January 2022	5,16	454.573
TRY borrowings	3 June 2022	8,75	930
			455.503
Borrowings from lease liabilities			
EUR borrowings	-	2,00	12.242
TRY borrowings	-	25,00	5.534
			17.776
Total short-term financial borrowings			473.279

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NOTE 6 - BORROWINGS (Continued)

31 December 2021	Maturities	Annual average effective interest rate (%)	TRY Equivalent
Short-term portion of long-term borrowings (*)			
TRY borrowings	31 December 2022	13,49	641.846
EUR borrowings	15 September 2023	2,82	2.168
			644.014

31 December 2021	Maturities	Annual average effective interest rate (%)	TRY Equivalent
Long-term bank borrowings (*)			
Bank loans			
TRY borrowings	5 August 2025	18,85	641.406
EUR borrowings	15 August 2023	3,15	591.954
			1.233.360

(*) Bearing fixed interest rate

31 December 2021	Maturities	Annual average effective interest rate (%)	TRY Equivalent
Borrowings from lease liabilities			
EUR borrowings	-	2,00	19.149
TRY borrowings	-	25,00	8.655
			27.804
Total long-term financial borrowings			1.261.164

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

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NOTE 6 - BORROWINGS (Continued)

The movements of borrowings over the periods ended 31 March 2022 and 2021 are as follows:

	2022	2021
1 January	2.378.457	1.854.064
Borrowing received during the period	1.185.668	562.582
Cash outflows related to debt payments from leasing agreements	(885)	(2.517)
Changes in lease obligations under TFRS 16	9.246	682
Principal payments (-)	(1.222.239)	(555.504)
Change in interest accruals	31.383	10.005
Change in exchange rates	77.010	31.142
31 March	2.458.640	1.900.454

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 its international sales and follow up export activities.

NOTE 8 - DERIVATIVE FINANCIAL INSTRUMENTS

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

31 March 2022	Contract amount	Current period contract maturity	Fair value liabilities
Forward transactions	424.212	7 April 2022	(188)
Short-term derivative financial instruments	424.212		(188)
Total derivative financial instruments	424.212		(188)
31 December 2021	Contract amount	Current period contract maturity	Fair value assets
Forward transactions	132.090	6 January 2022	51
Short-term derivative financial instruments	132.090		51
Total derivative financial instruments	132.090		51

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NOTE 9 - TRADE RECEIVABLES AND PAYABLES

Trade receivables

	31 March 2022	31 December 2021
Trade receivables, net	829.355	1.073.224
Notes receivables, net	190.784	252.151
Subtotal	1.020.139	1.325.375
Less: provision for doubtful receivables	(107.696)	(97.384)
Trade receivables from third parties	912.443	1.227.991
Trade receivables from related parties (Note 22)	344.459	533.242
Short-term trade receivables	1.256.902	1.761.233
Long-term trade receivables, net	438.838	421.129
Long-term trade receivables	438.838	421.129

As of 31 March 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 31 March 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 minibus and bus sales to dealers and defense vehicle sales. As of 31 March 2022, the total trade receivable from dealers amounting to TRY 379.372 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 382.307 thousand (31 December 2021: TRY 268.479 thousand).

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

31 March 2022	Trade receivables
1- 30 day past due	-
1- 3 month past due	-
3- 12 month past due	-
1- 5 year past due	-
Over 5 years past due	439
	439
Amount secured by guarantees	439

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NOTE 9 - TRADE RECEIVABLES AND PAYABLES (Continued)

31 December 2021	Trade receivables
1- 30 day past due	-
1- 3 month past due	-
3- 12 month past due	-
1- 5 year past due	-
Over 5 years past due	395
	395
Amount secured by guarantees	395

Prosecution has been started for trade receivable balances which are overdue for 1-5 years.

The movement of the provision for doubtful receivables for the periods ended 31 March 2022 and 2021 are as follows:

	2022	2021
1 January	97.384	61.524
Currency translation differences	400	166
Exchange differences	9.912	4.636
31 March	107.696	66.326

Trade payables

	31 March 2022	31 December 2021
Trade payables, net	664.301	484.146
Trade payables to third parties	664.301	484.146
Trade payables to related parties (Note 22)	25.333	70.714
Short-term trade payables	689.634	554.860

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

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

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NOTE 10 - INVENTORIES

	31 March 2022	31 December 2021
Raw materials	828.104	576.526
Semi-finished goods	269.624	73.797
Finished goods	255.578	276.878
Merchandises	216.017	164.392
Goods in transit	321.938	363.397
Less: impairment for inventories (*)	(32.389)	(28.597)
	1.858.872	1.426.393

(*) TRY 1.030 thousand of impairment is related to finished goods (31 December 2021: TRY 110 thousand), TRY 4.383 thousand is related to merchandises (31 December 2021: TRY 4.026 thousand) and TRY 26.986 thousand of impairment is related to raw materials (31 December 2021: TRY 24.461 thousand). The impairment has been accounted under cost of sales.

NOTE 11 - PROPERTY, PLANT AND EQUIPMENT

Movements of property, plant and equipment and related accumulated depreciation for the periods ended 31 March 2022 and 2021 is as follows:

	1 January 2022	Additions	Disposals	Transfers	Currency translation differences	31 March 2022
Cost						
Land	37.437	-	-	-	-	37.437
Land improvements	18.112	307	-	-	-	18.419
Buildings	108.514	671	-	-	-	109.185
Machinery and equipment	246.086	1.471	(829)	-	719	247.447
Motor vehicles	19.869	5.757	(409)	-	-	25.217
Furniture and fixtures	131.673	9.934	-	-	432	142.039
Leasehold improvements	1.715	-	-	-	-	1.715
Construction in progress	36.526	24.532	-	-	-	61.058
	599.932	42.672	(1.238)	-	1.151	642.517
Accumulated depreciation						
Land improvements	5.351	153	-	-	-	5.504
Buildings	50.692	963	-	-	-	51.655
Machinery and equipment	104.958	4.781	(622)	-	478	109.595
Motor vehicles	8.062	508	(129)	-	-	8.441
Furniture and fixtures	33.090	3.014	-	-	318	36.422
Leasehold improvements	1.075	39	-	-	-	1.114
	203.228	9.458	(751)	-	796	212.731
Net book value	396.704			-		429.786

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

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NOTE 11 - PROPERTY, PLANT AND EQUIPMENT (Continued)

	1 January 2021	Additions	Disposals	Transfers	Currency translation differences	31 March 2021
Cost						
Land	37.437	-	-	-	-	37.437
Land improvements	8.920	-	-	-	-	8.920
Buildings	60.781	-	-	341	-	61.122
Machinery and equipment	134.800	1.471	(1)	-	287	136.557
Motor vehicles	14.561	285	(452)	-	-	14.394
Furniture and fixtures	74.749	2.005	(129)	24	178	76.827
Leasehold improvements	1.132	20	-	-	-	1.152
Construction in progress	74.109	12.880	-	(365)	-	86.624
	406.489	16.661	(582)	-	465	423.033
Accumulated depreciation						
Land improvements	(5.027)	(75)	-	-	-	(5.102)
Buildings	(48.582)	(327)	-	-	-	(48.909)
Machinery and equipment	(93.657)	(1.971)	1	-	(177)	(95.804)
Motor vehicles	(6.970)	(289)	126	-	-	(7.133)
Furniture and fixtures	(24.240)	(1.628)	92	-	(113)	(25.889)
Leasehold improvements	(999)	(17)	-	-	-	(1.016)
	(179.475)	(4.307)	219	-	(290)	(183.853)
Net book value	227.014					239.180

The allocation of accumulated depreciation and amortisation for the periods ended 31 March 2022 and 2021 is as follows:

	31 March 2022	31 March 2021
Research and development expenses	20.904	18.289
Right of use of assets	3.803	2.044
Cost of goods sold	3.563	1.088
General administrative expenses	1.355	894
Depreciation on inventories	3.432	1.561
Developments projects in progress	2.161	555
Selling and marketing expenses	328	279
Currency translation differences	796	290
	36.342	25.000

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NOTE 11 - PROPERTY, PLANT AND EQUIPMENT (Continued)

Right of use assets

The allocation of right of use assets and related accumulated depreciation for the periods ended 31 March 2022 and 2021 is as follows:

31 March 2022	Buildings	Motor vehicles	Furniture and fixture	Total
Cost	23.449	47.117	595	71.161
Accumulated depreciation	(12.406)	(22.198)	(445)	(35.049)
	11.043	24.919	150	36.112

31 March 2021	Buildings	Motor vehicles	Furniture and fixture	Total
Cost	21.369	16.516	561	38.446
Accumulated depreciation	(8.330)	(12.134)	(424)	(20.888)
	13.039	4.382	137	17.558

NOTE 12 - INTANGIBLE ASSETS

Movements of intangible assets and related accumulated amortisation for the periods ended 31 March 2022 and 2021 are as follows:

	1 January 2022	Additions	Currency translation differences	Disposals	Transfers	31 March 2022
Cost						
Other intangible assets	36.066	3.949	29	-	-	40.044
Development costs	731.479	-	-	-	-	731.479
Developments projects in progress	427.413	89.064	-	-	-	516.477
	1.194.958	93.013	29	-	-	1.288.000
Accumulated amortization						
Other intangible assets	20.010	1.374	-	-	-	21.384
Development costs	435.573	20.911	-	-	-	456.484
	455.583	22.285	-	-	-	477.868
Net book value	739.375					810.132

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NOTE 12 - INTANGIBLE ASSETS (Continued)

	1 January 2021	Additions	Currency translation differences	Disposals	Transfers	31 March 2021
Cost						
Other intangible assets	26.463	714	-	-	-	27.177
Development costs	574.432	-	-	-	6.700	581.132
Developments projects in progress	286.464	56.379	-	-	(6.700)	336.143
	887.359	57.093	-	-	-	944.452
Accumulated amortization						
Other intangible assets	(17.142)	(79)	-	-	-	(17.221)
Development costs	(369.490)	(18.280)	-	-	-	(387.770)
	(386.632)	(18.359)	-	-	-	(404.991)
Net book value	500.727					539.461

NOTE 13 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

Short-term provisions

	31 March 2022	31 December 2021
Provision for warranty expenses	276.823	254.819
Provision for purchase costs	119.822	41.890
Provision for employee benefits	34.751	20.705
Litigation provisions	3.667	3.667
Other	104.973	119.442
	540.036	440.523

Provision for warranty expenses

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

As of 31 March 2022 and 2021, the movement of provision for warranty expenses is as follows:

	2022	2021
1 January	254.819	134.240
Increase/(decrease) in provision, net	50.580	37.308
Payments	(28.576)	(15.984)
31 March	276.823	155.564

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

Provision for employment termination benefits

	31 March 2022	31 December 2021
Provision for employment termination benefits	104.867	89.427
Provision for unused vacation	34.751	20.705
	139.618	110.132

Provision for employment termination benefits

The amount payable consists of one month’s salary limited to a maximum of TRY 10.848,59 in full for each year of service as of 31 March 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 Group’ obligation under defined benefit plans. Accordingly, the following actuarial assumptions were used in the calculation of the total liability:

	31 March 2022	31 December 2021
Net discount rate (%)	4,45	4,45
Turnover rate to estimate the probability of retirement (%)	98,02	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 10.848,59 in full, which is effective from 1 January 2022, has been taken into consideration in calculation of retirement benefit provision.

The movements of provision for employment termination benefits within the interim accounting periods ending on March 31, 2022 and 2021 are as follows:

	2022	2021
1 January	89.427	63.725
Interest expense	2.023	1.442
Charge for the period	10.883	(521)
Actuarial loss	5.324	1.903
Payments	(2.790)	(1.084)
31 March	104.867	65.465

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

Provision for unused vacation

The movements of the provision for unused vacation days within the interim accounting periods ending on March 31, 2022 and 2021 are as follows:

	2022	2021
1 January	20.705	15.880
Increase in the period, net	14.046	4.021
31 March	34.751	19.901

Commitments and contingencies

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

	31 March 2022	31 December 2021
a. Total amount of guarantees, pledges and mortgages given the name of legal entity	2.154.011	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	13.540	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	-	-
	2.167.551	2.424.275

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

	31 March 2022		31 December 2021	
	Original currency	TRY equivalent	Original currency	TRY equivalent
USD	73.059	1.070.034	85.823	1.113.770
EUR	20.530	334.810	58.640	860.970
TRY	596.702	596.702	308.493	308.493
RON	50.647	166.005	47.814	141.042
		2.167.551		2.424.275

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

Guarantee letters

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

	31 March 2022	31 December 2021
Bank letters of guarantee	2.167.551	1.888.371
Guarantee	-	535.904
	2.167.551	2.424.275

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

	31 March 2022	31 December 2021
Bank letters of guarantee	911.790	700.650
Guarantee notes	6.272	6.191
Mortgages received	20	20
	918.082	706.861

Contingent assets

The legal case related to tax deduction for the research and development activities in 2011-2012-2013 and 2014 was concluded in favor of the Group. The legal case has been filed related to tax deduction for the research and development activities in 2015, legal cases concluded in favor of the Group are in appeal process as of balance sheet date.

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**NOTE 14 - PREPAID EXPENSES, EMPLOYEE BENEFIT OBLIGATIONS, OTHER ASSETS
AND LIABILITIES**

a) Prepaid expenses

Prepaid expenses – short-term

	31 March 2022	31 December 2021
Prepaid expenses	47.658	20.045
	47.658	20.045

Prepaid expenses – long-term

	31 March 2022	31 December 2021
Advances given	11.640	16.446
	11.640	16.446

b) Other current assets

	31 March 2022	31 December 2021
Value added tax receivables	141.608	97.129
Other	21.217	9.505
	162.825	106.634

c) Liabilities arising from customer contracts

Liabilities arising from customer contracts - short-term	31 March 2022	31 December 2021
Advances received	567.595	552.711
Deferred maintenance income	77.266	50.080
	644.861	602.791
Liabilities arising from customer contracts - long-term	31 March 2022	31 December 2021
Deferred maintenance income	297.015	278.783
	297.015	278.783

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NOTE 14 - PREPAID EXPENSES, EMPLOYEE BENEFIT OBLIGATIONS, OTHER ASSETS AND LIABILITIES (Continued)

d) Employee benefits obligation

	31 March 2022	31 December 2021
Payables to employees	32.148	23.330
Social security payables	24.803	22.002
Taxes and funds payable	7.512	21.728
	64.463	67.060

e) Other current liabilities

	31 March 2022	31 December 2021
Taxes and funds payable	13.186	3.985
Deferred special consumption tax	588	1.101
Other	1.796	1.602
	15.570	6.688

NOTE 15 - REVENUE AND COST OF SALES

Net sales	1 January - 31 March 2022	1 January - 31 March 2021
Domestic sales	463.501	379.624
Export sales	842.491	503.161
Gross sales	1.305.992	882.785
Less: sales discounts and returns	(11.994)	(5.543)
Net sales	1.293.998	877.242

Sales of the Group for the periods ended 31 March 2022 and 2021 in terms of the products are as follows:

	1 January - 31 March 2022	1 January - 31 March 2021
Commercial vehicle	675.624	449.980
Military vehicle	428.602	322.506
Other sales (*)	189.772	104.756
	1.293.998	877.242

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

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NOTE 15 - REVENUE AND COST OF SALES (Continued)

Cost of sales

	1 January - 31 March 2022	1 January - 31 March 2021
Cost of finished goods sold	(788.823)	(589.920)
Cost of merchandise goods sold	(38.427)	(6.819)
Cost of sales	(827.250)	(596.739)

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

	1 January - 31 March 2022	1 January - 31 March 2021
Marketing expenses	(179.210)	(116.846)
General administrative expenses	(111.159)	(41.413)
Research and development expenses	(22.601)	(18.510)
	(312.970)	(176.769)

NOTE 17 - OTHER OPERATING INCOME AND EXPENSES

Other operating income	1 January - 31 March 2022	1 January - 31 March 2021
Foreign exchange gains on trade receivables and payables	214.984	121.580
Revenue from charge of due date receivables	90.328	8.512
Gain on forward transactions	7.350	19.747
Incentives income	484	119
Other income	14.650	5.316
	327.796	155.274
Other operating expenses	1 January - 31 March 2022	1 January - 31 March 2021
Foreign exchange loss on trade receivables and payables	(158.828)	(74.699)
Provision for doubtful receivables	(9.912)	(4.636)
Loss on forward transactions	(7.959)	(34.747)
Other expense	-	(611)
	(176.699)	(114.693)

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NOTE 18 - FINANCIAL INCOME

	1 January - 31 March 2022	1 January - 31 March 2021
Foreign exchange gains on bank deposits	27.391	16.030
Interest income from time deposits	11.294	19.625
Foreign exchange gains on bank borrowings	1.135	5.444
	39.820	41.099

NOTE 19 - FINANCIAL EXPENSES

	1 January - 31 March 2022	1 January - 31 March 2021
Foreign exchange losses on bank borrowings	(74.078)	(36.584)
Interest expense on bank borrowings	(55.133)	(35.282)
Foreign exchange losses on bank deposits	(6.643)	(9.580)
Other	(1.721)	(469)
	(137.575)	(81.915)

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. Thus, paid amounts are offset against the calculated corporate tax liability for the year.

As of 31 March 2022 and 31 December 2021, income tax payables are presented net of prepaid taxes in the balance sheet as follows:

	31 March 2022	31 December 2021
Corporate and income tax payable	258	827
Prepaid taxes (-)	(258)	(827)
Current period tax liability/(asset)	-	-

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NOTE 20 - TAX ASSETS AND LIABILITIES (Continued)

The allocation of total tax expense for the periods ended 31 March 2022 and 2021 are as follows:

	1 January - 31 March 2022	1 January - 31 March 2021
Current tax charge	-	-
Deferred tax income / (expense) reflected in profit or loss		
Charged to profit for the period	(1.557)	2.978
Charged to other comprehensive income (expense)	1.065	381
	(492)	3.359

As of 31 March 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	
	31 March 2022	31 December 2021	31 March 2022	31 December 2021
Property, plant and equipment	(98.874)	(94.471)	(16.293)	(15.413)
Intangible assets	(115.942)	(123.144)	(23.188)	(24.629)
Deferred financial expenses	(3.514)	(3.144)	(808)	(786)
Inventories	33.974	40.541	7.766	9.538
Provision for warranty expense	276.823	254.819	63.669	63.705
Provision for employment termination benefits	104.867	89.427	24.119	22.357
Deferred financial income	100.744	49.520	23.171	12.380
Other provisions	72.059	55.663	16.574	13.916
Deferred maintenance income	361.046	196.887	61.044	60.225
Investment incentives (*)	61.740	86.238	61.740	86.238
Other	56.102	23.019	16.138	6.893
Deferred tax assets			233.932	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 591.812 thousand was issued for the modernization investment envisaged to be made in the next 4 years.

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NOTE 20 - TAX ASSETS AND LIABILITIES (Continued)

The movement of deferred tax asset for the periods ended 31 March 2022 and 2021 are as follows:

	1 January - 31 March 2022	1 January - 31 March 2021
1 January	234.424	96.285
Deferred tax income/expense charged to profit or loss and other comprehensive income for the period		
- Charged to profit for the period	(1.557)	2.978
- Charged to other comprehensive income/(expense)	1.065	381
31 March	233.932	99.644

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 capital by distributing shares to existing shareholders from retained earnings in proportion to their shares. When calculating earnings per share, these bonus shares are counted as issued shares. Therefore, the weighted average number of shares used in the calculation of earnings per share is obtained by applying the issuance of bonus shares retrospectively.

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

	31 March 2022	31 March 2021
Net profit/(loss) for the period	200.532	107.444
Weighted average number of issued shares	24.000.000.000	24.000.000.000
Earnings per share (Kr)	0,836	0,448

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 parties as of 31 March 2022 and 31 December 2021 are as follows:

Due from related parties	31 March 2022	31 December 2021
Ram Dış Ticaret A.Ş. (1) (**)	304.084	229.946
Al Jasoor Heavy Vehicle Industry LLC (3) (*)	39.992	303.111
Other (1)	383	185
	344.459	533.242

(*) Trade receivables due to sales to the Group's joint venture Al Jasoor Heavy Vehicles Industry LLC.

(**) Trade receivables due to export registered sales made via Ram Dış Ticaret A.Ş.

(1) Related parties of the parent company

(2) Shareholder

(3) Joint venture

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NOTE 22 - RELATED PARTY DISCLOSURES (Continued)

Due to related parties	31 March 2022	31 December 2021
Koç Holding A.Ş. (2)	7.866	19.066
Ram Sigorta Aracılık Hz. A.Ş.(1)	4.394	62
Zer Merkezi Hizmetler A.Ş. (1)	3.464	16.530
Otokoç Otomotiv Tic. ve San. A.Ş. (1)	2.899	2.916
Setur Servis Turistik A.Ş. (1)	1.988	5.312
Opet Fuchs Madeni Yağ A.Ş. (1)	1.575	1.798
Ingage Dijital Pazarlama Hizmetleri A.Ş. (1)	1.103	318
Ford Otosan A.Ş. (2)	914	456
Akpa Dayanıklı Tük.Paz. A.Ş. (1)	506	525
Ram Dış Ticaret A.Ş. (1)	232	14.020
Other (1)	392	9.711
	25.333	70.714

Advances received from related parties	31 March 2022	31 December 2021
Ram Dış Ticaret A.Ş. (1)	394.457	421.792
Al Jasoor Heavy Vehicle Industry LLC (3) (*)	4.718	6.271
	399.175	428.063

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

ii) Sales to related parties and purchases from related parties are as follows:

Sales of products and services	1 January 31 March 2022	1 January 31 March 2021
Ram Dış Ticaret A.Ş. (1) (*)	429.815	117.463
Al Jasoor Heavy Vehicle Industry LLC (3)	50.432	234.605
Other (1)	149	137
	480.396	352.205

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

Fixed asset purchases	1 January 31 March 2022	1 January 31 March 2021
Koç Sistem Bilgi ve İletişim Hiz. A.Ş. (1)	3.837	214
Otokoç Otomotiv Tic. ve San. A.Ş. (1)	681	285
Ark İnşaat A.Ş. (1)	-	3.056
Other (1)	202	97
	4.720	3.652

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

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NOTE 22 - RELATED PARTY DISCLOSURES (Continued)

Inventory purchases	1 January 31 March 2022	1 January 31 March 2021
Zer Merkezi Hizmetler ve Ticaret A.Ş. (1)	17.435	10.850
Ram Dış Ticaret A.Ş. (1)	7.928	1.033
Opet Fuchs Madeni Yağ A.Ş. (1)	2.996	771
Opet Petrolcülük A.Ş.(1)	1.570	635
Akpa Dayanıklı Tük.Paz. A.Ş. (1)	1.185	676
Ford Otosan A.Ş. (2)	722	13.778
Other (1)	517	237
	32.353	27.980

Service purchases	1 January 31 March 2022	1 Jan 31 March 2021
Ram Sigorta Aracılık Hz. A.Ş.(1)(**)	10.881	7.779
Ram Dış Ticaret A.Ş.(1)	8.143	5.292
Koç Holding A.Ş. (2) (*)	7.725	1.190
Koç Sistem Bilgi ve İletişim Hiz. A.Ş. (1)	6.869	2.494
Setur Servis Turistik A.Ş.(1)	6.386	948
Eltek Elektrik Enerji İth.İhr.Top.Tic. A.Ş. (1)	5.229	2.565
Otokoç Otomotiv Tic. ve San. A.Ş.(1)	4.022	2.633
Ingage Dijital Pazarlama Hizmetleri A.Ş. (1)	2.024	624
Other (1)	855	3.698
	52.134	27.223

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

(**) It includes paid and accrued premium as of 31 March 2022 and 31 March 2021 in accordance with insurance policies signed between insurance companies via Ram Sigorta Aracılık Hizmetleri A.Ş. which is an insurance agency.

Bank deposits	31 March 2022	31 December 2021
Yapı ve Kredi Bankası A.Ş. (1)		
- Time deposits	38.219	365.436
- Demand deposits	19	2
	38.238	365.438

(1) Related parties of the parent company

(2) Shareholder

(3) Joint venture

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NOTE 22 - RELATED PARTY DISCLOSURES (Continued)

Borrowings	31 March 2022	31 December 2021
Yapı ve Kredi Bankası A.Ş. (1)	-	141.828
	-	141.828

For the periods ended 31 March 2022 and 2021, operating income and expense with related parties are as follows:

	1 January 31 March 2022	1 January 31 March 2021
Trade receivables and payables foreign exchange gains		
Ram Dış Ticaret A.Ş. (1)	8.326	18.028
Al Jasoor Heavy Vehicle Industry LLC (3)	239	-
Zer Merkezi Hizmetler ve Ticaret A.Ş.	209	216
Other (1)	79	78
	8.853	18.322

	1 January 31 March 2022	1 January 31 March 2021
Trade receivables and payables foreign exchange expenses		
Ram Dış Ticaret A.Ş. (1)	5.473	23.385
Zer Merkezi Hizmetler ve Ticaret A.Ş. (1)	375	228
Other (1)	214	6
	6.062	23.619

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

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NOTE 22 - RELATED PARTY DISCLOSURES (Continued)

For the periods ended 31 March 2022 and 2021, financial income and expense with related parties are as follows:

	1 January 31 March 2022	1 January 31 March 2021
Interest income		
Yapı ve Kredi Bankası A.Ş. (1)	9.038	1.412
	9.038	1.412
	1 January 31 March 2022	1 January 31 March 2021
Interest expense		
Yapı ve Kredi Bankası A.Ş. (1)	2.716	2.122
	2.716	2.122
	1 January 31 March 2022	1 January 31 March 2021
Foreign exchange income		
Yapı ve Kredi Bankası A.Ş. (1)	11.949	2.729
	11.949	2.729
	1 January 31 March 2022	1 January 31 March 2021
Foreign exchange expenses		
Yapı ve Kredi Bankası A.Ş. (1)	417	2.537
	417	2.537

(1) Related parties of the parent company

Benefits provided to senior executives

For the period ended 31 March 2022, the total amount of benefits provided to senior management is TRY 4.546 thousand (31 March 2021: TRY 2.692 thousand). It consists of Senior management, members of the board of directors, general manager and assistant general managers.

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

a) Foreign currency risk and related sensitivity analysis

The Group is exposed to exchange rate risk due to Turkish Lira conversion of foreign currency payables and receivables arising from its commercial activities with foreign companies. This exchange rate risk is followed and limited by analyzing the foreign exchange position. To manage the currency risk arising from future commercial transactions and recorded assets and liabilities, the Group follows a policy of diversification in its currency position.

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

31 March 2022	TRY equivalent (functional currency)	USD	EUR	GBP
1. Trade receivables	993.802	22.141	41.042	10
2a. Monetary financial assets (including cash, bank accounts)	606.995	37.659	3.400	-
2b. Non-monetary financial assets	-	-	-	-
3. Other	29	2	-	-
4. Current assets (1+2+3)	1.600.826	59.802	44.442	10
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)	1.600.826	59.802	44.442	10
10. Trade payables	(456.571)	(20.920)	(9.204)	(4)
11. Financial liabilities	(383.366)	-	(23.507)	-
12a. Monetary other liabilities	(561.345)	(31.629)	(6.016)	-
12b. Non-monetary other liabilities	-	-	-	-
13. Current liabilities (10+11+12)	(1.401.282)	(52.549)	(38.727)	(4)
14. Trade payables	-	-	-	-
15. Financial liabilities	(326.172)	-	(20.000)	-
16a. Monetary other liabilities	-	-	-	-
16b. Non-monetary other liabilities	-	-	-	-
17. Non-current liabilities (14+15+16)	(326.172)	-	(20.000)	-
18. Total liabilities (13+17)	(1.727.454)	(52.549)	(58.727)	(4)
Net balance sheet position (9+18)	(126.628)	7.253	(14.285)	6
19. Net asset/(liability) position of off-balance sheet derivative instruments (19a-19b)	114.339	(6.669)	13.000	-
19a. Hedged total assets amount	212.012	-	13.000	-
19b. Hedged total liabilities amount	(97.673)	(6.669)	-	-
20. Net foreign currency asset/(liability) position (9+18+19)	(12.289)	584	(1.285)	6
21. Net foreign currency asset/(liability) position of monetary items (=1+2a+5+6a-10-11-12a-14-15-16a)	(126.657)	7.251	(14.285)	6
22. Total fair value of financial instruments used for foreign currency hedging	188	(179)	-	367
23. Export (as of 31 March 2022)	831.095	34.188	21.041	10
24. Import (as of 31 March 2022)	578.961	12.088	26.065	89

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 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)
19. Net asset/(liability) position of off-balance sheet 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)	-	-
20. Net foreign currency asset/(liability) position (9+18+19)	(5.434)	76	(418)	(16)
21. 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)
22. Total fair value of financial instruments used for foreign currency hedging	(51)	(51)	-	-
23. Export (as of 31 March 2021)	498.001	50.940	14.279	9
24. Import (as of 31 March 2021)	192.195	8.012	14.676	221

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

The following table demonstrates the sensitivity to a possible change of 10% in the USD, EUR and GBP exchange rates, with all other variables held constant, on the Group’s income before tax as of 31 March 2022 and 31 December 2021:

	Profit before tax Appreciation Foreign currency	Profit before tax Depreciation Foreign currency
31 March 2022		
<i>In case 10% appreciation of USD against TRY:</i>		
1- USD net asset/liability	855	(855)
2- Amount hedged for USD risk (-)	-	-
3- USD net effect (1+2)	855	(855)
<i>In case 10% appreciation of EUR against TRY:</i>		
4- EUR net asset/liability	(2.096)	2.096
5- Amount hedged for EUR risk (-)	-	-
6- EUR net effect (4+5)	(2.096)	2.096
<i>In case 10% appreciation of GBP against TRY:</i>		
7- GBP net asset/liability	12	(12)
8- Amount hedged for GBP risk (-)	-	-
9- GBP net effect (7+8)	12	(12)
Total (3+6+9)	(1.229)	1.229
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

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NOTE 24 - FINANCIAL INSTRUMENTS

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

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

The following table presents the Group’s assets that are measured at fair value at 31 March 2022 and 31 December 2021:

31 March 2022

Liabilities	Level 1	Level 2	Level 3	Total
Derivative financial instruments	-	188	-	188
	-	188	-	188

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.

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NOTE 24 - FINANCIAL INSTRUMENTS (Continued)

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

NOTE 25 - SUBSEQUENT EVENTS

None.

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