

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

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

(ORIGINALLY ISSUED IN TURKISH)

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

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

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

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OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

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

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

	Notes	(None-Audited) 30 September 2020	(Audited) 31 December 2019
Assets			
Current assets			
Cash and cash equivalents	4	583,276	222,722
Trade receivables	9	879,780	896,618
<i>Due from related parties</i>	22	140,252	219,900
<i>Due from third parties</i>	9	739,528	676,718
Other receivables		641	470
Inventories	10	1,377,560	768,185
Derivative financial instruments	8	268	-
Prepaid expenses	14	46,651	8,646
Other current assets	14	44,401	46,003
Total current assets		2,932,577	1,942,644
Non-current assets			
Trade receivables	9	63,158	51,001
Other receivables		2,695	874
Investments accounted for using the equity method	5	162,369	56,162
Financial investments	7	147	147
Property, plant and equipment	11	136,984	129,072
Right of use assets	11	21,294	23,281
Intangible assets	12	458,815	372,539
Deferred tax asset	20	95,018	101,997
Total non-current assets		940,480	735,073
Total assets		3,873,057	2,677,717

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

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

	Notes	(Non-audited) 30 September 2020	Audited 31 December 2019
Liabilities			
Short term liabilities			
Short-term borrowings	6	590,135	246,400
<i>Bank loans</i>	6	580,527	236,856
<i>Short-term lease liabilities</i>	6	9,608	9,544
Short-term portion of long-term borrowings	6	187,684	7,509
<i>Bank loans</i>	6	187,684	7,509
Trade payables	9	305,186	256,191
<i>Due to related parties</i>	22	8,666	29,731
<i>Due to third parties</i>	9	296,520	226,460
Derivative financial liabilities	8	-	1,100
Employee benefit obligations	14	42,844	38,276
Other payables		59,226	46,434
Obligations arising from customer contracts	14	533,859	288,137
Government grants		224	314
Short-term provisions	13	189,082	147,505
<i>Provisions for employee benefits</i>	13	14,944	12,520
<i>Other provisions</i>	13	174,138	134,985
Other current liabilities	14	7,740	5,881
Total short-term liabilities		1,915,980	1,037,747
Long term liabilities			
Long-term borrowings	6	903,800	547,940
<i>Bank loans</i>	6	888,772	533,012
<i>Long-term lease liabilities</i>	6	15,028	14,928
Government grants		2,457	1,392
Long-term provisions	13	57,637	48,460
<i>Provisions for employee benefits</i>	13	57,637	48,460
Obligations arising from customer contracts	14	266,325	404,532
Total long-term liabilities		1,230,219	1,002,324
Total liabilities		3,146,199	2,040,071
Equity			
Paid-in share capital		24,000	24,000
Inflation adjustment on share capital		52,743	52,743
Restricted reserves		93,650	73,770
Accumulated other comprehensive income and expense that will not be reclassified to statement of profit or loss		(11,452)	(9,741)
<i>Defined benefit plans remeasurement losses</i>		(11,452)	(9,741)
Accumulated other comprehensive income and expense that may be reclassified to statement of profit or loss		(41,496)	(12,380)
<i>Currency translation differences</i>		(41,496)	(12,380)
Retained earnings		289,374	157,662
Net profit for the period		320,039	351,592
Total equity		726,858	637,646
Total liabilities and equity		3,873,057	2,677,717

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

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

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME AS OF 30 SEPTEMBER 2020 AND 2019**

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

	Notes	(Non-Audited)		(Non-Audited)	
		1 January - 30 September 2020	1 July - 30 September 2020	1 January - 30 September 2019	1 July - 30 September 2019
Revenue	15	1,749,399	613,151	1,877,343	593,447
Cost of sales (-)	15	(1,064,861)	(367,729)	(1,159,666)	(353,830)
GROSS PROFIT (LOSS)		684,538	245,422	717,677	239,617
Marketing expenses (-)	16	(216,067)	(75,883)	(274,638)	(77,668)
General administrative expenses (-)	16	(91,879)	(30,091)	(85,201)	(27,079)
Research and development expenses (-)	16	(52,781)	(17,223)	(42,605)	(14,098)
Other operating income	17	372,841	164,349	190,441	19,835
Other operating expenses (-)	17	(321,933)	(133,097)	(130,350)	(31,548)
OPERATING PROFIT (LOSS)		374,719	153,477	375,324	109,059
Income from investing activities		-	-	105	-
Expenses from investing activities (-)		(389)	(409)	-	-
Share of profit/loss of investments accounted for using the equity method, net	5	56,899	16,172	20,567	6,657
OPERATING INCOME (EXPENSE) BEFORE FINANCIAL EXPENSES		431,229	169,240	395,996	115,716
Financial income	18	55,039	22,403	46,998	28,884
Financial expense (-)	19	(153,986)	(68,162)	(149,205)	(39,960)
PROFIT (LOSS) BEFORE TAX		332,282	123,481	293,789	104,640
Tax income/(expense) from continued operations					
Current tax expense (-)	20	(4,781)	(4,781)	-	-
Deferred tax income/ (expense)	20	(7,462)	29,022	3,597	(2,584)
PROFIT (LOSS) FOR THE PERIOD		320,039	147,722	297,386	102,056
Items that will not be reclassified to statement of profit or loss					
Remeasurement (losses)/gains	13	(2,194)	290	(4,293)	685
Deferred tax income/(expense)		483	(65)	944	(150)
Items that may be reclassified to statement of profit or loss					
Currency translation differences of investments accounted for using the equity method		49,308	30,870	(698)	(937)
Currency translation differences		(78,424)	(46,765)	(19,973)	3,071
Other comprehensive (loss)/income		(30,827)	(15,670)	(24,020)	2,669
TOTAL COMPREHENSIVE INCOME (EXPENSE)		289,212	132,052	273,366	104,725
Earnings per share (Piastre)	21	1,333	0,616	1,239	0,425

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 2020 AND 2019

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

				Accumulated other comprehensive income and expense that will not be reclassified to statement of profit or (loss)	Accumulated other comprehensive income and expense that may be reclassified to statement of profit or (loss)				
	Paid in share capital	Inflation adjustment on share capital	Restricted reserve	Remeasurement losses on defined benefit plans	Currency translation differences	Retained earnings	Net income for the period	Total equity	
1 January 2019-									
30 September 2019	Opening balances	24,000	52,743	66,678	(3,586)	12,997	72,418	164,336	389,586
	Transfers	-	-	7,080	-	-	157,256	(164,336)	-
	Dividends paid	-	-	-	-	-	(72,000)	-	(72,000)
	Total comprehensive income	-	-	-	(3,349)	(20,671)	-	297,386	273,366
	Closing balances	24,000	52,743	73,758	(6,935)	(7,674)	157,674	297,386	590,952
1 January 2020-									
30 September 2020	Opening balances	24,000	52,743	73,770	(9,741)	(12,380)	157,662	351,592	637,646
	Transfers	-	-	19,880	-	-	331,712	(351,592)	-
	Dividends paid	-	-	-	-	-	(200,000)	-	(200,000)
	Total comprehensive income	-	-	-	(1,711)	(29,116)	-	320,039	289,212
	Closing balances	24,000	52,743	93,650	(11,452)	(41,496)	289,374	320,039	726,858

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OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

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

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

	Notes	(Non-Audited) 1 January – 30 September 2020	(Non-Audited) 1 January – 30 September 2019
CASH FLOWS FROM OPERATING ACTIVITIES		32,392	(22,690)
Net profit for the period		320,039	297,386
Adjustments to reconcile net profit for the period to cash flows from operating activities		266,100	176,498
Depreciation and amortization		69,936	59,074
Adjustments in relation to impairment:		27,072	2,952
- Provision for doubtful receivables	9	14,942	1,134
- Provision for inventories	10	12,130	1,818
Adjustments in relation to provision		94,412	77,086
- Provision for employee benefits	13	13,447	6,206
- Warranty provision expenses	13	65,216	70,880
- Adjustments for other provisions	13	15,749	-
Adjustments in relation to interest income and expenses:		59,697	108,695
- Interest income on time deposits	18	(25,175)	(1,570)
- Interest expense on borrowings	19	84,872	110,265
Adjustments in relation to unrealised foreign exchange gains and losses		50,015	(8,254)
Adjustments in relation to fair value gains and losses		14,405	(42,383)
- Fair value losses/(gains) on financial derivative instruments		14,405	(42,383)
Adjustments for undistributed profits of investments accounted for using equity method		(56,899)	(20,567)
- Adjustments for undistributed profits of joint ventures		(56,899)	(20,567)
Adjustment on tax (expense)/income	5	7,462	-
Adjustments in relation to gains or losses on sales of property, plant and equipment		-	(105)
- Gain on sale of property, plant and equipment		-	(105)
Changes in net working capital		(487,341)	(483,044)
Change in trade receivables		(10,870)	(407,145)
Change in inventories		(621,505)	(55,978)
Change in trade payables		48,995	(78,530)
Adjustments for other increase (decrease) in working capital		96,039	58,609
- Decrease (increase) in other assets related to activities		(38,395)	13,670
- Decrease (increase) in other liabilities related to activities		134,434	44,939
Cash flows from operations		98,798	(9,160)
Payments in relation to employee benefits	13	(4,040)	(6,161)
Payments in relation to other provisions	13	(41,812)	(45,471)
Tax refunds (payments)		(4,781)	-
Other cash inflows/(outflows)		(15,773)	38,102
CASH FLOWS FROM INVESTING ACTIVITIES		(154,977)	(138,079)
Cash inflows from sale of property, plant and equipment and intangible assets		83	476
- Proceeds from sale of property, plant and equipment		83	476
Cash outflows due to purchase of property, plant and equipment and intangible assets		(155,060)	(138,555)
- Cash outflows due to purchase of property, plant and equipment	11	(17,721)	(34,040)
- Cash outflows due to purchase of intangible assets	12	(137,339)	(104,515)
CASH FLOWS FROM FINANCING ACTIVITIES		561,671	116,402
Cash inflow from to borrowings		1,769,069	1,580,799
- Proceeds from bank borrowings	6	1,769,069	1,580,799
Cash outflow due to repayment of borrowings		(947,021)	(1,277,034)
- Repayments of borrowings	6	(947,021)	(1,277,034)
Cash outflows on debt payments from leasing agreements	6	(8,225)	(7,685)
Dividends paid		(200,000)	(72,000)
Interest paid		(77,327)	(109,248)
Interest received		25,175	1,570
NET DECREASE IN CASH AND CASH EQUIVALENTS BEFORE THE EFFECT OF CURRENCY TRANSLATION DIFFERENCES		439,086	(44,367)
Effect of currency translation difference on cash and cash equivalents		(78,532)	(20,671)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		360,554	(65,038)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	4	222,722	173,017
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	4	583,276	107,979

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 2020**

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

NOTE 1 - GROUP’S ORGANIZATION AND NATURE OF OPERATIONS

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

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

The registered addresses of the Company are as follows:

Headquarters: Aydınevler Mahallesi. Saygı Cad. No: 58 A Bl. 34854 Küçükyalı/İstanbul

Plant: Atatürk Cad. No: 654580 Arifiye / Sakarya

The information regarding the subsidiary of the Group within the scope of consolidation is as follows:

Subsidiaries	Country	Main activity	Field of activity
Otokar Europe SAS	France	Sales and marketing	Automotive
Otokar Land Systems Limited	United Arab Emirates	Sales and marketing	Automotive
Otokar Europe Filiala Bucuresti SRL	Romania	Sales and marketing	Automotive
Otokar Central Asia Limited	Kazakhstan	Sales and marketing	Automotive

Joint Ventures	Country	Main activity	Field of activity
Al Jasoor Heavy Vehicle Industry LLC	United Arab Emirates	Sales and marketing	Automotive

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

Otokar Central Asia Limited Company was established on 5 November 2019 in Astana International Financial Center (AIFC), a special-status region that accepts the principles of British Law in Kazakhstan, in order to increase its international sales and follow up export activities. Since the financial activities of Otokar Central Asia Limited Company have not started yet, the investment was presented under financial investments in the condensed interim consolidated financial statements.

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

	30 September 2020		31 December 2019	
	Period end	Average	Period end	Average
Total personnel number	2,231	2,040	1,957	1,994

The condensed interim consolidated financial statements for the period ended 30 September 2020 were authorized for issue and signed by the Board of Directors of Otokar on 27 October 2020.

Otokar is registered to the Capital Market Board (“CMB”) and its shares are listed on the Borsa Istanbul A.Ş. (“BIST”) since 1995. As of 30 September 2020, 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 2020**

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

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

As of 30 September 2020, the principal shareholders and their respective shareholding percentages are as follows:

	(%)
Koç Holding A.Ş.	4.68
Ünver Holding A.Ş.	24.81
Other	30.51
	100.00

Otokar Otomotiv ve Savunma Sanayi A.Ş. is controlled by Koç Holding A.Ş. The parent company (Koç Holding A.Ş.), is controlled by Koç Family and the companies owned by Koç Family.

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

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

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

2.1 Basis of presentation of consolidated financial statements

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

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

The Group maintains its books of account and prepares its statutory financial statements in Turkish Lira (TRY) in accordance with regulations on accounting and reporting framework and the Uniform Chart of Accounts issued by the Ministry of Finance. Consolidated financial statements have been presented in accordance with the formats specified in the "Announcement about TMS Taxonomy" published by the UPS on 15 April 2019 and the "Guidelines for Using Financial Statement Examples".

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

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

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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 2020

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

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

2.1 Basis of presentation of consolidated financial statements (Continued)

Functional and presentation currency

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

In accordance with the CMB's resolution dated 17 March 2005 and numbered 11/367, the financial statements were restated in accordance with Turkish Accounting Standards (TAS) 29 (Financial Reporting in Hyperinflationary Economies) for the last time as of 31 December 2004, since the objective conditions which require the application of restatement of financial statements have not been realized and that based on the existing data CMB has foreseen that the indications whether such conditions are going to be realized in the future is no longer probable. Therefore, non-monetary assets, liabilities and equity items including the share capital as of 30 September 2019 and 31 December 2019 have been restated by applying the relevant conversion factors through carrying additions after 31 December 2004 at their nominal values.

Financial statements of foreign subsidiaries, joint ventures and associates

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

2.2 Accounting errors and changes in accounting estimates

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

If changes in accounting estimates are related to only one period, they are recognised in the period when changes are applied; if changes in estimates are related to future periods, they are recognized both in the period where the change is applied and future periods prospectively. The accounting policies used in the preparation of these condensed interim consolidated financial statements for the period ended 30 September 2020 are consistent with those used in the preparation of consolidated financial statements for the year ended 31 December 2019.

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**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL
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(Amounts expressed in thousand Turkish Lira (“TRY”) unless otherwise indicated.)

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

2.3 Changes in accounting policies

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

2.3.1 New and amended standards and interpretations

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

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

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OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

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

(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)

- **Amendment to IFRS 16, ‘Leases’ - Covid-19 related rent concessions;** effective from Annual periods beginning on or after 1 June 2020. As a result of the coronavirus (COVID-19) pandemic, rent concessions have been granted to lessees. Such concessions might take a variety of forms, including payment holidays and deferral of lease payments. On 28 May 2020, the IASB published an amendment to IFRS 16 that provides an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification. Lessees can elect to account for such rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as variable lease payments in the period(s) in which the event or condition that triggers the reduced payment occurs.
- b. Standards, amendments and interpretations that are issued but not effective as at 30 September 2020:*
 - **IFRS 17, ‘Insurance contracts’;** effective from annual periods beginning on or after 1 January 2023. This standard replaces IFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features.
 - **Amendments to IAS 1, Presentation of financial statements on classification of liabilities;** effective from 1 January 2022. These narrow-scope amendments to IAS 1, ‘Presentation of financial statements’, clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what IAS 1 means when it refers to the ‘settlement’ of a liability.
 - **A number of narrow-scope amendments to IFRS 3, IAS 16, IAS 17 and some annual improvements on IFRS 1, IFRS 9, IAS 41 and IFRS 16;** effective from Annual periods beginning on or after 1 January 2022.
 - **Amendments to IFRS 3, ‘Business combinations’** update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.
 - **Amendments to IAS 16, ‘Property, plant and equipment’** prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.
 - **Amendments to IAS 37, ‘Provisions, contingent liabilities and contingent assets’** specify which costs a company includes when assessing whether a contract will be loss-making.

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

2.3 Changes in accounting policies (Continued)

2.3.1 New and amended standards and interpretations (Continued)

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

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

2.4 Significant accounting judgments and estimates

Group accounting

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

Subsidiaries

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

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

Disposal of a subsidiary

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

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

2.4 Significant accounting judgments and estimates (Continued)

Group accounting (Continued)

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

Subsidiaries	2020		2019	
	Direct and indirect ownership (%)	Proportion of effective interest (%)	Direct and indirect ownership (%)	Proportion of effective interest (%)
Otokar Europe SAS	100.00	100.00	100.00	100.00
Otokar Land Systems Limited	100.00	100.00	100.00	100.00
Otokar Europe Filiala Bucuresti SRL	100.00	100.00	100.00	100.00
Otokar Central Asia Limited	100.00	100.00	100.00	100.00

Join Venture	Direct and indirect ownership (%)	Proportion of effective interest (%)	Direct and indirect ownership (%)	Proportion of effective interest (%)
Al Jasoor Heavy Vehicle Industry LLC	49.00	49.00	49.00	49.00

2.5 Going Concern

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

2.6 Significant changes in the current period

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

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

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

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NOTE 3 - SEGMENT REPORTING

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

Since Chief Executive Decision Makers (composed of key management, board members, general manager and assistant general managers) do not monitor cost of sales, operating expenses and financial expenses, the products are only monitored based on revenue (Note 15). Thus, segment reporting is not performed.

NOTE 4 - CASH AND CASH EQUIVALENTS

	30 September 2020	31 December 2019
Banks		
- Time deposits	524,846	144,016
- Demand deposits	58,059	78,649
Checks and notes received	365	-
Other	6	57
	583,276	222,722

As of 30 September 2020, TRY524,846 thousand of the total amount of time deposits amounting to TRY186,102 thousand is denominated in foreign currency and the annual effective interest rate is 0.4% and has a maturity of 1 days. The annual effective interest rate of the remaining TRY338,744 thousand is 12.9% and has a maturity of 29 days.

(As of 31 December 2019, TRY62,745 of the total amount of time deposits amounting to TRY144,016 thousand is denominated in foreign currency and the annual effective interest rate is 0.95% and has a maturity of 6 days. The annual effective interest rate of the remaining TRY81,271 thousand is 10.48% and has a maturity of 6 days.)

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

As of 30 September 2020, the Group has restricted bank deposit amounting to TRY0.2 thousand (31 December 2019: TRY0.2 thousand).

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NOTE 5 - INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

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

Joint ventures	30 September 2020		31 December 2019	
	(%)	Amount	(%)	Amount
Al Jasoor	49	162,369	49	56,162
		162,369		56,162

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

	2020	2019
Beginning- 1 January	56,162	13,305
Shares of profit/(losses)	56,899	20,567
Currency translation differences	49,308	(698)
Closing	162,369	33,174

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

	30 September 2020	31 December 2019
Total assets	1,069,888	989,834
Total liabilities	(903,618)	(876,650)
Foreign currency translation differences	165,095	1,432
Net assets	331,365	114,616
Ownership of the Group	%49	%49
Net asset share of the Group	162,369	56,162

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NOTE 6 - BORROWINGS

Short-term financial borrowings

30 September 2020	Maturities	Annual average effective interest rate (%)	TRY Equivalent
Bank loans			
RON borrowings	31 December 2020	5.34	308,055
TRY borrowings	7 June 2021	9.04	272,470
USD borrowings	14 October 2020	4.40	1
EUR borrowings	14 October 2020	1.00	1
			580,527
Borrowings from lease liabilities			
TRY lease liabilities	-	10.00	2,760
EUR lease liabilities	-	2.00	6,848
			9,608
Total short-term financial liabilities			590,135

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

30 September 2020	Maturities	Annual average effective interest rate (%)	TRY Equivalent
Bank loans			
EUR borrowings	-	2.35	182,645
TRY borrowings	-	9.31	5,039
			187,684

(*) Bearing fixed interest rate

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NOTE 6 - BORROWINGS (Continued)

Long-term bank loans (*)

30 September 2020	Maturities	Annual average effective interest rate (%)	TRY Equivalent
Bank Loans			
TRY borrowings	4 October 2021- 5 August 2025	9.19	888,772
			888,772
Borrowings from lease liabilities			
TRY lease liabilities	-	10.00	4,318
EUR lease liabilities	-	2.00	10,710
			15,028
Total long-term financial borrowings			903,800
Short-term bank loans			
31 December 2019	Maturities	Annual average effective interest rate (%)	TRY Equivalent
Bank Loans			
EUR borrowings	2 January 2020	1.04	139,676
RON borrowings	14 December 2020	5.22	97,180
			236,856
Borrowings from lease liabilities			
EUR lease liabilities	-	6.00	6,802
TRY lease liabilities	-	25.00	2,742
			9,544
Total short-term financial borrowings			246,400

(*) Bearing fixed interest rate

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NOTE 6 - BORROWINGS (Continued)

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

31 December 2019	Maturities	Annual average effective interest rate (%)	TRY Equivalent
TRY borrowings	-	14.87	6,697
EUR borrowings	-	2.35	812
			7,509

Long term borrowings (*)

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

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

(*) Bearing fixed interest rate

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

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NOTE 6 - BORROWINGS (Continued)

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

	2020	2019
1 January	801,849	707,547
Borrowing received during the period	1,769,069	1,580,799
Lease liabilities for the first time adoption of TFRS 16	-	17,855
Cash outflows related to debt payments from leasing agreements	(8,225)	(7,685)
Effect of change due to TFRS 16	8,387	7,184
Principal payments	(947,021)	(1,277,034)
Change in interest accruals	7,545	1,018
Change in exchange rates	50,015	(8,254)
30 September	1,681,619	1,021,430

NOTE 7 - FINANCIAL INVESTMENT

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

NOTE 8 - DERIVATIVE FINANCIAL INSTRUMENTS

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

30 September 2020	Contract amount	Current period contract maturity	Fair value assets
Forward transactions	182,830	15 October 2020	268
Short-term derivative financial instruments	182,830		268
Total derivative financial instruments	182,830		268

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NOTE 8 - DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

31 December 2019	Contract amount	Previous period contract maturity	Fair value assets
Forward transactions	612,478	9 January 2020- 31 January 2020	(1,100)
Short-term derivative financial instruments	612,478		(1,100)
Total derivative financial instruments	612,478		(1,100)

NOTE 9 - TRADE RECEIVABLES AND PAYABLES

Trade receivables

	30 September 2020	31 December 2019
Trade receivables, net	696,484	591,833
Notes receivables, net	104,671	131,586
	801,155	723,419
Less: provision for doubtful receivables	(61,627)	(46,701)
Trade receivables from non-related parties	739,528	676,718
Trade receivables from related parties (Note 22)	140,252	219,900
Short-term trade receivables	879,780	896,618
Long-term trade receivables, net	63,158	51,001
Long-term trade receivables	63,158	51,001

As of 30 September 2020, the average maturity of trade receivables is between 60-90 days (excluding notes receivables) (31 December 2019: 60-90 days).

As of 30 September 2020 and 31 December 2019 the fair values of trade receivables approximate to their carrying values due to short term maturity of those receivables.

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NOTE 9 - TRADE RECEIVABLES AND PAYABLES (Continued)

Guarantees received for trade receivables

Receivables of the Group are mainly composed of minibus and bus sales to dealers and trailer and armored vehicle sales. As of 30 September 2020, the total trade receivable from dealers amounting to TRY155,622 thousand (31 December 2019: TRY92,084 thousand), after provision provided for doubtful receivables, has been secured by mortgages and guarantees at the amount of TRY155,622 thousand (31 December 2019: TRY92,084 thousand).

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

30 September 2020	Trade receivables
1- 30 day past due	-
1- 3 month past due	-
3- 12 month past due	-
1- 5 year past due	-
Over 5 years past due	452
	452
Amount secured with guarantees	452
31 December 2019	Trade receivables
1- 30 day past due	-
1- 3 month past due	-
3- 12 month past due	-
1- 5 year past due	270
Over 5 years past due	-
	270
Amount secured with guarantees	270

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

	2020	2019
1 January	46,701	43,512
Collections	(625)	(419)
Currency translation differences	609	45
Increase during the year	14,942	1,134
30 September	61,627	44,272

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NOTE 9 - TRADE RECEIVABLES AND PAYABLES (Continued)

Trade payables

	30 September 2020	31 December 2019
Trade payables, net	295,932	225,948
Notes payables, net	588	512
Short-term other trade payables	296,520	226,460
Trade payables to related parties (Note 22)	8,666	29,731
Short-term trade payables	305,186	256,191

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

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

NOTE 10 - INVENTORIES

	30 September 2020	31 December 2019
Raw material	553,351	229,304
Semi-finished goods	87,979	72,267
Finished goods	346,481	246,131
Merchandise goods	124,665	117,692
Goods in transit	286,576	112,153
Impairment for inventories (*)	(21,492)	(9,362)
	1,377,560	768,185

(*) TRY171 thousand of impairment is related to finished goods (31 December 2019: TRY325 thousand) and TRY841 thousand is related to merchandises (31 December 2019: TRY818 thousand). TRY20,480 thousand of impairment (31 December 2019: TRY8,219 thousand) is related to raw materials. The impairment has been accounted for under cost of sales.

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NOTE 11 - PROPERTY, PLANT AND EQUIPMENT

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

	1 January 2020	Additions	Disposals	Transfers	Currency translation differences	30 September 2020
Cost						
Land	37,437	-	-	-	-	37,437
Land improvements	8,608	312	-	-	-	8,920
Buildings	59,620	-	-	-	-	59,620
Machinery and equipment	112,253	3,341	-	10,473	915	126,982
Motor vehicles	9,782	2,914	(135)	-	-	12,561
Furniture and fixtures	53,168	6,036	(41)	610	523	60,296
Special costs	1,117	-	-	-	-	1,117
Construction in progress	12,011	5,118	(143)	(11,083)	-	5,903
	293,996	17,721	(319)	-	1,438	312,836
Accumulated depreciation						
Land improvements	(4,730)	(222)	-	-	-	(4,952)
Buildings	(47,350)	(919)	-	-	-	(48,269)
Machinery and equipment	(86,988)	(4,746)	-	-	(436)	(92,170)
Motor vehicles	(6,026)	(722)	15	-	-	(6,733)
Furniture and fixtures	(18,910)	(3,774)	221	-	(285)	(22,748)
Special costs	(920)	(60)	-	-	-	(980)
	(164,924)	(10,443)	236	-	(721)	(175,852)
Net book value	129,072					136,984

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

	1 January 2019	Additions	Disposals	Transfers	Currency translation differences	30 September 2019
Cost						
Land	37,457	-	(20)	-	-	37,437
Land improvements	8,583	-	-	-	-	8,583
Buildings	58,489	489	-	-	-	58,978
Machinery and equipment	106,570	2,532	-	-	29	109,131
Motor vehicles	9,345	1,146	(127)	-	-	10,364
Furniture and fixtures	38,143	5,360	(3)	-	14	43,514
Special costs	1,089	26	-	-	-	1,115
Construction in progress	4	1,130	-	(35)	-	1,099
	259,680	10,683	(150)	(35)	43	270,221
Accumulated depreciation						
Land improvements	(4,432)	(226)	-	-	-	(4,658)
Buildings	(44,870)	(2,176)	-	-	-	(47,046)
Machinery and equipment	(81,205)	(4,219)	-	-	(15)	(85,439)
Motor vehicles	(5,483)	(542)	31	-	-	(5,994)
Furniture and fixtures	(15,245)	(2,521)	1	-	(8)	(17,773)
Special costs	(842)	(58)	-	-	-	(900)
	(152,077)	(9,742)	32	-	(23)	(161,810)
Net book value	107,603					108,411

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NOTE 11 - PROPERTY, PLANT AND EQUIPMENT (Continued)

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

	30 September 2020	30 September 2019
Research and development expenses	51,351	41,119
Right of use of assets	8,430	6,850
Cost of goods sold	4,729	4,236
General administrative expenses	2,342	2,386
Depreciation on inventories	1,280	1,574
Activities under the development	1,092	2,009
Selling and marketing expenses	712	727
Currency translation differences	721	173
	70,657	59,074

RIGHT OF USE ASSETS

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

30 September 2020	Buildings	Motor vehicles	Furniture and fixture	Total
Cost	20,811	16,562	538	37,911
Accumulated depreciation	(6,311)	(9,958)	(348)	(16,617)
	14,500	6,604	190	21,294
30 September 2019	Buildings	Motor vehicles	Furniture and fixture	Total
Cost	10,834	11,492	1,031	23,357
Accumulated depreciation	(2,582)	(4,163)	(105)	(6,850)
	8,252	7,329	926	16,507

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NOTE 12 - INTANGIBLE ASSETS

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

	1 January 2020	Additions	Currency translation differences	Disposals	Tranfers	30 September 2020
Cost						
Other intangible assets	21,821	2,106	-	-	-	23,927
Development costs	542,609	-	-	-	-	542,609
Activities under the development	123,643	135,233	-	-	-	258,876
	688,073	137,339	-	-	-	825,412
Accumulated amortization						
Other intangible assets	(14,693)	(1,762)	-	-	-	(16,455)
Development costs	(300,841)	(49,301)	-	-	-	(350,142)
	(315,534)	(51,063)	-	-	-	(366,597)
Net book value	372,539					458,815

	1 January 2019	Additions	Currency translation differences	Disposals	Tranfers	30 September 2019
Cost						
Other intangible assets	18,249	1,780	-	-	35	20,064
Development costs	427,570	-	-	-	1,455	429,025
Activities under the development	92,439	102,735	-	-	(1,455)	193,719
	538,258	104,515	-	-	35	642,808
Accumulated amortization						
Other intangible assets	(13,017)	(1,363)	-	-	-	(14,380)
Development costs	(244,585)	(41,119)	-	-	-	(285,704)
	(257,602)	(42,482)	-	-	-	(300,084)
Net book value	280,656					342,724

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NOTE 13 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

Short-term provisions

	30 September 2020	31 December 2019
Provision for warranty expenses	101,301	77,897
Provision for employee benefits	14,944	12,520
Other	72,837	57,088
	189,082	147,505

Warranty provision

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

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

	2020	2019
1 January	77,897	43,778
Increase/(decrease) during the year, net	65,216	70,880
Claim payments	(41,812)	(45,471)
30 September	101,301	69,187

Provision for employment termination benefits

	30 September 2020	31 December 2019
Provision for employment termination benefits	57,637	48,460
Provision for unused vacation	14,944	12,520
	72,581	60,980

Provision for employment termination benefits

The amount payable consists of one month’s salary limited to a maximum of TRY7,117.17 in full for each year of service as of 30 September 2020 (31 December 2019: TRY6,379.86 in full).

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

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

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

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

	30 September 2020	31 December 2019
Net discount rate (%)	4.67	4.67
Turnover rate to estimate the probability of retirement (%)	97.83	97.66

The principal assumption is that the maximum liability for each year of service will increase in line with inflation. Thus, the discount rate applied represents the real rate free of expected effects of inflation. The termination indemnity ceiling is revised semi-annually and the ceiling amounting to TRY7,117.17 in full (1 January 2020: TRY6,730.15 in full), which is effective from 1 July 2020, has been taken into consideration in calculation of retirement benefit provision in the consulate.

As of 30 September 2020, and 2019, the movements of provision for employment termination benefits are as follows:

	2020	2019
1 January	48,460	38,235
Interest expense	3,289	2,595
Charge for the period	7,734	3,611
Actuarial loss	2,194	4,293
Payments	(4,040)	(6,161)
30 September	57,637	42,573

Provision for unused vacation

As of 30 September 2020, and 2019, the movements of provision for unused vacation are as follows:

	2020	2019
1 January	12,520	10,443
Increase during the year, net	2,424	1,937
30 September	14,944	12,380

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

Commitments and contingencies

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

	30 September 2020	31 December 2019
a. Total amount of guarantees, pledges and mortgages given the name of legal entity	1,706,676	1,150,067
b. Total amount of guarantees, pledges and mortgages given in favour of the parties which are included in the scope of full consolidation	-	-
c. Total amount of guarantees, pledges and mortgages given to third parties for their liabilities in the purpose of conducting the ordinary operations	-	-
d. Total amount of other guarantees, pledges and mortgages	-	-
	1,706,676	1,150,067

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

	30 September 2020		31 December 2019	
	Original currency	TRY equivalent	Original currency	TRY equivalent
USD	152,885	1,193,726	151,597	900,516
EUR	28,382	259,074	22,452	149,317
TRY	161,681	161,681	91,779	91,779
RON	46,450	86,527	-	-
CNY	3,000	3,416	10,000	8,455
HUF	90,000	2,252	-	-
		1,706,676		1,150,067

Guarantee letters

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

	30 September 2020	31 December 2019
Bank letters of guarantee	1,706,676	1,150,067
	1,706,676	1,150,067

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

Guarantee letters (continued)

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

	30 September 2020	31 December 2019
Bank letters of guarantee	422,032	245,208
Guarantee notes	1,376	9,974
Mortgages received	20	4,020
	423,428	259,202

Contingent assets

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

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

a) Prepaid expenses

	30 September 2020	31 December 2019
Advances given	28,453	-
Prepaid expenses	18,198	8,646
	46,651	8,646

b) Other current assets

	30 September 2020	31 December 2019
Value added tax receivables	40,082	45,040
Other	4,319	963
	44,401	46,003

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

c) Obligations arising from customer contracts

Obligations arising from customer contracts, short term	30 September 2020	31 December 2019
Advances received	503,060	266,602
Deferred maintenance revenues	30,799	21,535
	533,859	288,137

Obligations arising from customer contracts, long term

	30 September 2020	31 December 2019
Advances received	111,406	273,347
Deferred maintenance revenues	154,919	131,185
	266,325	404,532

d) Employee benefits obligation

	30 September 2020	31 December 2019
Social security payables	26,707	10,034
Taxes and funds payable	10,596	9,699
Payables to employees	5,541	18,543
	42,844	38,276

e) Other short-term liabilities

	30 September 2020	31 December 2019
Taxes and funds payable	5,233	3,700
Deferred special consumption tax	959	1,064
Payables to shareholders	418	318
Other	1,130	799
	7,740	5,881

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NOTE 15 - REVENUE AND COST OF SALES

Revenue	1 January - 30 September 2020	1 July - 30 September 2020	1 January - 30 September 2019	1 July - 30 September 2019
Domestic sales	473,992	202,277	352,702	103,343
Export sales	1,286,371	414,858	1,539,218	496,329
Gross sales	1,760,363	617,135	1,891,920	599,672
Less: sales discount and returns	(10,964)	(3,984)	(14,577)	(6,225)
Net sales	1,749,399	613,151	1,877,343	593,447

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

	1 January - 30 September 2020	1 July - 30 September 2020	1 January - 30 September 2019	1 July - 30 September 2019
Commercial vehicle	751,940	295,579	909,550	257,558
Armored vehicle	746,762	194,977	742,617	239,531
Other sales (*)	250,697	122,595	225,176	96,358
	1,749,399	613,151	1,877,343	593,447

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

Cost of sales

	1 January - 30 September 2020	1 July - 30 September 2020	1 January - 30 September 2019	1 July - 30 September 2019
Cost of finished goods sold	(976,602)	(334,808)	(1,058,983)	(310,573)
Cost of merchandise goods sold	(88,259)	(32,921)	(100,683)	(43,257)
Cost of sales	(1,064,861)	(367,729)	(1,159,666)	(353,830)

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

	1 January - 30 September 2020	1 July - 30 September 2020	1 January- 30 September 2019	1 July - 30 September 2019
Sales and marketing expenses	(216,067)	(75,883)	(274,638)	(77,668)
General administrative expenses	(91,879)	(30,091)	(85,201)	(27,079)
Research and development expenses	(52,781)	(17,223)	(42,605)	(14,098)
	(360,727)	(123,197)	(402,444)	(118,845)

NOTE 17 - OTHER OPERATING INCOME AND EXPENSES

	1 January- 30 September 2020	1 July- 30 September 2020	1 January- 30 September 2019	1 July- 30 September 2019
Other operating income				
Exchange difference income from trade receivables and payables	310,546	147,760	91,558	(15,430)
Gain on forward transactions	31,435	5,978	62,748	29,163
Revenue from charge of due date receivables	8,013	3,627	21,200	3,412
Incentives income	236	79	1,108	370
Other income	22,611	6,905	13,827	2,320
	372,841	164,349	190,441	19,835

	1 January - 30 September 2020	1 July - 30 September 2020	1 January - 30 September 2019	1 July - 30 September 2019
Other operating expenses				
Exchange difference expenses from trade receivables and payables	(255,193)	(103,216)	(108,789)	(28,033)
Loss on forward transactions	(45,840)	(21,210)	(20,365)	(5,784)
Provision for doubtful receivables	(14,942)	(8,547)	(1,134)	2,221
Expected credit losses related to trade receivables	(2,343)	(124)	(62)	48
Other income	(3,615)	-	-	-
	(321,933)	(133,097)	(130,350)	(31,548)

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NOTE 18 - FINANCIAL INCOME

	1 January - 30 September 2020	1 July - 30 September 2020	1 January- 30 September 2019	1 July - 30 September 2019
Foreign exchange gains on deposits	29,206	11,585	12,544	2,619
Interest income from time deposits	25,175	10,818	1,570	353
Foreign exchange gains on bank borrowings	658	-	32,884	25,912
	55,039	22,403	46,998	28,884

NOTE 19 - FINANCIAL EXPENSES

	1 January - 30 September 2020	1 July - 30 September 2020	1 January- 30 September 2019	1 July - 30 September 2019
Interest expense on bank borrowings	(84,872)	(31,113)	(110,265)	(37,585)
Foreign exchange losses on bank borrowings	(48,131)	(28,398)	(24,630)	(14,875)
Foreign exchange losses on deposits	(9,439)	(4,748)	(12,458)	13,443
Other	(11,544)	(3,903)	(1,852)	(943)
	(153,986)	(68,162)	(149,205)	(39,960)

NOTE 20 - TAX ASSETS AND LIABILITIES

In Turkey, the corporation tax rate is 22% (2019: 22%). Corporate tax returns are required to be filed by the twenty-fifth day of the fourth month following the balance sheet date and taxes must be paid in one instalment by the end of the fourth month. The tax legislation provides for a temporary tax of 22% to be calculated and paid based on earnings generated for each quarter. The amounts thus calculated and paid are offset against the final corporate tax liability for the year.

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

	30 September 2020	31 December 2019
Income tax payable	4,781	4,960
Prepaid taxes (-)	(4,781)	(4,960)
Period profit tax liability/(asset)	-	-

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NOTE 20 - TAX ASSETS AND LIABILITIES (Continued)

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

	1 January - 30 September 2020	1 January - 30 September 2019
Current tax charge	(4,781)	-
Deferred tax income / expense reflected in profit or loss		
Charged to profit for the period	(7,462)	3,597
Charged to other comprehensive income	483	944
	(11,760)	4,541

As of 30 September 2020, and 31 December 2019, the breakdown of deferred tax bases and deferred tax liability computed using the current effective tax rates are as follows:

	Cumulative temporary differences		Deferred tax assets / (liabilities)	
	30 September 2020	31 December 2019	30 September 2020	31 December 2019
Incentives from research and development activities (*)	43,820	314,365	9,640	69,160
Property, plant and equipment	(30,997)	(27,051)	(2,718)	(1,929)
Intangible assets	(90,955)	(103,649)	(18,191)	(20,730)
Deferred financial expenses	(1,846)	(1,323)	(406)	(291)
Inventories	21,770	10,027	4,789	2,195
Warranty provision	101,301	77,897	20,908	16,226
Provision for employment termination benefits	57,637	48,460	11,527	9,692
Deferred financial income	4	(2,134)	1	(470)
Other provisions	80,549	49,968	16,451	10,283
Deferred maintenance income	127,704	145,908	29,427	24,435
Investment incentives (**)	28,537	-	28,537	-
Other	(22,917)	(32,061)	(4,947)	(6,574)
Deferred tax assets, net			95,018	101,997

(*) The Company’s incentive income from investments with incentive certificate are subject to corporate income tax exemption tax at reduced rates being effective starting from the period that investment is partially or entirely operated and till the period that investment reaches the contribution amount. In this context, as of 30 September 2020, the tax advantage of TRY43,820 thousand(31 December 2019: TRY314,365 thousand), which the Company will use in the foreseeable future, has been recognized in the consolidated financial statements as deferred tax asset. The deferred tax asset on tax advantage carried from 2015 and before has not been calculated since the case regarding the use of tax benefit of TRY202,013 thousand for aforementioned years is still in progress.

(**) 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 TRY398,169 thousand was issued for the modernization investment envisaged to be made in the next 4 years. In this context, as of 30 September 2020, investment incentives amounting to TRY28,537 thousand has been recognised as deferred tax asset.

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NOTE 20 - TAX ASSETS AND LIABILITIES (Continued)

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

	1 January - 30 September 2020	1 January - 30 September 2019
1 January	101,997	90,064
Deferred tax income charged to profit or loss and other comprehensive income for the period		
- Charged to profit for the period	(7,462)	3,597
- Charged to other comprehensive income	483	944
30 September	95,018	94,605

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 2020	30 September 2019
Net profit/(loss) for the period	320,039	297,386
Weighted average number of issued shares	24,000,000,000	24,000,000,000
Earnings per share (Piastre)	1.333	1,239

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NOTE 22 - RELATED PARTY DISCLOSURES

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

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

Due from related parties	30 September 2020	31 December 2019
Ram Dış Ticaret A.Ş. (1) (*)	118,271	138,537
Al Jasoor Heavy Vehicle Industry LLC (3) (**)	21,749	81,303
Other (1)	232	60
	140,252	219,900

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

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

Due to related parties	30 September 2020	31 December 2019
Zer Merkezi Hizmetler A.Ş. (1)	3,368	4,914
Ram Dış Ticaret A.Ş. (1)	1,272	4,400
Koç Holding A.Ş. (2)	946	11,787
Otokoç Otomotiv Tic. ve San. A.Ş. (1)	852	830
Ford Otosan A.Ş. (2)	714	-
Ram Sigorta Aracılık Hiz. A.Ş.(1)	380	-
Opet Fuchs Madeni Yağ A.Ş. (1)	367	479
Koç Sistem Bilgi ve İletişim Hiz. A.Ş. (1)	94	3,803
Other (1)	673	3,518
	8,666	29,731

(1) Related parties of the parent company

(2) Shareholder

(3) Joint venture

Advances received from related parties	30 September 2020	31 December 2019
Al Jasoor Heavy Vehicle Industry LLC (3) (*)	460,816	527,169
	460,816	527,169

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

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NOTE 22 - RELATED PARTY DISCLOSURES (Continued)

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

	1 January - 30 September 2020	1 July - 30 September 2020	1 January - 30 September 2019	1 July - 30 September 2019
Sales of products and services				
Al Jasoor Heavy Vehicle Industry LLC (3)	801,496	244,973	598,197	212,277
Ram Dış Ticaret A.Ş. (1) (*)	14,232	1,875	177,087	56,336
Other (1)	47	5	84	9
	815,775	246,853	775,368	268,622

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

	1 January - 30 September 2020	1 July - 30 September 2020	1 January - 30 September 2019	1 July - 30 September 2019
Fixed asset purchases				
Koç Sistem Bilgi ve İletişim Hiz.A.Ş (1)	3,200	597	2,710	928
Other (1)	1,167	1,060	354	106
	4,367	1,657	3,064	1,034

	1 January - 30 September 2020	1 July - 30 September 2020	1 January - 30 September 2019	1 July - 30 September 2019
Inventory purchases				
Zer Merkezi Hizmetler ve Ticaret A.Ş. (1)	31,566	14,536	31,139	11,737
Ram Dış Ticaret A.Ş. (1)	5,843	2,035	3,416	1,390
Opet Fuchs Madeni Yağ A.Ş. (1)	2,642	794	2,330	824
Opet Petrolcülük A.Ş.(1)	1,937	686	2,577	910
Akpa Dayanıklı Tük.Paz. A.Ş. (1)	1,849	817	2,021	613
Ford Otosan A.Ş. (2)	681	22	-	-
Türk Traktör ve Ziraat Makineleri A.Ş. (1)	-	-	2,196	-
Other (1)	60	6	361	279
	44,578	18,896	44,040	15,753

(1) Related parties of the parent company

(2) Shareholder

(3) Joint venture

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NOTE 22 - RELATED PARTY DISCLOSURES (Continued)

	1 January - 30 September 2020	1 July - 30 September 2020	1 January - 30 September 2019	1 July - 30 September 2019
Service purchases				
Ram Dış Ticaret A.Ş.(1)	15,349	4,128	48,943	26,438
Otokoç Otomotiv Tic. ve San. A.Ş.(1)	5,993	2,105	4,803	1,738
Ram Sigorta Aracılık Hz. A.Ş.(1)**)	5,987	386	5,873	437
Eltek Elektrik Enerji İth.İhr.Top.Tic. A.Ş. (1)	5,193	2,017	-	-
Koç Sistem Bilgi ve İletişim Hiz. A.Ş. (1)	4,897	1,039	2,633	842
Koç Holding A.Ş. (2) (*)	3,754	1,251	3,701	1,912
Setur Servis Turistik A.Ş.(1)	2,578	384	7,970	2,792
Other (1)	3,084	1,515	3,526	2,178
	46,835	12,825	77,449	36,337

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

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

Bank deposits	30 September 2020	31 December 2019
Yapı ve Kredi Bankası A.Ş. (1)		
- Time deposits	336,102	4,510
- Demand deposits	4	2
	336,106	4,512

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

Loans	30 September 2020	31 December 2019
Yapı ve Kredi Bankası A.Ş. (1)	141,437	-
	141,437	-

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

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NOTE 22 - RELATED PARTY DISCLOSURES (Continued)

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

	1 January - 30 September 2020	1 July - 30 September 2020	1 January - 30 September 2019	1 July - 30 September 2019
Trade receivables and payables foreign exchange gains				
Ram Dış Ticaret A.Ş. (1)	111,850	65,647	45,727	15,828
Al Jasoor Heavy Vehicle Industry LLC (3)	223	-	-	-
Other (1)	34	(2)	254	94
	112,107	65,645	45,981	15,922

	1 January - 30 September 2020	1 July - 30 September 2020	1 January - 30 September 2019	1 July - 30 September 2019
Trade receivables and payables foreign exchange expenses				
Ram Dış Ticaret A.Ş. (1)	43,372	950	168,144	161,888
Zer Merkezi Hizmetler ve Ticaret A.Ş. (1)	809	484	343	42
Other (1)	150	74	6	1
	44,331	1,480	168,493	161,931

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

	1 January - 30 September 2020	1 July - 30 September 2020	1 January - 30 September 2019	1 July 30 September 2019
Interest income				
Yapı ve Kredi Bankası A.Ş. (1)	3,707	2,585	246	115
	3,707	2,585	246	115

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

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NOTE 22 - RELATED PARTY DISCLOSURES (Continued)

	1 January - 30 September 2020	1 July - 30 September 2020	1 January - 30 September 2019	1 July - 30 September 2019
Interest expenses				
Yapı ve Kredi Bankası A.Ş. (1)	10,599	3,309	16,003	5,760
	10,599	3,309	16,003	5,760

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

	1 January - 30 September 2020	1 July - 30 September 2020	1 January - 30 September 2019	1 July - 30 September 2019
Foreign exchange income				
Yapı ve Kredi Bankası A.Ş. (1)	8,406	1,736	3,772	335
	8,406	1,736	3,772	335

	1 January - 30 September 2020	1 July - 30 September 2020	1 January - 30 September 2019	1 July - 30 September 2019
Foreign exchange expenses				
Yapı ve Kredi Bankası A.Ş. (1)	5,278	2,763	4,974	1,782
	5,278	2,763	4,974	1,782

(1) Related parties of the parent company

Benefits provided to senior executives

For the period ended 30 September 2020, the total amount of benefits provided to senior management is TRY7,068 thousand (30 September 2019: TRY7,053 thousand). It consists of senior executives, members of the board of directors, general manager and assistant general managers.

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**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL
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NOTE 23 - NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

a) Foreign currency risk and related sensitivity analysis

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

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

30 September 2020	TRY equivalent (functional currency)	USD	EUR	GBP
1. Trade receivables	528,335	16,078	44,124	3
2a. Monetary financial assets (including cash, bank accounts)	209,363	20,239	5,624	-
2b. Non-monetary financial assets	-	-	-	-
3. Other	16	2	-	-
4. Current assets (1+2+3)	737,714	36,319	49,748	3
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)	737,714	36,319	49,748	3
10. Trade payables	(169,320)	(13,766)	(6,773)	(1)
11. Financial liabilities	(182,644)	-	(20,009)	-
12a. Monetary other liabilities	(384,608)	(34,404)	(12,706)	-
12b. Non-monetary other liabilities	-	-	-	-
13. Current liabilities (10+11+12)	(736,572)	(48,170)	(39,488)	(1)
14. Trade payables	-	-	-	-
15. Financial liabilities	-	-	-	-
16a. Monetary other liabilities	1	-	-	-
16b. Non-monetary other liabilities	-	-	-	-
17. Non-current liabilities (14+15+16)	1	-	-	-
18. Total liabilities (13+17)	(736,571)	(48,170)	(39,488)	(1)
Net balance sheet position (9+18)	1,143	(11,851)	10,260	2
19. Net asset/(liability) position of off-balance sheet derivative instruments((19a-19b)	268	11,725	(10,000)	-
19a. Hedged total assets amount	91,549	11,725	-	-
19b. Hedged total liabilities amount	(91,281)	-	(10,000)	-
20. Net foreign currency asset/(liability) position (9+18+19)	1,411	(126)	260	2
21. Net foreign currency asset/(liability) position of monetary items (=1+2a+5+6a-10-11-12a-14-15-16a)	1,127	(11,853)	10,260	2
22. Total fair value of financial instruments used for foreign currency hedging	(268)	-	(268)	-
23. Export (As of 30 September 2020)	1,278,905	121,023	57,595	13
24. Import (As of 30 September 2020)	752,970	51,597	52,436	1,254

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

31 December 2019	TRY equivalent (functional currency)	USD	EUR	GBP
1. Trade receivables	760,010	29,718	87,717	14
2a. Monetary financial assets (including cash, bank accounts)	19,717	2,877	395	-
2b. Non-monetary financial assets	-	-	-	-
3. Other	24	4	-	-
4. Current assets (1+2+3)	779,751	32,599	88,112	14
5. Trade receivables	-	-	-	-
6a. Monetary financial assets	-	-	-	-
6b. Non-monetary financial assets	-	-	-	-
7. Other	-	-	-	-
8. Non-current assets (5+6+7)	-	-	-	-
9. Total assets ((4+8))	779,751	32,599	88,112	14
10. Trade payables	(147,618)	(14,402)	(9,218)	(98)
11. Financial liabilities	(140,487)	-	(21,124)	-
12a. Monetary other liabilities	(244,327)	(40,940)	(138)	(28)
12b. Non-monetary other liabilities	-	-	-	-
13. Current liabilities (10+11+12)	(532,432)	(55,342)	(30,480)	(126)
14. Trade payables	-	-	-	-
15. Financial liabilities	(133,012)	-	(20,000)	-
16a. Monetary other liabilities	(152,983)	(25,754)	-	-
16b. Non-monetary other liabilities	-	-	-	-
17. Non-current liabilities (14+15+16)	(285,995)	(25,754)	(20,000)	-
18. Total liabilities (13+17)	(818,427)	(81,096)	(50,480)	(126)
Net balance sheet position (9+18)	(38,676)	(48,497)	37,632	(112)
19. Net asset/(liability) position of off-balance sheet derivative instruments (19a-19b)	49,641	51,461	(38,500)	-
19a. Hedged total assets amount	305,689	51,461	-	-
19b. Hedged total liabilities amount	(256,048)	-	(38,500)	-
20. Net foreign currency asset/(liability) position (9+18+19)	10,965	2,964	(868)	(112)
21. Net foreign currency asset/(liability) position of monetary items (=1+2a+5+6a-10-11-12a-14-15-16a)	(38,701)	(48,501)	37,632	(112)
22. Total fair value of financial instruments used for foreign currency hedging	1,100	-	851	249
23. Export (As of 30 September 2019)	1,530,133	126,654	69,344	2,393
24. Import (As of 30 September 2019)	469,545	33,868	42,998	789

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

The following table demonstrates the sensitivity to a possible change of 10% in the USD, Euro and GBP exchange rates, with all other variables held constant, on the Group's income before tax as of 30 September 2020 and 31 December 2019:

	<u>Profit before tax</u> <u>Appreciation</u> <u>foreign currency</u>	<u>Profit before tax</u> <u>Depreciation of foreign</u> <u>currency</u>
30 September 2020		
In case 10% appreciation of USD against TRY:		
1- USD net asset/liability	(98)	98
2- Amount hedged for USD risk (-)	-	-
3- USD net effect (1+2)	(98)	98
In case 10% appreciation of EUR against TRY:		
4- EUR net asset/liability	237	(237)
5- Amount hedged for EUR risk (-)	-	-
6- EUR net effect (4+5)	237	(237)
In case 10% appreciation of GBP against TRY:		
7- GBP net asset/liability	2	(2)
8- Amount hedged for GBP risk (-)	-	-
9- GBP net effect (7+8)	2	(2)
Total (3+6+9)	141	(141)
	<u>Profit before tax</u> <u>Appreciation</u> <u>foreign currency</u>	<u>Profit before tax</u> <u>Depreciation of foreign</u> <u>currency</u>
31 December 2019		
In case 10% appreciation of USD against TRY:		
1- USD net asset/liability	1,761	(1,761)
2- Amount hedged for USD risk (-)	-	-
3- USD net effect (1+2)	1,761	(1,761)
In case 10% appreciation of EUR against TRY:		
4- EUR net asset/liability	(577)	577
5- Amount hedged for EUR risk (-)	-	-
6- EUR net effect (4+5)	(577)	577
In case 10% appreciation of GBP against TRY:		
7- GBP net asset/liability	(87)	87
8- Amount hedged for GBP risk (-)	-	-
9- GBP net effect (7+8)	(87)	87
Total (3+6+9)	1,097	(1,097)

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NOTE 24 - FINANCIAL INSTRUMENTS

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

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

The following table presents the Group’s assets that are measured at fair value at 30 September 2020 and 31 December 2019:

30 September 2020

Assets	Level 1	Level 2	Level 3	Total
Derivative financial instruments	-	268	-	268
	-	268	-	268

31 December 2019

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

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

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

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

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

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NOTE 24 - FINANCIAL INSTRUMENTS (Continued)

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

NOTE 25 - SUBSEQUENT EVENTS

None.

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