OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2023

(ORIGINALLY ISSUED IN TURKISH)

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(Convenience translation of a report and consolidated financial statements originally issued in Turkish)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Otokar Otomotiv ve Savunma Sanayi Anonim Şirketi,

A) Report on the Audit of the Consolidated Financial Statements

1) Opinion

We have audited the consolidated financial statements of Otokar Otomotiv ve Savunma Sanayi A.Ş. (the Company) and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at December 31, 2023, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the Turkish Financial Reporting Standards ("TFRS").

2) Basis for Opinion

We conducted our audit in accordance with standards on auditing as issued by the Capital Markets Board of Turkey and Independent Auditing Standards (InAS) which are part of the Turkish Auditing Standards as issued by the Public Oversight Accounting and Auditing Standards Authority of Turkey (POA). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the *Code of Ethics for Independent Auditors* (Code of Ethics) as issued by the POA, and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3) Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Key audit matter	Audit procedures in relation to key audit matter
Trade receivables recoverability and impairment	
Trade receivables are considered as a significant balance sheet item since they represent 28% of total assets in the statement of consolidated financial position. Furthermore, the collectability of trade receivables is a significant item of the Group's credit risk and working capital management and includes significant judgments and estimates of management. As of December 31, 2023, there is impairment amounting to TRY 229,199 thousand on trade receivables amounting to TRY 9,282,004 thousand in the statement of consolidated financial position. Due to the size of the amounts and the reasoning required in the assessment of collectability of trade receivables are complex and comprehensive; the existence and collectability of trade receivables are considered as the key audit matter. Explanations on trade receivables are disclosed in Note 9.	The following procedures have been applied to audit the amount of provision for trade receivables: · Evaluation of the Group's trade receivable process related to collections, · Analytical analysis of the receivable aging tables and comparison of the trade receivable collection ratio with the previous year, · Testing of trade receivable balances by sending confirmation letters via sample, · Testing of subsequent collections made in the following period by sampling method, · Testing of the collaterals received for the receivables through sampling and evaluating of the convertible ability of cash, · Evaluation of the compliance of the accounting policies applied, the Group's past history performance, local and global practices, · Investigation of disputes and lawsuits related to receivables for the purpose of checking the appropriateness of specific provisions for trade receivables, and obtaining confirmation letter regarding the proceedings from legal counsel, · Evaluation of the adequacy of disclosures on impairment of trade receivables and trade receivables to TFRS.

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Application of the hyperinflationary accounting	
As stated in 2 to the consolidated financial statements, the Group has started to apply "TAS 29 Financial Reporting in Hyperinflation Economies" since the functional currency of the Group (Turkish Lira) is the currency of a hyperinflationary economy as per TAS 29 as of December 31, 2023. In accordance with TAS 29, consolidated financial statements and corresponding figures for previous periods have been restated for the changes in the general purchasing power of Turkish Lira and, as a result, are expressed in terms of purchasing power of Turkish Lira as of the reporting date. In accordance with the guidance in TAS 29, the Group utilized the Turkey consumer price indices to prepare inflation adjusted financial statements. The principles applied for inflation adjustment is explained in 2. Given the significance of the impact of TAS 29 on the reported result and financial position of the Group, we have assessed the hyperinflation accounting as a key audit matter.	Our audit procedures included the following; - We inquired management responsible for financial reporting on the principles, which they have considered during the application of TAS 29, identification of non-monetary accounts and tested TAS 29 models designed, - We have tested the inputs and indices used, to ensure completeness and accuracy of the calculations, - We have audited the restatements of corresponding figures as required by TAS 29, We assessed the adequacy of the disclosures in inflation adjusted financial statements for compliance with TAS 29

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Capitalized development costs	
The Group capitalizes research and development costs for increasing efficiency and capacity of the automobile production or decreasing production costs. Detailed in Note 14 to the accompanying consolidated financial statements, capitalized development costs on consolidated financial statements as of December 31, 2023 is significant for our audit due to variety of nature of costs and management judgments involved in the capitalization process.	Our audit procedures include, examination of the Group's policies and processes related to evaluation of expectation on projects and examination of nature of capitalized development costs related to each project. One of the most significant management judgments for the project at development phase is estimation of market performance of products related to the project. Our audit procedures on projects at development phase consist of assessment of reasonability of management judgments, testing the accuracy of the relevant amounts, examination of the result of development works and considering the Group's internal management and authorization processes. Additionally, inquiries have been performed with managers of the Group's R&D and sales departments, sales performance of products which start active sales in the market has been examined and recoverability of capitalized development costs for related projects have been assessed. Furthermore, we assessed the appropriateness of the disclosures in the consolidated financial statements in Note 14, intangible assets, in terms of TFRS.

4) Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with TFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

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5) Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

In an independent audit, our responsibilities as the auditors are:

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with standards on auditing as issued by the Capital Markets Board of Turkey and InAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with standards on auditing as issued by the Capital Markets Board of Turkey and InAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

B) Report on Other Legal and Regulatory Requirements

1) Auditors' report on Risk Management System and Committee prepared in accordance with paragraph 4 of Article 398 of Turkish Commercial Code ("TCC") 6102 is submitted to the Board of Directors of the Company on February 26, 2024.

2) In accordance with paragraph 4 of Article 402 of the TCC, no significant matter has come to our attention that causes us to believe that the Company's bookkeeping activities for the period 1 January - 31 December 2023 and financial statements are not in compliance with laws and provisions of the Company's articles of association in relation to financial reporting.

3) In accordance with paragraph 4 of Article 402 of the TCC, the Board of Directors submitted to us the necessary explanations and provided required documents within the context of audit.

The name of the engagement partner who supervised and concluded this audit is Ferzan Ülgen.

Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi
A member firm of Ernst & Young Global Limited

Ferzan Ulgen, Partner
26 February 2024

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

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2023

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OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS OF 31 DECEMBER 2023 AND 2022

(Amounts expressed in thousands of Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise indicated.)

	Notes	(Audited) 31 December 2023	(Audited) 31 December 2022
Assets			
Current assets			
Cash and cash equivalents	5	6,835,775	2,754,110
Financial investments	12	-	98,864
Trade receivables	9	8,560,713	6,852,919
Due from related parties	28	3,314,735	2,688,756
Due from other parties	9	5,245,978	4,164,163
Other receivables	10	4,254	1,493
Inventories	11	7,430,298	7,164,857
Derivative financial instruments	8	-	4,037
Prepaid expenses	18	168,667	208,517
Other current assets	18	1,092,680	1,194,651
Total current assets		**24,092,387**	**18,279,448**
Non-current assets			
Trade receivables	9	492,092	1,206,075
Other receivables	10	8,941	8,662
Investments accounted for using the equity method	6	85,357	397,192
Financial investments	12	28,687	18,835
Property, plant and equipment	13	2,996,901	2,371,806
Right of use assets	13	101,710	128,083
Intangible assets	14	3,873,713	3,997,440
Goodwill	3	45,257	-
Other intangible assets	14	3,828,456	3,997,440
Deferred tax asset	3	778,378	33,693
Prepaid expenses	14	26,511	119,462
Other non-current assets	25	-	71,630
Total non-current assets		**8,392,290**	**8,352,878**
Total assets		**32,484,677**	**26,632,326**

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

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

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS OF 31 DECEMBER 2023 AND 2022

(Amounts expressed in thousands of Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise indicated.)

	Notes	(Audited) 31 December 2023	(Audited) 31 December 2022
Liabilities			
Current liabilities			
Short-term borrowings	7	12,997,797	8,465,044
Bank loans	7	12,939,189	8,413,900
Short-term lease liabilities	7	58,608	51,144
Short-term portion of long-term borrowings	7	826,601	1,828,009
Bank Loans	7	*748,465*	*1,828,009*
Issue of debt instruments	7	*78,136*	-
Trade Payables	9	4,098,863	3,653,383
Due to related parties	28	556,649	362,896
Due to other parties	9	3,542,214	3,290,487
Derivative financial instruments	8	25,853	-
Employee benefit obligations	18	410,203	325,310
Other payables	10	35,296	45,911
Current income tax liabilities	25	21,069	-
Liabilities from customer contracts	18	772,202	943,999
Government incentives and grants	15	4,163	4,747
Short-term provisions	17	1,652,472	1,212,394
Provisions for employee benefits	17	109,137	81,213
Other provisions	16	1,543,335	1,131,181
Other current liabilities	18	63,523	55,175
Total current liabilities		**20,908,042**	**16,533,972**
Non-current liabilities			
Long-term borrowings	7	2,308,095	2,143,058
Bank loans	*7*	*716,426*	2,063,062
Long-term lease liabilities	*7*	*91,669*	79,996
Issue of debt instruments	*7*	*1,500,000*	-
Government incentives and grants	15	19,963	31,098
Long-term provisions	17	335,003	517,514
Provisions for employee benefits	*17*	*335,003*	517,514
Liabilities from customer contracts	18	610,431	879,497
Total non-current liabilities		**3,273,492**	**3,571,167**
Total liabilities		**24,181,534**	**20,105,139**
Equity			
Paid-in share capital	19	120,000	24,000
Inflation adjustment on share capital	19	1,195,090	1,229,245
Restricted reserves	19	955,136	955,136
Accumulated other comprehensive income and expense that will not be reclassified to statement of profit or loss	19	(334,420)	(246,329)
Defined benefit plans remeasurement losses		(334,420)	(246,329)
Accumulated other comprehensive income and expense that may be reclassified to statement of profit or loss		(790,194)	(686,279)
Currency translation differences		(790,194)	(686,279)
Retained earnings	19	5,189,569	3,233,334
Net profit for the period	19	1,967,962	2,018,080
Total equity		**8,303,143**	**6,527,187**
Total liabilities and equity		**32,484,677**	**26,632,326**

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

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

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS FOR THE PERIOD BETWEEN 1 JANUARY - 31 DECEMBER 2023 AND 2022

(Amounts expressed in thousands of Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise indicated.)

	Notes	(Audited) 1 January - 31 December 2023	(Audited) 1 January - 31 December 2022
Revenue	20	27,238,881	17,818,972
Cost of sales (-)	20	(20,932,034)	(13,772,811)
GROSS PROFIT (LOSS)		**6,306,847**	**4,046,161**
Marketing expenses (-)	21	(3,653,742)	(2,485,267)
General administrative expenses (-)	21	(1,171,033)	(948,626)
Research and development expenses (-)	21	(739,906)	(545,125)
Other operating income	23	4,526,033	2,719,485
Other operating expenses (-)	23	(2,776,154)	(1,504,940)
OPERATING PROFIT (LOSS)		**2,492,045**	**1,281,688**
Income from investing activities		3,323	5,553
Share of profit/ (loss)of investments accounted for using the equity method, net	6	(3,079)	339,562
OPERATING INCOME (LOSS) BEFORE FINANCIAL PROFIT (LOSS)		**2,492,289**	**1,626,803**
Financial income	24	1,410,259	498,067
Financial expense (-)	25	(5,039,602)	(1,943,508)
Monetary gain/ (loss)		2,595,073	1,990,224
PROFIT (LOSS) BEFORE TAX		**1,458,019**	**2,171,586**
Tax income/(expense) from continued operations			
Current tax expense (-)	26	(224,474)	(20,055)
Deferred tax income / (expense)	26	734,417	(133,451)
PROFIT/LOSS FOR THE PERIOD		**1,967,962**	**2,018,080**
Items that will not be reclassified to statement of profit or loss			
Actuarial gain / (loss) on employment termination benefit obligation	17	(117,455)	(307,911)
Actuarial loss on post-employment termination benefit obligation, tax effect	26	29,364	61,582
Items that may be reclassified to statement of profit or loss			
Currency translation differences of investments accounted for using the equity method		74,926	126,261
Currency translation differences		(178,841)	(241,765)
Other comprehensive income		**(192,006)**	**(361,833)**
TOTAL COMPREHENSIVE INCOME		**1,775,956**	**1,656,247**
Earnings per share (Kr)	**27**	**16.399**	**16.817**

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

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE PERIODS 1 JANUARY - 31 DECEMBER 2023 AND 2022

(Amounts expressed in thousands of Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 December 2023, 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 adjustments**	**Restricted reserves**	**Remeasurement profits (losses) on defined benefit plans**	**Currency translation differences**	**Retained earnings**	**Net income for the period**	**Total equity**
1 January 2022 – 31 December 2022								
Beginning of the period	**24,000**	**1,229,245**	**852,662**	**-**	**(570,775)**	**4,437,806**	**-**	**5,972,938**
Transfers	-	-	102,474	-	-	(102,474)	-	-
Dividends paid	-	-	-	-	-	(1,101,998)	-	(1,101,998)
Total comprehensive income	-	-	-	(246,329)	(115,504)	-	2,018,080	1,656,247
End of the period	**24,000**	**1,229,245**	**955,136**	**(246,329)**	**(686,279)**	**3,233,334**	**2,018,080**	**6,527,187**
1 January 2023 – 31 December 2023								
Beginning of the period	**24,000**	**1,229,245**	**955,136**	**(246,329)**	**(686,279)**	**3,233,334**	**2,018,080**	**6,527,187**
Transfers	-	-	-	-	-	2,018,080	(2,018,080)	-
Capital increase	96,000	(34,155)	-	-	-	(61,845)	-	-
Total comprehensive income	-	-	-	(88,091)	(103,915)	-	1,967,962	1,775,956
End of the period	**120,000**	**1,195,090**	**955,136**	**(334,420)**	**(790,194)**	**5,189,569**	**1,967,962**	**8,303,143**

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

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

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE PERIODS 1 JANUARY - 31 DECEMBER 2023 AND 2022

(Amounts expressed in thousands of Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise indicated.)

	Notes	(Audited) 1 January - 31 December 2023	(Audited) 1 January - 31 December 2022
CASH FLOWS FROM OPERATING ACTIVITIES		**789,825**	**(1,661,435)**
Net profit/(loss) for the period		1,967,962	2,018,080
Adjustments to reconcile net profit (loss) for the period to cash flows from operating activities		**764,367**	**1,331,297**
Adjustments for depreciation and amortization	13, 14	**911,419**	**689,459**
Adjustments in relation to impairment:		**204,875**	**113,343**
- Provision for doubtful receivables	9	32,515	66,145
- Provision for inventories	11	172,360	47,198
Adjustments in relation to provision:		**1,299,007**	**1,046,621**
- Provision for employee benefits	17	108,638	189,046
- Provision for warranty expenses	16	899,149	568,349
- Adjustments for other provisions		291,220	289,226
Adjustments in relation to interest income and expenses:		**2,676,128**	**1,146,476**
- Adjustment in relation to interest income	24	(990,620)	(151,731)
- Adjustment in relation to interest expense	25	3,666,748	1,298,207
Adjustments in relation to unrealised foreign exchange gains and losses		**1,152,477**	**653,398**
Adjustments in relation to fair value gains and losses		**20,899**	**1,921**
- Fair value losses/(gains) on financial assets		(7,404)	(2,116)
- Fair value losses/(gains) on financial derivative instruments		28,303	4,037
Adjustments for undistributed profits of investments accounted for using equity method		**3,079**	**(339,562)**
Adjustments for undistributed profits of joint ventures	6	3,079	(339,562)
Adjustments for tax income/(expenses)		**(509,943)**	**153,506**
Adjustments in relation to gains or losses on sales of property, plant and equipment		**(3,324)**	**(5,553)**
- Losses / (gains) on sale of property, plant and equipment		(3,324)	(5,553)
Monetary gain/ (loss)		(4,990,250)	(2,128,312)
Changes in net working capital		**(1,085,243)**	**(4,575,111)**
Adjustments for increase/decrease in trade receivables		**(1,026,326)**	**(2,105,137)**
Adjustments for increase/decrease in inventories		**(437,801)**	**(2,693,134)**
Adjustments for increase/decrease in trade payables		**445,480**	**1,862,310**
Adjustments for other increase (decrease) in working capital		**(66,596)**	**(1,639,150)**
- Increase/(decrease) in other assets related to activities		303,362	(1,194,016)
- Increase/(decrease) in other liabilities related to activities		(369,958)	(445,134)
Cash flows from operations		**1,647,086**	**(1,225,734)**
Payments in relation to employee benefits	17	**(151,511)**	**(14,440)**
Payments in relation to other provisions	16	**(468,264)**	**(393,190)**
Deductions/(payments) in relation to income tax		**(203,405)**	**(20,055)**
Other cash collections/(payments)		**(34,081)**	**(8,016)**
CASH FLOWS FROM INVESTING ACTIVITIES		**(139,965)**	**(1,666,121)**
Cash outflows for the acquisition of shares of other businesses or funds or debt instruments	3	**(2,585)**	**-**
Cash outflows for the acquisition of shares of other businesses or funds or debt instruments		**(2,034)**	**(16,477)**
Proceeds from sale of property, plant and equipment and intangible assets		**4,637**	**9,506**
- Proceeds from sale of property, plant and equipment		4,637	9,506
Cash outflows due to purchase of property, plant and equipment and intangible assets		**(1,300,554)**	**(2,136,544)**
- Purchase of property, plant and equipment	13	(854,963)	(600,878)
- Purchase of intangible assets	14	(445,591)	(1,535,666)
Dividends received	6	**228,013**	**334,995**
Interest received		**932,558**	**142,399**
CASH FLOWS FROM FINANCING ACTIVITIES		**5,934,390**	**5,366,176**
Cash inflow from due to borrowings		**33,550,171**	**17,302,574**
- Proceeds from bank borrowings	7	33,550,171	17,302,574
Cash outflow due to repayment of borrowings		**(24,994,794)**	**(8,982,404)**
- Repayments of borrowings	7	(24,994,794)	(8,982,404)
Cash outflows related to loan payments arising from lease agreements	7	**(53,924)**	**(13,021)**
Dividends paid		**-**	**(1,101,998)**
Interest paid		**(2,665,927)**	**(1,740,111)**
Other cash collections/(payments)		**98,864**	**(98,864)**
NET DECREASE IN CASH AND CASH EQUIVALENTS BEFORE THE EFFECT OF CURRENCY TRANSLATION DIFFERENCES		**6,584,250**	**2,038,620**
Currency translation difference on cash and cash equivalents		**(463,362)**	**(331,841)**
Effect of monetary loss on cash and cash equivalents		**(2,093,529)**	**(707,441)**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**4,027,359**	**999,338**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	**5**	**2,744,784**	**1,745,446**
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	5	**6,772,143**	**2,744,784**

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

(Amounts expressed in thousands of Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 December 2023, 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 and truck constitute the majority of its production.

The registered addresses of the Company are as follows:

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

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

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

Subsidiaries	Country	Main activity	Field of activity
Otokar Europe SAS	France	Sales and marketing	Automotive
Otokar Land Systems LLC	United Arab Emirates	Sales and marketing	Automotive and defense industry
Otokar Europe Filiala Bucuresti SRL	Romania	Sales and marketing	Automotive
Otokar Italia S.R.L.	Italy	Sales and marketing	Automotive and defense industry

Subsidiaries	Country	Main activity	Field of activity
Al Jasoor Heavy Vehicles Industry	United Arab Emirates	Sales and marketing	Automotive and defense industry

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

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

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

	31 December 2023		31 December 2022	
	Period end	Average	Period end	Average
Total personnel number	3,580	3,069	2,942	2,437

The consolidated financial statements for the year ended 31 December 2023 were authorized for issue and signed by the Board of Directors of Otokar on 26 February 2024. The accompanying consolidated financial statements may be amended by the General Assembly.

(Amounts expressed in thousands of Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise indicated.)

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

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 December 2023, 27.85% of the shares are quoted on the BIST.

As of 31 December 2023, 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 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.

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

The consolidated financial statements are presented in accordance with the formats specified in the 'Announcement on TMS Taxonomy' and 'Financial Table Samples Usage Guide' published by the POA on 4 October 2022.

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

2.1 Basis of presentation of consolidated financial statements (Continued)

The Company and its subsidiaries operating in Turkey, maintains its accounting records and prepares its statutory financial statements in accordance with the Turkish Commercial Code (the "TCC"), tax legislation and the uniform chart of accounts issued by the Ministry of Finance. These consolidated financial statements are based on the statutory records, with the required adjustments and reclassifications including those related to changes in purchasing power reflected for the purpose of fair presentation in accordance with the TFRS.

Functional and presentation currency

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

Financial statements of foreign subsidiaries, joint ventures and associates

The assets and liabilities, presented in the financial statements of the foreign subsidiaries and joint ventures prepared in accordance with the Group's accounting policies, are translated into TRY at the exchange rate at the date of the balance sheet whereas income and expenses are translated at the average exchange rates for the respective periods. Exchange differences resulting from using the exchange rates at the balance sheet date and the average exchange rates are recognised in the currency translation differences under the equity, with the required adjustments and reclassifications including those related to changes in purchasing power reflected for the purpose of fair presentation in accordance with the TFRS.

Financial reporting in hyperinflationary economy

Entities applying TFRSs have started to apply inflation accounting in accordance with TAS 29 Financial Reporting in Hyperinflation Economies as of financial statements for the annual reporting period ending on or after 31 December 2023 with the announcements made by the Public Oversight Accounting and Auditing Standards Authority (POA) on 23 November 2023. TAS 29 is applied to the financial statements, including the consolidated financial statements, of any entity whose functional currency is the currency of a hyperinflationary economy.

The accompanying financial statements are prepared on a historical cost basis, except for financial investments measured at fair value and investment properties measured at revalued amounts.

Financial statements and corresponding figures for previous periods have been restated for the changes in the general purchasing power of Turkish lira and, as a result, are expressed in terms of purchasing power of Turkish lira as of 31 December 2023 as per TAS 29.

On the application of TAS 29, the entity used the conversion coefficient derived from the Customer Price Indexes (CPI) published by Turkey Statistical Institute according to directions given by POA. The CPI for current and previous year periods and corresponding conversion factors since the time when the Turkish lira previously ceased to be considered currency of hyperinflationary economy, i.e., since 1 January 2005, were as follow:

(Amounts expressed in thousands of Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise indicated.)

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

2.1 Basis of presentation of consolidated financial statements (Continued)

Year-end	Index	Index, %	Conversion Factor
2004	113.86	13.86	16.33041
2005	122.65	7.72	15.16005
2006	134.49	9.65	13.82541
2007	145.77	8.39	12.75557
2008	160.44	10.06	11.58925
2009	170.91	6.53	10.87929
2010	181.85	6.40	10.22480
2011	200.85	10.45	9.25756
2012	213.23	6.16	8.72007
2013	229.01	7.40	8.11921
2014	247.72	8.17	7.50597
2015	269.54	8.81	6.89835
2016	292.54	8.53	6.35599
2017	327.41	11.92	5.67906
2018	393.88	20.30	4.72068
2019	440.50	11.84	4.22107
2020	504.81	14.60	3.68333
2021	686.95	36.08	2.70672
2022	1128.45	64.27	1.64773
2023	1859.38	64.77	1.00000

Assets and liabilities were separated into those that were monetary and non–monetary, with non–monetary items were further divided into those measured on either a current or historical basis to perform the required restatement of financial statements under TAS 29. Monetary items (other than index -linked monetary items) and non-monetary items carried at amounts current at the end of the reporting period were not restated because they are already expressed in terms of measuring unit as of 31 December 2023. Non-monetary items which are not expressed in terms of measuring unit as of 31 December 2023 were restated by applying the conversion factors. The restated amount of a non-monetary item was reduced, in accordance with appropriate TFRSs, in cases where it exceeds its recoverable amount or net realizable value. Components of shareholders' equity in the statement of financial position and all items in the statement of profit or loss and other comprehensive income have also been restated by applying the conversion factors.
Non-monetary items measured at historical cost that were acquired or assumed and components of shareholders' equity that were contributed or arose before the time when the Turkish lira previously ceased to be considered currency of hyperinflationary economy, i.e. before 1 January 2005, were restated by applying the change in the CPI from 1 January 2005 to 31 December 2023.

The application of TAS 29 results in an adjustment for the loss of purchasing power of the Turkish lira presented in Net Monetary Position Gains (Losses) item in the profit or loss section of the statement of profit or loss and comprehensive income. In a period of inflation, an entity holding an excess of monetary assets over monetary liabilities loses purchasing power and an entity with an excess of monetary liabilities over monetary assets gains purchasing power to the extent the assets and liabilities are not linked to a price level. This gain or loss on the net monetary position is derived as the difference resulting from the restatement of non-monetary items, owners' equity and items in the statement of profit or loss and other comprehensive income and the adjustment of index linked assets and liabilities.

NOT 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

In addition, in the first reporting period in which TAS 29 is applied, the requirements of the Standard are applied as if the economy had always been hyperinflationary. Therefore, the statement of financial position at the beginning of the earliest comparative period, i.e. as of 1 January 2022, was restated as the base of all subsequent reporting. Restated retained earnings/losses in the statement of financial position as of 1 January 2022 was derived as balancing figure in the restated statement of financial position.

2.2 Accounting errors and changes in accounting estimates

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

If changes in accounting estimates are related to only one period, they are recognized in the period when changes are applied; if changes in estimates are related to future periods, they are recognized both in the period where the change is applied and future periods prospectively. The accounting policies except the situation stated below used in the preparation of these consolidated financial statements for the year ended 31 December 2023 are consistent with those used in the preparation of financial statements for the year ended 31 December 2022.

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 Amendments in Turkish Financial Reporting Standards

The new standards, amendments and interpretations

The accounting policies adopted in preparation of the consolidated financial statements as of December 31, 2023 are consistent with those of the previous financial year, except for the adoption of new and amended TFRS and TFRS interpretations effective as of January 1, 2023 and thereafter. The effects of these standards and interpretations on the Group's financial position and performance have been disclosed in the related paragraphs.

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

2.2 Amendments in Turkish Financial Reporting Standards (Continued)

i) The new standards, amendments and interpretations which are effective as of January 1, 2023 are as follows (continued):

Amendments to TAS 8 - Definition of Accounting Estimates

In August 2021, POA issued amendments to TAS 8, in which it introduces a new definition of "accounting estimates". 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. The amendments did not have a significant impact on the financial position or performance of the Group.

Amendments to TAS 1 - Disclosure of Accounting Policies

In August 2021, POA issued amendments to TAS 1, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. 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 amendments did not have a significant impact on the financial position or performance of the Group.

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

In August 2021, 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 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 recognized 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.

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

2.2 Amendments in Turkish Financial Reporting Standards (Continued)

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

Amendments to TAS 12 - International Tax Reform – Pillar Two Model Rules

In September 2023, POA issued amendments to TAS 12, which introduce a mandatory exception in TAS 12 from recognizing and disclosing deferred tax assets and liabilities related to Pillar Two income taxes. The amendments clarify that TAS 12 applies to income taxes arising from tax laws enacted or substantively enacted to implement the Pillar Two Model Rules published by the Organization for Economic Cooperation and Development (OECD). The amendments also introduced targeted disclosure requirements for entities affected by the tax laws. The temporary exception from recognition and disclosure of information about deferred taxes and the requirement to disclose the application of the exception apply immediately and retrospectively upon issue of the amendments. However, certain disclosure requirements are not required to be applied for any interim period ending on or before 31 December 2023.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.

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

2.2 Amendments in Turkish Financial Reporting Standards (Continued)

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

TFRS 17 - The new Standard for insurance contracts

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. The mandatory effective date of the Standard postponed to accounting periods beginning on or after January 1, 2024 with the announcement made by the POA.

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

In January 2021 and January 2023, POA issued amendments to TAS 1 to specify the requirements for classifying liabilities as current or non-current. According to the amendments made in January 2023 if an entity's right to defer settlement of a liability is subject to the entity complying with the required covenants at a date subsequent to the reporting period ("future covenants"), the entity has a right to defer settlement of the liability even if it does not comply with those covenants at the end of the reporting period. In addition, January 2023 amendments require an entity to provide disclosure when a liability arising from a loan agreement is classified as non-current and the entity's right to defer settlement is contingent on compliance with future covenants within twelve months. This disclosure must include information about the covenants and the related liabilities. The amendments clarified that the classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability for at least twelve months after the reporting period. The amendments are effective for periods beginning on or after 1 January 2024. The amendments must be applied retrospectively in accordance with TAS 8. Early application is permitted. However, an entity that applies the 2020 amendments early is also required to apply the 2023 amendments, and vice versa.

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

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

2.3 Amendments in Turkish Financial Reporting Standards (Continued)

iii) Standards issued but not yet effective and not early adopted (continued)

Amendments to TFRS 16 - Lease Liability in a Sale and Leaseback

In January 2023, POA issued amendments to TFRS 16. The amendments specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognize any amount of the gain or loss that relates to the right of use it retains. In applying requirements of TFRS 16 under "Subsequent measurement of the lease liability" heading after the commencement date in a sale and leaseback transaction, the seller lessee determines 'lease payments' or 'revised lease payments' in such a way that the seller-lessee would not recognized any amount of the gain or loss that relates to the right of use retained by the seller-lessee. The amendments do not prescribe specific measurement requirements for lease liabilities arising from a leaseback. The initial measurement of the lease liability arising from a leaseback may result in a seller-lessee determining 'lease payments' that are different from the general definition of lease payments in TFRS 16. The seller-lessee will need to develop and apply an accounting policy that results in information that is relevant and reliable in accordance with TAS 8. A seller-lessee applies the amendments to annual reporting periods beginning on or after 1 January 2024. Earlier application is permitted. A seller-lessee applies the amendments retrospectively in accordance with TAS 8 to sale and leaseback transactions entered into after the date of initial application of TFRS 16.

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 7 and TFRS 7 - Disclosures: Supplier Finance Arrangements

The amendments issued by POA in September 2023 specify disclosure requirements to enhance the current requirements, which are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. Supplier finance arrangements are characterized by one or more finance providers offering to pay amounts an entity owes its suppliers and the entity agreeing to pay according to the terms and conditions of the arrangements at the same date as, or a date later than, suppliers are paid. The amendments require an entity to provide information about terms and conditions of those arrangements, quantitative information on liabilities related to those arrangements as at the beginning and end of the reporting period and the type and effect of non-cash changes in the carrying amounts of those liabilities. In the context of quantitative liquidity risk disclosures required by TFRS 7, supplier finance arrangements are also included as an example of other factors that might be relevant to disclose. The amendments will be effective for annual reporting periods beginning on or after 1 January 2024. Early adoption is permitted but will need to be disclosed.

Overall, the Group expects no significant impact on its balance sheet and equity.

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

2.2 Amendments in Turkish Financial Reporting Standards (Continued)

iii) The new amendments that are issued by the International Accounting Standards Board (IASB) but not issued by Public Oversight Authority (POA)

The following amendments to IAS 21 are issued by IASB but not yet adapted/issued by POA. Therefore, they do not constitute part of TFRS. The Group will make the necessary changes to its consolidated financial statements after the amendments are issued and become effective under TFRS.

Amendments to IAS 21 - Lack of exchangeability

In August 2023, IASB issued amendments to IAS 21. The amendments specify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking. When an entity estimates a spot exchange rate because a currency is not exchangeable into another currency, it discloses information that enables users of its financial statements to understand how the currency not being exchangeable into the other currency affects, or is expected to affect, the entity's financial performance, financial position and cash flows.

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

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

2.3 Changes in accounting policies (Continued)

2.3.2 Significant accounting judgments and estimates

The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting year. Actual results could differ from those estimates. Those estimates are reviewed periodically, and as adjustments become necessary, they are reported in earnings in the periods in which they become known. Significant estimates used in the preparation of these consolidated financial statements and the significant judgments with the most significant effect on amounts recognized in the consolidated financial statements are as follows:

a) Deferred tax asset is recognised to the extent that taxable profit will be available against which the deductible temporary differences can be utilized. When taxable profit is probable, deferred tax asset is recognised for all deductible temporary differences. For the year ended 31 December 2023, since the Management believed the indicators demonstrating that the Group will have taxable profits in the foreseeable future- are reliable, deferred tax asset has been recognized.

b) The Group determines provision for warranty expense by considering the past warranty expenses and remaining warranty period per vehicle.

c) The Group has made certain important assumptions based on experiences of technical personnel in determining useful economic lives of property, plant and equipment and intangible assets.

d) The Group has made certain assumptions based on experiences of technical personnel in determining impairment for inventories.

(e) The Group, recognised development expenditures on an individual project as an intangible asset when the Group can demonstrate below:

- existence of the technical feasibility of completing the intangible asset so that it will be available for use or sale,
- existence of the intention to complete the intangible asset and use or sell it,
- existence of the ability to use or sell the intangible asset,
- reliability of how the intangible asset will generate probable future economic benefits,
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset,
- existence of the ability to measure reliably the expenditure attributable to the intangible asset during its development.

(f) Creditworthiness of debtors, past payment in determining the impairment of trade receivables restructuring performances and in case of restructuring conditions are taken into account. The expected credit loss of trade receivables has been measured and a significant found to have no effect.

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

2.3 Changes in accounting policies (Continued)

2.3.2 Significant accounting judgments and estimates (Continued)

(g) The cost of defined benefit plans is determined using actuarial valuations which involve making assumptions about discount rates, future salary increases and employee turnover. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

2.4 Summary of significant accounting policies

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.

The booked values of the shares owned by Otokar and its subsidiaries are mutually exclusive net off with the related equities. 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.

(Amounts expressed in thousands of Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise indicated.)

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

2.4 Summary of significant accounting policies (Continued)

The table below sets out the subsidiaries of the Company and shows the total interest of the Company in these companies at 31 December 2023 and 2022:

	2023		2022	
Subsidiaries	**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 LLC	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
Otokar Italia S.R.L	100.00	100.00	-	-

Joint Ventures

Joint Ventures are companies in respect of which there are contractual arrangements through which an economic activity is undertaken subject to joint control by Otokar and one or more other parties. Otokar exercises such joint control through direct and indirect voting rights related to the shares held by itself and/or through the voting rights related to the shares held by Otokar and the companies owned by them.

Under the equity method, the investment in a joint venture is initially recognised at cost and the carrying amount is increased or decreased to recognise the investor's share of profit or loss of the investee after the date of the acquisition. The investor's share of the profit or loss of the investee is recognised in the investor's profit or loss. Distributions (dividends etc.) received from an investee reduce the carrying amount of the investment. Adjustments to the carrying amount are necessary for the change in the investor's proportionate interest in the investee arising from changes in the investee's other comprehensive income.

The table below sets out all joint ventures and shows the direct and indirect ownership and proportion of effective interest of the Group in these joint ventures at 31 December 2023 and 2022:

	2023		2022	
Joint ventures	**Direct and indirect ownership (%)**	**Proportion of effective interest (%)**	**Direct and indirect ownership (%)**	**Proportion of effective interest (%)**
Al Jasoor Heavy Vehicles Industry LLC (*)	49.00	49.00	49.00	49.00

(*) Al Jasoor Heavy Vehicles Industry LLC, owned 49% of shares by Otokar Land Systems LLC which is a subsidiary of the Group, was established on 28 May 2017 with the purpose of selling and marketing in the UAE.

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

2.4 Summary of significant accounting policies (Continued)

Revenue recognition

Group recognizes revenue when the goods or services is transferred to the customer and when performance obligation is fulfilled. Goods is counted to be transferred when the control belongs to the customer.

Group recognizes revenue based on the following main principles:

(a) Identification of customer contracts,
(b) Identification of performance obligations,
(c) Determination of transaction price in the contract,
(d) Allocation of price to performance obligations,
(e) Recognition of revenue when the performance obligations are fulfilled.

Group recognized revenue from its customers only when all of the following criteria are met:

(a) The parties to the contract have approved the contract (in writing, orally or in accordance with other customary business practices) and are committed to perform their respective obligations,
(b) Group can identify each party's rights regarding the goods or services to be transferred,
(c) Group can identify the payment terms for the goods or services to be transferred;
(d) The contract has commercial substance,
(e) It is probable that Group will collect the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer.

In evaluating whether collectability of an amount of consideration is probable, an entity shall consider only the customer's ability and intention to pay that amount of consideration when it is due.

Service revenue is recognized in the period services given. Service revenue in the context of repair maintenance agreements for more than one year are recognized in equal installments during the agreement periods and amounts belonging to the following periods are booked as deferred revenue.

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

2.4 Summary of significant accounting policies (Continued)

When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The difference between the fair value and the nominal amount of the consideration is recognized on an accrual basis as financial income.

Interest income is recognised using the effective interest rate until maturity and considering the effective interest rate.

Revenue from sale of goods

Group recognizes revenue based on the production and sale of armored vehicles, bus and minibus. Revenue is recognized when the control of the goods is transferred to the customer. In addition, Group provides legal warranty commitment to its customers depending on the type of goods and the location of sale between 1-2 years. These legal warranty commitments are mandatory by regulations, have not a separate price apart from the good and are not separately sold. Therefore, they are not treated as a separate good or service apart from the sale of good.

For each performance obligation, the Group determines at the beginning of the contract whether it has fulfilled its performance obligation over time or whether it has fulfilled its performance obligation at a certain point in time. In maintenance package sales, the Group transfers the control of the service over time and thus fulfills its performance obligations over time and measures the progress towards the full fulfillment of this performance obligation and recognizes the revenue over time.

Advances received from customers within the scope of projects are recorded in the financial statements as obligations arising from customer contracts and are recorded as revenue when the related performance obligation is realized.

Revenue from sale of extended warranty

Group sells extended warranty to its customer for the period after the termination of legal warranty provided for all goods. The price of extended warranty is determined separately from the price of the goods and it is a separate performance obligation in the contract. Therefore, Group treats the service that will be provided due to the sale of extended warranty as a separate performance obligation.

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

2.4 Summary of significant accounting policies (Continued)

Related parties

a) A person or a close member of that person's family is related to a reporting entity if that person:

(i) has control or joint control over the reporting entity,
(ii) has significant influence over the reporting entity; or
(iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

(b) In the existence of any instances stated below, the entities shall be considered as related parties to the Company:

(i) Entity and Company are member of same group.
(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
(iii) Both entities are joint ventures of the same third party.
(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
(v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
(vi) The entity is controlled or jointly controlled by a person identified in (a).
(vii) A person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Inventories

Inventories are valued at the lower of cost or net realizable value. Cost incurred in bringing each product to its present location and conditions are included in the cost of inventory.

Raw materials and merchandises - cost is determined on a weighted average basis over the costs net of imputed interest.

Finished goods and work-in progress -cost of direct materials and labor and a proportion of manufacturing overheads are (included based on normal operating capacity) using average cost method.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale (Note 10).

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

2.4 Summary of significant accounting policies (Continued)

Property, plant and equipment

All property and equipments are initially recorded at cost and then are carried at restated cost until 31 December 2004 with the index of the related purchase date. Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment loss.

The initial cost of property and equipment comprises its purchase price, including import duties and non-refundable purchase taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after property, plant and equipment have been put into operation, such as repairs and maintenance, are normally charged to income in the year the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of property and equipment.

The useful lives and depreciation methods are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from items of property, plant and equipment.

Depreciation is provided on cost or revalued amount of property, plant and equipment on a straight line basis. Estimated useful lives are as follows:

Land improvements	25-30 years
Building	30 years
Machinery and equipment	3-15 years
Vehicles	4-9 years
Furniture and fixtures	5-15 years
Leasehold improvements	5 years

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

2.4 Summary of significant accounting policies (Continued)

Land is not amortized since it has an unlimited economic life.

Gains and losses on sale of property, plant and equipment are included in investment activity income and expense.

Intangible assets

Intangible assets mainly comprise software rights, information systems, project costs related to new product development and computer software. Intangible assets are initially stated at cost and are restated until 31 December 2004 with the index of the related purchase date. Intangible assets are stated at cost less accumulated depreciation and accumulated impairment loss.

Intangible assets are amortized on a straight-line basis over the estimate of their useful lives, which is up to 5 years. Intangible assets are recognized if it is probable that the future economic benefits that are attributable to the asset will flow to the enterprise; and the cost of the asset can be measured reliably. Where the carrying amount of an intangible asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Research and development expenses

Research expenditures are recognized as an expense when they are incurred.

Intangible assets arising from in-house development activities (or the improvement phase of an intergroup project) are recognized when all of the following conditions are met:

- Existence of the technical feasibility of completing the intangible asset so that it will be available for use or sale,
- Existence of the intention to complete the intangible asset and use or sell it,
- Existence of the ability to use or sell the intangible asset,
- Reliability of how the intangible asset will generate probable future economic benefits,
- The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset and
- Existence of the ability to measure reliably the expenditure attributable to the intangible asset during its development.

Other development expenditures are recognized as an expense as incurred. Development costs previously recognized as an expense are not capitalized as an asset in a subsequent period. Capitalized development expenses are amortized in expected useful life which is 5 years by straight-line method effective from the start of the production.

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

2.4 Summary of significant accounting policies (Continued)

Investment, research and development incentives

Government grants are recognized where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognized as income over the period necessary to match the grant on a systemic basis to the costs that it is intended to compensate. Where the grant relates to an asset, it is recorded as deferred income.

Investment and research and development incentives are recognized when the Company's incentive requests (applications) are approved by fiscal authorities.

Taxes calculated on corporate income

Income tax is the aggregate amount included in the determination of net profit or loss for the year in respect of current and deferred tax.

The current income tax charge is calculated in accordance with the tax laws enacted or substantively enacted at the balance sheet date in Turkey. Under the Turkish Tax Code, companies having head office or place of business in Turkey are subject to corporate tax. A provisional tax accrual is recognized in the financial statements for current taxation. Current tax charge is calculated over operational results considering the effects of disallowable and exemptions.

Furthermore, provisional corporate taxes are paid at 25% over profits declared for interim periods in order to be deducted from the final corporate tax.

Under the Turkish taxation system, tax losses can be carried forward to be offset against future taxable income for five years. Tax losses cannot retrospectively offset against the profits of previous years.

Deferred income tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred income tax assets are recognised for all deductible temporary differences and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized. The carrying amount of deferred income tax assets is reviewed by the Company at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Deferred tax assets and liabilities are presented net in the consolidated financial statements.

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

2.4 Summary of significant accounting policies (Continued)

Employment termination benefits

In accordance with existing social legislation in Turkey, the Company is required to make lump-sum termination indemnities to each employee who has completed over one year of service with the Company and whose employment is terminated due to retirement or for reasons other than resignation or misconduct.

In the financial statements, the Company has recognized a liability using the 'Projected Method' based upon factors derived using the Company's experience of personnel terminating and being eligible to receive benefits, discounted by using the current market yield at the balance sheet date on government bonds. All actuarial gains and losses are recognized in the statement of other comprehensive income.

Foreign currency transactions

Transactions in foreign currencies during the year have been translated at the exchange rates prevailing at the dates of such transactions. Monetary balance sheet items denominated in foreign currencies have been translated at the Central Bank of Turkey (TCB) exchange rates prevailing at the balance sheet date.

Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Provisions are revised at each balance sheet date and amended in order to reflect management's recent estimations.

Contingent liabilities and assets

Assets and liabilities that originate from past incidents and whose presence is not fully under the entity's control as it can only be confirmed through the realization of one or more indefinite incidents to take place in the future are not included in the financial statements and are considered as contingent liabilities and assets.

Contingent liabilities are not recognized in the financial statements. They are disclosed only, if the probability of outflow of resources embodying economic benefits is not highly probable. A contingent asset is not recognized in the financial statements but disclosed when an inflow of economic benefits is mostly probable.

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

2.4 Summary of significant accounting policies (Continued)

Share capital and dividend

Ordinary shares are classified under share capital. Dividend distribution on ordinary shares is recognized as an appropriation of profit in the period in which they are declared.

Warranty expenses

Warranty expenses are recorded as a result of repair and maintenance expenses for products produced and sold, authorized services' labor and material costs for products under the scope of the warranty terms without any charge to the customers, initial maintenance costs and estimated costs based on statistical information for possible future warranty services and returns of products with respect to the products sold during the year.

Financial instruments

Financial assets

The Group classifies its financial assets in the following categories: amortised cost and fair value through profit or loss. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Financial assets measured at amortised cost

Financial assets measured at amortised cost are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. Trade receivables and cash and cash equivalents are classified in this category.

Financial assets carried at fair value through profit or loss

Financial assets carried at fair value through profit or loss comprise of 'derivative instruments' in the statement of financial position. Derivative instruments are recognized as asset when the fair value of the instrument is positive, as liability when the fair value of the instrument is negative.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and at banks and short-term highly liquid and the risk of value change is not material investments including time deposits generally having original maturities of three months or less.

Bank accounts consist of time and demand deposit accounts and the related interest accrued. The Turkish Lira balances are stated at face values and the foreign currency balances are translated into Turkish Lira at the foreign currency rate issued by the. Central Bank of Turkey as at the report date. Time deposit accounts are stated as calculated by adding accrued interest as of balance sheet date on the principle amount.

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

2.4 Summary of significant accounting policies (Continued)

Trade receivables (Continued)

Trade receivables

Trade receivables and notes and post-dated checks classified within trade receivables which are recognized at original invoice amount are measured at amortized cost using the effective interest rate method. Short term trade receivables without specified interest rate, are measured at invoice amount when the interest accrual effect is immaterial.

Group may enter into factoring agreement for its trade receivables and the amount provided from factoring companies is recorded as financial liability in the consolidated financial statements.

Post dated cheques received with maturity dates exceeding the balance sheet date are classified in trade receivables and are rediscounted using the interest rates determined for government debt securities by considering the interest levels arising in the stock exchanges or other organized markets.

Since the trade receivables accounted for at amortized cost in the consolidated financial statements do not contain a significant financing component, the Group chooses the simplified application for impairment calculations and uses the provision matrix. With this practice, the Group measures the expected credit loss allowance at an amount equal to lifetime expected credit losses. In the calculation of expected credit losses, the Group's forecasts for the future are taken into account along with the past experience of credit losses.

If a portion or the entire amount of a receivable is collected after provided for a provision, the collected amount is deducted from total provision and is recognized as an income in the comprehensive income statement.

Trade payables

Trade payables are recognized initially at fair value of and subsequently measured at amortized cost using the effective interest method.

Borrowings

Short and long term bank loans are stated at the value computed through addition of the principal amount and the interest expenses accrued as of the balance sheet date.

Borrowings are recognized initially at proceeds received, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost using the effective yield method; any difference between the proceeds and redemption value is recognized in the comprehensive income statement over the period of the borrowings. Borrowing costs incurred for reasons other than financing the acquisition of qualifying assets is booked as an expense in the period in which it occurs.

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

2.4 Summary of significant accounting policies (Continued)

Derivative financial instruments

Derivative financial instruments are initially recognised in the balance sheet at cost and subsequently are re-measured at their fair value. The derivative instruments of the Company mainly consist of foreign exchange forward contracts and related transactions. These derivative transactions, even though providing effective economic hedges under the Company risk management position, do not generally qualify for hedge accounting, therefore treated as 'derivative financial instruments held for trading. Any gains or losses arising from changes in the fair value of such kind of financial instruments are recognized understatement of profit and loss.

Impairments in financial assets

Financial assets are assessed at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that had occurred after the initial recognition of the asset and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. For loans and receivables impairment loss has been incurred the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows.

Except for trade receivables, which is reduced through the use of an allowance account, impairment on all other financial assets are directly written off in the related account. In case trade receivables cannot be collected, the related amount is written off from allowance account. The change in allowance account is accounted in the comprehensive income statement.

Recognition and derecognition of financial assets and liabilities

The Group recognizes a financial asset or financial liability in its balance sheet only when it becomes a party to the contractual provisions of the instrument. The Group derecognizes a financial asset or a portion of it only when the control on rights under the contract is discharged. The Company derecognizes a financial liability when the obligation under the liability is discharged, cancelled or expires.

All regular way financial asset purchase and sales are recognized at the date of the transaction, the date the Group committed to purchase or sell. The mentioned purchases or sales are ones which require the delivery of the financial assets within the time interval identified with the established practices and regulations in the market.

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

2.4 Summary of significant accounting policies (Continued)

Foreign currency transactions

Monetary balance sheet items denominated in foreign currencies have been translated to Turkish Lira at the Central Bank of Turkey exchange rates prevailing at the balance sheet date. Exchange gains or losses arising on translation of foreign currency denominated assets and liabilities are included in the comprehensive income statement.

Leases

The Group – as a lessee

At inception of a contract, the Group assesses whether a contract is, or contains a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, The Group assess whether:

a) The contract involved the use of an identified asset – this may be specified explicitly or implicitly.
b) The asset should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, the asset is not identified.
c) The Group has the right to obtain substantially all of the economic benefits from the use of an asset throughout the period of use; and
d) The Group has the right to direct use of the asset. The Group concludes to have the right of use, when it is predetermined how and for what purpose the Group will use the asset. The Group has the right to direct use of asset if either:

    i. The Group has the right to operate (or to have the right to direct others to operate) the asset over its useful life and the lessor does not have the rights to change the terms to operate or;
    ii. The Group designed the asset (or the specific features) in a way that predetermines how and for what purpose it is used.

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

2.4 Summary of significant accounting policies (Continued)

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

Right of use asset

The right of use asset is initially recognized at cost comprising of:

a) Amount of the initial measurement of the lease liability;
b) Any lease payments made at or before the commencement date, less any lease incentives received;
c) Any initial direct costs incurred by the Group; and
d) An estimate of costs to be incurred by the lessee for restoring the underlying asset to the condition required by the terms and conditions of the lease (unless those costs are incurred to produce inventories)

The Group measure the right of use asset:

a) After netting-off depreciation and reducing impairment losses from right of use asset,
b) adjusted for certain re-measurements of the lease liability recognized at the present value.

The Group applies the depreciation provisions in IAS 16 'Property, Plant and Equipment' while depreciating the right of use asset.

IAS 36 applies the 'Impairment of Assets' standard to determine whether the right-of-use asset is impaired and to account for any impairment loss identified.

Lease Liability

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date. Lease liabilities are discounted to present value by using the interest rate implicit in the lease if readily determined or with the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise the following:

a) Fixed payments, including in-substance fixed payments;
b) Variable lease payments that depend on an index or a rate, initially measured using the index or rate as the commencement date,
c) Payments of penalties for terminating the lease if the lease term indicates that the tenant will use an option to terminate the lease.

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

2.4 Summary of significant accounting policies (Continued)

Leases (Continued)

The Group - as a lessee (Continued)

After the actual lease commences, the Group measures the lease liability as follows:

a) Increasing the carrying amount to reflect interest on lease liability,
b) Reducing the carrying amount to reflect the lease payments made and
c) Remeasures the ledger value to reflect re-evaluations and reconstructions, if any. The Group reflects the remeasurement amount of the lease liability as an adjustment to the right-of-use asset in its financial statements.

Extension and termination options

In determining the lease liability, the Group considers the extension and termination options. The majority of extension and termination options held are exercisable both by the group and by the respective lessor. Extension options are included in the lease term if the lease is reasonably certain to be extended. The group remeasures the lease term, if a significant event or a significant change in circumstances occurs which affects the initial assessment. If there is a significant change in the conditions, the evaluation made is reviewed by the management. As a result of the evaluations made in the current period, there is no lease obligation or asset usage right arising from the inclusion of the extension and early termination options in the lease term.

Variable lease payments

Lease payments arising from a portion of the Group's lease agreements consist of variable lease payments. These variable lease payments, which are not covered by the TFRS 16 standard, are recorded as rent expense in the income statement in the relevant period.

As the Lessor

The Group does not have any significant activity as the lessor.

Earnings per share

Basic earnings per share are calculated by dividing the net profit by the weighted average number of ordinary shares outstanding during the year.

The companies can increase their share capital by making a pro-rata distribution of shares ('Bonus Shares') to existing shareholders without consideration for amounts resolved to be transferred to share capital from retained earnings and share capital inflation adjustments. For the purpose of the earnings per share calculation such Bonus Share issues are regarded as stock dividends. Accordingly, the weighted average number of shares used in earnings per share calculation is derived by giving retroactive effect to the issue of such shares.

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

2.4 Summary of significant accounting policies (Continued)

Subsequent events

Subsequent events comprise all events occurred between the date of authorization of the financial statements for issuance and the balance sheet date.

The Group updates its financial statements and respective disclosures that relate to conditions that existed at the end of the reporting period to regarding any new information that they receive after the reporting period which require amendment. Non-adjusting events are solely disclosed if they are of such importance.

Impairment of non-financial assets

At each reporting date, the Company assesses whether there is any indication that carrying value of assets except financial assets and deferred tax assets is impaired or not. When an indicator of impairment exists, the Company estimates the recoverable values of such assets. When individual recoverable value of assets cannot be measured, recoverable value of cash generating unit of that asset is measured.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. Recoverable amount is the higher of net selling price or value in use. Net selling price is determined by deducting any expenses to be incurred for the sale of an asset from the fair value of the asset. Value in use is calculated as the discounted value of the estimated future cash flows the entity expects to receive from the asset.

When recoverable amount of an asset (or a cash generating unit) is lower than its carrying value, the asset's carrying value is reduced to its recoverable amount. An impairment loss is recognized immediately in the comprehensive income statement.

An impairment loss recognized in prior periods for an asset is reversed if the subsequent increase in the asset's recoverable amount is caused by a specific event since the last impairment loss was recognized. Such a reversal amount cannot be higher than the previously recognized impairment and is recognized as income in the financial statements.

Borrowing costs

Borrowing costs comprise interest expense, foreign exchange losses arising from financing activities and other costs related with financing.

Borrowing costs directly attributable to the acquisition of qualifying assets are capitalised as part of the cost of the respective assets. Capitalization is ceased when the -operations to bring the qualifying asset ready for sale or use- are completed. Qualifying assets are those assets whose construction or production takes a substantial period of time to get ready for its intended use or sale.

Borrowing costs that are not in this scope are recognised directly in the income statement.

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

2.4 Summary of significant accounting policies (Continued)

Offsetting

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liabilities simultaneously.

2.5 Going concern

The Group has prepared its consolidated financial statements according to the going concern principle.

NOTE 3 - BUSINESS COMBINATIONS

A Group subsidiary, Otokar Europe SAS, has purchased all shares of MAURI Bus System S.R.L. (in Italy), a dealership of the company until September 12, 2023. The closing transactions of the Share Transfer Agreement signed on September 12, 2023, have been completed as of September 2023. The transaction price paid for the full acquisition of the shares is 2,355 thousand Euros. The initial payment of 1,344 thousand Euros was completed on the transfer date. The remaining payment of 1,011 thousand Euros will be paid in installments over 4 years.

As a result of this transaction, the company's title was changed to "Otokar Italia S.R.L." as of October 12, 2023, and the registration procedures related to changes in the company's title and board structure have been realized in the relevant country's registries.

Balance sheet valuation studies related to the acquisition transaction are ongoing. As of December 31, 2023, it is provisionally accounted for in the consolidated financial statements under the provisions of TFRS 3 "Business Combinations Standards". Under TFRS 3, differences that will occur in amounts accounted for provisionally due to the results of valuation studies in the subsequent period will be evaluated in the consolidated financial statements of the future period.

The purchase price, the fair values of the acquired assets and liabilities provisionally used under TFRS 3 are summarized in the table below:

(Amounts expressed in thousands of Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise indicated.)

NOTE 3 - BUSINESS COMBINATIONS (Continued)

On the basis of purchasing power	12 September 2023
Cash and Cash Equivalents	71,983
Trade and Other Receivables	123,415
Inventories	64,287
Other Current Assets	21,456
Property, Plant, and Equipment	3,274
Intangible Non-Current Assets	208
Trade and Other Payables	(221,995)
Short and Long-Term Provisions	(28,530)
Other Liabilities	(4,787)
Value of total identifiable net assets (100%) (provisional)	**29,311**
Goodwill(provisional)	45,257
Total purchase price	**74,568**

The details of the cash outflow arising from the acquisition are as follows:

Total purchase price – cash	74,568
Cash and cash equivalents - acquired	(71,983)
Cash outflow from the acquisition (net)	**2,585**

NOTE 4 - 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 19). Thus, segment reporting is not performed.

(Amounts expressed in thousands of Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise indicated.)

NOTE 5 - CASH AND CASH EQUIVALENTS

	31 December 2023	31 December 2022
Banks		
- Time deposits	5,917,553	2,340,208
- Demand deposits	854,487	404,401
Other	103	175
Cash and cash equivalents in the cash flow statement	**6,772,143**	**2,744,784**
Interest accrual	63,632	9,326
	6,835,775	**2,754,110**

As of 31 December 2023, TRY 5,917,553 thousand of the total amount of time deposits amounting to TRY 372,026 thousand is denominated in foreign currency and the annual effective interest rate is 0.01% and has a maturity of 1 days. The annual effective interest rate of the remaining TRY 5,545,527 thousand is 44.93% and has a maturity of 30 days.

(As of 31 December 2022, TRY 2,340,208 thousand of the total amount of time deposits amounting to TRY 232,617 thousand is denominated in foreign currency and the annual effective interest rate is 0.01% and has a maturity of 1 days. The annual effective interest rate of the remaining TRY 2,116,918 thousand is 24.63% and has a maturity of 24 days.)

As of 31 December 2023, the Group has restricted bank deposit amounting to TRY 3,063 thousand (31 December 2022: TRY 115,858 thousand).

NOTE 6 - INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

As of 31 December 2023, and 31 December 2022, the details of carrying value and consolidation rate subject to equity accounting of joint venture is as follows:

	2023		2022	
Joint ventures	**(%)**	**Amount**	**(%)**	**Amount**
Al Jasoor	49	85,357	49	397,192
		85,357		**397,192**

The movement of joint venture is as follows as of 31 December 2023 and 2022:

	2023	2022
1 January	397,192	493,857
Shares of profit/(loss)	(3,079)	339,562
Dividend paid	(228,013)	(334,995)
Currency translation differences	(80,743)	(101,232)
31 December	**85,357**	**397,192**

(Amounts expressed in thousands of Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise indicated.)

NOTE 6 - INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (Continued)

The summary of the financial statements of Al Jasoor as of 31 December 2023 and 2022 is as follows:

	31 December 2023	**31 December 2022**
Total assets	555,448	1,478,372
Total liabilities	(381,250)	(667,776)
Net assets	**174,198**	**810,596**
Ownership of the Group	%49	%49
Net asset share of the Group	**85,357**	**397,192**

(Amounts expressed in thousands of Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise indicated.)

NOTE 7 - BORROWINGS

Short term borrowings

31 December 2023	Maturities	Annual effective interest rate (%)	TRY equivalent
Bank loans			
EUR loans	13 December 2024	6.75	2,984,007
USD loans	19 February 2024 – 1 November 2024	5.58	225,927
TRY loans	5 January 2024 – 17 December 2024	39.47	9,729,255
			12,939,189
Short-term lease liabilities			
EUR lease liabilities	-	2.00	40,364
TRY lease liabilities	-	30.00	18,244
			58,608
Total short-term borrowings			**12,997,797**

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

31 December 2023	Maturities	Annual effective interest rate (%)	TRY equivalent
TRY loans	11 January 2024 – 18 November 2024	20.45	748,465
			748,465
Issued debt securities (**)			
Short-term portion of issued bonds		40,50	78.136
			78.136
Short-term portions of total long-term borrowings			**826.601**

(*) Fixed interest rate.

(**) The Group has issued a bond with a maturity of 740 days, an annual fixed interest rate of 33%, semi-annual coupon payments, and a redemption date of 12 March 2025, for a total amount of TL 500,000,000 to be sold to qualified investors without a public offering in Turkey. The swap transaction was completed on 3 March 2023.The Group has issued a bond with a maturity of 752 days, an annual fixed interest rate of 41.5%, semi-annual coupon payments, and a redemption date of 30 June 2025, for a total amount of TL 500,000,000 to be sold to qualified investors without a public offering in Turkey. The swap transaction was completed on 9 June 2023.The Group has issued a bond with a maturity of 752 days, an annual fixed interest rate of 47.0%, semi-annual coupon payments, and a redemption date of 30 June 2025, for a total amount of TL 500,000,000 to be sold to qualified investors without a public offering in Turkey. The swap transaction was completed on 17 October 2023.

(Amounts expressed in thousands of Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise indicated.)

NOTE 7 – BORROWINGS (Continued)

Long term borrowings

31 December 2023	Maturities	Annual effective interest rate (%)	TRY equivalent
Bank loans			
TRY loans	4 November 2024 – 5 August 2025	14.00	716,426
			716,426
Long-term lease liabilities			
EUR lease liabilities	-	2.00	63,133
TRY lease liabilities	-	30.00	28,536
			91,669
Issued debt securities (**)			
Long-term portion of issued bonds	12 March 2025 - 30 June 2025	40.50	1,500,000
			1,500,00
Total long-term borrowings			**2,308,095**

(*) Fixed interest rate.

(**) The Group has issued a bond with a maturity of 740 days, an annual fixed interest rate of 33%, semi-annual coupon payments, and a redemption date of 12 March 2025, for a total amount of TL 500,000,000 to be sold to qualified investors without a public offering in Turkey. The swap transaction was completed on 3 March 2023.
The Group has issued a bond with a maturity of 752 days, an annual fixed interest rate of 41.5%, semi-annual coupon payments, and a redemption date of 30 June 2025, for a total amount of TL 500,000,000 to be sold to qualified investors without a public offering in Turkey. The swap transaction was completed on 9 June 2023.
The Group has issued a bond with a maturity of 752 days, an annual fixed interest rate of 47%, semi-annual coupon payments, and a redemption date of 30 June 2025, for a total amount of TL 500,000,000 to be sold to qualified investors without a public offering in Turkey. The swap transaction was completed on 14 December 2023.

(Amounts expressed in thousands of Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise indicated.)

NOTE 7 – BORROWINGS (Continued)

Short term borrowings

31 December 2022	Maturities	Annual effective interest rate (%)	TRY equivalent
Bank loans			
EUR loans	9 June 2023	5.95	164,661
TRY loans	5 January 2023 - 15 November 2023	23.72	8,249,239
			8,413,900
Short-term lease liabilities			
EUR lease liabilities	-	2.00	35,224
TRY lease liabilities	-	30.00	15,920
			51,144
Total short-term borrowings			**8,465,044**

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

31 December 2022	Maturities	Annual effective interest rate (%)	TRY equivalent
Bank loans			
EUR loans	9 January 2023 - 15 September 2023	2.94	1,426,317
TRY loans	31 December 2023	18.25	401,692
			1,828,009

(*) Bearing fixed interest rate.

(Amounts expressed in thousands of Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise indicated.)

NOTE 7 – BORROWINGS (Continued)

Long term borrowings (*)

31 December 2022	Maturities	Annual effective interest rate (%)	TRY equivalent
Bank loans			
TRY loans	11 January 2024 5 August	15.19	2,063,062
			2,063,062
Long-term lease liabilities			
EUR lease liabilities	-	2.00	55,093
TRY lease liabilities	-	30.00	24,903
			79,996
Total long-term borrowings			**2,143,058**

(*) Bearing fixed interest rate.

As of 31 December 2023, the Group has not provided any guarantees for the borrowings (31 December 2022: None).

The Group has no financial commitments arising from its borrowings.

The movement of the borrowings for the years ended 31 December 2023 and 2022 are as follows:

	2023	2022
1 January	12,436,111	6,437,813
Monetary gain/ (loss)	(6,781,588)	(3,247,754)
Borrowing received during the period	33,550,171	17,302,574
Cash outflows from debt payments from lease agreements	(53,924)	(13,021)
Changes in lease liabilities within the scope of TFRS 16	105,891	45,317
Principal payments (-)	(24,994,794)	(8,982,404)
Change in interest accruals	1,000,820	441,904
Change in exchange rates	869,806	451,682
31 December	**16,132,493**	**12,436,111**

	31 December 2023		31 December 2022	
	Carrying values	Fair values	Carrying values	Fair values
Fixed interest	14,404,080	15,905,823	11,729,597	12,528,641
Floating rate	-	-	575,374	575,374
	14,404,080	**15,905,823**	**12,304,971**	**13,104,015**

(Amounts expressed in thousands of Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise indicated.)

NOTE 8 - DERIVATIVE FINANCIAL INSTRUMENTS

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

	Contract amount	Current period contract maturity	Fair value liabilities
31 December 2023			
Forward transactions	4,601,633	4 January 2024 - 4 November 2024	(25,853)
Short-term derivative financial instruments	4,601,633		(25,853)
Total derivative financial instruments	**4,601,633**		**(25,853)**

	Contract amount	Current period contract maturity	Fair value assets
31 December 2022			
Forward transactions	2,275,924	5 January 2023 - 9 February 2023	4,037
Short-term derivative financial instruments	2,275,924		4,037
Total derivative financial instruments	**2,275,924**		**4,037**

(Amounts expressed in thousands of Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise indicated.)

NOTE 9 - TRADE RECEIVABLES AND PAYABLES

Trade receivables

	31 December 2023	31 December 2022
Trade receivables, net	5,471,537	4,380,189
Notes receivables, net	3,640	4,531
	5,475,177	**4,384,720**
Less: provision for doubtful receivables	(229,199)	(220,557)
Short-term trade receivables	**5,245,978**	**4,164,163**
Trade receivables from related parties (Note 28)	3,314,735	2,688,756
Short-term trade receivables	**8,560,713**	**6,852,919**
Long-term notes receivable, net	492,092	1,206,075
Long-term trade receivables	**492,092**	**1,206,075**

As of 31 December 2023, the average maturity of trade receivables is between 60-90 days (excluding notes receivables) (31 December 2022: 60-90 days).

As of 31 December 2023, and 2022, the fair values of trade receivables approximate to their carrying values due to short term maturity of those receivables.

(Amounts expressed in thousands of Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise indicated.)

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 military vehicle sales. As of 31 December 2023, the total trade receivable from dealers amounting to TRY 696,054 thousand (31 December 2022: TRY 473,254 thousand), after provision provided for doubtful receivables, has been secured by mortgages and guarantees at the amount of TRY 696,054 thousand (31 December 2022: TRY 473,254 thousand). The Group manages the credit risk of remaining balance in the manner described in the Credit Risk section of Note 29 to the consolidated financial statements.

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

31 December 2023	
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	544
	544
Amount secured with guarantees	**544**

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

The movement of the provision for doubtful receivables for the years ended 31 December 2023 and 2022 are as follows:

	2023	**2022**
1 January	**220,557**	**263,591**
Monetary gain/ (loss)	(32,256)	(112,963)
Collections	-	(1,829)
Currency translation differences	8,383	5,613
Difference in exchange rate	32,515	66,145
31 December	**229,199**	**220,557**

(Amounts expressed in thousands of Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise indicated.)

NOTE 9 - TRADE RECEIVABLES AND PAYABLES (Continued)

Trade payables

	31 December 2023	31 December 2022
Trade payables, net	3,542,214	3,290,487
Short-term other trade payables	**3,542,214**	**3,290,487**
Trade payables to related parties (Note 28)	556,649	362,896
Short-term trade payables	**4,098,863**	**3,653,383**

As of 31 December 2023, average payment term for trade payables is 45-60 days (31 December 2022: 45-60 days).

As of 31 December 2023, and 2022, the fair values of trade payables approximate to their carrying values due to short-term maturity of those payables.

NOTE 10 - OTHER RECEIVABLES AND PAYABLES

Other short-term receivables

	31 December 2023	31 December 2022
Due from personnel	1,424	59
Deposits and guarantees given	2,830	1,434
	4,254	**1,493**

Other long-term receivables

	31 December 2023	31 December 2022
Deposits and guarantees given	8,941	8,662
	8,941	**8,662**

Short term other receivables

	31 December 2023	31 December 2022
Other miscellaneous payables	35,296	45,911
	35,296	**45,911**

(Amounts expressed in thousands of Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise indicated.)

NOTE 11 - INVENTORIES

	31 December 2023	31 December 2022
Raw material	3,933,251	3,508,843
Semi-finished goods	164,355	212,551
Finished goods	1,523,306	1,778,597
Merchandise goods	890,858	805,229
Goods in transit	1,131,674	953,955
Provision for impairment for inventories (*)	(213,146)	(94,318)
	7,430,298	**7,164,857**

(*) TRY 8,675 thousand of impairment is related to finished goods (31 December 2022: TRY 773 thousand), TRY 8,041 thousand related to finished goods (31 December 2022: TRY 1,106 thousand), TRY 196,430 thousand is related to raw materials (31 December 2022: TRY 92,439 thousand). The impairment has been accounted for under cost of sales.

The movements of impairment for inventories in 2023 and 2022 are as follows:

	2023	2022
1 January	**(94,318)**	**(77,404)**
Current year provisions	(172,360)	(47,198)
Monetary gain / (loss)	53,532	30,284
31 December	**(213,146)**	**(94,318)**

NOTE 12 - FINANCIAL INVESTMENTS

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

Financial investments include Otokar's investments in Private Venture Capital Investment Fund amounting to TRY 28,687 thousand.

(Amounts expressed in thousands of Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise indicated.)

NOTE 13 - PROPERTY, PLANT AND EQUIPMENT

Movements of property, plant and equipment and related accumulated depreciation for the year ended 31 December 2023.

	1 January 2023	Additions	Currency translation differences	Disposal	Acquisitions	Transfers	31 December 2023
Cost							
Land	467,662	12,241	-	-	-	-	479,903
Land improvements	154,165	1,628	-	-	-	-	155,793
Buildings	1,221,897	28,376	-	(842)	-	196,591	1,446,022
Machinery and equipment	1,837,672	178,325	6,107	(42,200)	2,885	32,520	2,015,309
Motor vehicles	150,307	13,951	-	-	-	-	164,258
Furniture and fixtures	850,108	289,557	5,033	(5,071)	4,973	60,514	1,205,114
Leasehold improvements	18,559	4,288	-	-	-	-	22,847
Construction in progress	77,240	326,597	-	-	-	(289,625)	114,212
	4,777,610	**854,963**	**11,140**	**(48,113)**	**7,858**	**-**	**5,603,458**
Accumulated depreciation							
Land improvements	(80,308)	(5,154)	-	-	-	-	(85,462)
Buildings	(714,404)	(30,936)	-	401	-	-	(744,939)
Machinery and equipment	(1,202,813)	(104,425)	(4,182)	41,844	(2,015)	-	(1,271,591)
Motor vehicles	(90,360)	(10,733)	-		-	-	(101,093)
Furniture and fixtures	(304,966)	(85,111)	(63)	4,555	(2,871)	-	(388,456)
Leasehold improvements	(12,953)	(2,063)	-	-	-	-	(15,016)
	(2,405,804)	**(238,422)**	**(4,245)**	**46,800**	**(4,886)**	**-**	**(2,606,557)**
Net book value	**2,371,806**						**2,996,901**

There is no mortgage on property, plant and equipment as of 31 December 2023 (31 December 2022: None)

(Amounts expressed in thousands of Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise indicated.)

NOTE 13 - PROPERTY, PLANT AND EQUIPMENT (Continued)

Movements of property, plant and equipment and related accumulated depreciation for the year ended 31 December 2022.

	1 January 2022	Additions	Currency translation differences	Disposal	Transfers	31 December 2022
Cost						
Land	467,662	-	-	-	-	467,662
Land improvements	137,318	16,847	-	-	-	154,165
Buildings	988,934	70,237	-	-	162,726	1,221,897
Machinery and equipment	1,682,233	150,217	3,827	(36,661)	38,056	1,837,672
Motor vehicles	126,237	17,315	-	(3,911)	10,666	150,307
Furniture and fixtures	624,587	203,348	2,287	(2,156)	22,042	850,108
Leasehold improvements	13,752	4,807	-	-	-	18,559
Construction in progress	172,623	138,107	-	-	(233,490)	77,240
	4,213,346	**600,878**	**6,114**	**(42,728)**	**-**	**4,777,610**
Accumulated depreciation						
Land improvements	(75,567)	(4,741)	-	-	-	(80,308)
Buildings	(687,555)	(26,849)	-	-	-	(714,404)
Machinery and equipment	(1,152,750)	(83,397)	(2,294)	35,628	-	(1,202,813)
Motor vehicles	(82,793)	(9,388)	-	1,821	-	(90,360)
Furniture and fixtures	(249,604)	(54,876)	(1,813)	1,327	-	(304,966)
Leasehold improvements	(11,910)	(1,043)	-	-	-	(12,953)
	(2,260,179)	**(180,294)**	**(4,107)**	**38,776**	**-**	**(2,405,804)**
Net book value	**1,953,167**					**2,371,806**

The distribution of depreciation and amortization expenses of tangible and intangible assets for the years ended 31 December 2023 and 2022 are as follows:

	2023	2022
Research and development expenses	585,208	423,702
Cost of goods sold	148,692	111,276
Right of use assets	58,215	60,171
General administrative expenses	31,883	19,655
Development projects in process	53,949	47,195
Depreciation on inventories	25,219	19,056
Selling and marketing expenses	7,528	8,404
Currency translation differences	4,923	4,108
	915,617	**693,567**

(Amounts expressed in thousands of Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise indicated.)

NOTE 13 - PROPERTY, PLANT AND EQUIPMENT (Continued)

Right of use assets

In 2023, while TRY 69,160 thousand new inflows to right-of-use assets; TRY 58,215 thousand depreciation expense was incurred.

The balances of right of use assets as of 31 December 2023 and 2022 and the accumulated depreciation amounts in the relevant periods are as follows:

31 December 2023	Buildings	Motor vehicles	Furniture and fixtures	Total
Cost	109,606	165,089	4,775	279,470
Accumulated depreciation	(69,032)	(106,526)	(2,202)	(177,760)
	40,574	**58,563**	**2,573**	**101,710**

31 December 2022	Buildings	Motor vehicles	Furniture and fixtures	Total
Cost	46,459	179,230	60,266	285,955
Accumulated depreciation	(32,526)	(103,968)	(21,378)	(157,872)
	13,933	**75,262**	**38,888**	**128,083**

NOTE 14 - INTANGIBLE ASSETS

Movements of intangible assets and related accumulated amortisation for the years ended 31 December 2023.

	1 January 2023	Addition	Currency translation differences	Disposal	Acqusitions	Transfers	31 December 2023
Cost							
Other intangible assets	276,254	17,774	-	-	214	1,049	295,291
Development costs	5,680,931	-	-	-	-	718,495	6,399,426
Developments projects in progress	1,908,309	427,817	-	-	-	(719,544)	1,616,582
	7,865,494	**445,591**	**-**	**-**	**214**	**-**	**8,311,299**
Accumulated amortization							
Other intangible assets	(191,828)	(29,574)	-	-	(7)	-	(221,409)
Development costs	(3,676,226)	(585,208)	-	-	-	-	(4,261,434)
	(3,868,054)	**(614,782)**	**-**	**-**	**(7)**	**-**	**(4,482,843)**
Net book value	**3,997,440**						**3,828,456**

(Amounts expressed in thousands of Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise indicated.)

NOTE 14 - INTANGIBLE ASSETS (Continued)

Movements of intangible assets and related accumulated amortisation for the years ended 31 December 2022:

	1 January 2022	Addition	Currency translation differences	Disposal	Transfers	31 December 2022
Cost						
Other intangible assets	226,145	46,053	-	-	4,056	276,254
Development costs	4,476,059	-	-	-	1,204,872	5,680,931
Developments projects in progress	1,627,624	1,489,613	-	-	(1,208,928)	1,908,309
	6,329,828	**1,535,666**	**-**	**-**	**-**	**7,865,494**
Accumulated amortization						
Other intangible assets	(166,536)	(25,292)	-	-	-	(191,828)
Development costs	(3,252,524)	(423,702)	-	-	-	(3,676,226)
	(3,419,060)	**(448,994)**	**-**	**-**	**-**	**(3,868,054)**
Net book value	**2,910,768**					**3,997,440**

NOTE 15 - GOVERNMENT GRANTS AND INCENTIVES

	31 December 2023	31 December 2022
Short-term	4,163	4,747
Long-term	19,963	31,098
	24,126	**35,845**

Government incentives have been originated from deferral of research and development incentive premiums provided to support research and development expenditures of the Group's various projects by the Scientific & Technological Research Council of Turkey (TUBITAK). The related balance will be recognized as income in line with the amortization of the respective R&D costs.

(Amounts expressed in thousands of Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise indicated.)

NOTE 16 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

Short-term provisions

	31 December 2023	31 December 2022
Provision for warranty expenses	691,016	570,081
Provision for collective labor agreement	355,991	-
Employee benefits short-term provisions (Note 16)	109,137	81,213
Purchases costs provisions	33,617	305,293
Litigation provisions	19,669	6,667
Other cost allowance	443,042	249,140
	1,652,472	**1,212,394**

Provision for warranty expenses

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

The movements of the provision for warranty expenses during the periods ending on 31 December 2023 and 2022 are as follows:

	2023	2022
1 January	**570,081**	**689,722**
Monetary gain/ (loss)	(309,950)	(294,800)
Additional provisions	899,149	568,349
Disposals/payments (-)	(468,264)	(393,190)
31 December	**691,016**	**570,081**

Commitments and contingencies

As of 31 December 2023, and 2022, the tables which represent the position of guarantees, pledges and mortgages are as follows:

	31 December 2023	31 December 2022
a. Total amount of guarantees, pledges and mortgages given the name of legal entity	5,720,693	5,706,548
b. Total amount of guarantees, pledges and mortgages given in favour of the parties which are included in the scope of full consolidation	265,500	165,893
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	-	-
	5,986,193	**5,872,441**

(Amounts expressed in thousands of Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise indicated.)

NOTE 16 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Continued)

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

	31 December 2023		31 December 2022	
	Original currency	TRY equivalent	Original currency	TRY equivalent
TRY	1,891,661	1,891,661	2,255,687	2,255,687
USD	59,927	1,764,147	80,184	2,470,458
EUR	58,292	1,898,787	23,469	770,882
RON	52,885	344,347	56,871	375,414
AED	5,200	41,446	-	-
CZK	34,690	45,805	-	-
		5,986,193		**5,872,441**

a) Guarantees given as of 31 December 2023 and 2022 are as follows:

	31 December 2023	31 December 2022
Bank letters of guarantee	5,986,193	5,872,441
	5,986,193	**5,872,441**

b) Guarantees received as of 31 December 2023 and 31 December 2022 are as follows:

	31 December 2023	31 December 2022
Bank letters of guarantee	1,847,983	2,269,795
Guarantee notes	6,423	9,542
Mortgages received	20	32
	1,854,426	**2,279,369**

(Amounts expressed in thousands of Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise indicated.)

NOTE 17 - EMPLOYEE BENEFITS

	31 December 2023	31 December 2022
Provision for employment termination benefits	335,003	517,514
Provision for unused vacation	109,137	81,213
	444,140	**598,727**

Employment termination benefits

The amount payable consists of one month's salary limited to a maximum of TRY 23,489.83 in full for each year of service as of 31 December 2023 (31 December 2022: TRY 15,371.40 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.

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 35,058.58 in full (1 January 2022: TRY 19,982.83 in full), which is effective from 1 January 2023, has been taken into consideration in calculation of retirement benefit provision in the consulate.

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

	31 December 2023	31 December 2022
Net discount rate (%)	2.90	0.55
Turnover rate to estimate the probability of retirement (%)	98.00	97.72

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

	2023	2022
1 January	**517,514**	**242,053**
Monetary gain/ (loss)	(190,479)	(159,961)
Interest expense and charge for the period	33,898	141,951
Remeasurement differences	117,455	307,911
Acquisition	8,126	-
Payments	(151,511)	(14,440)
As of 31 December	**335,003**	**517,514**

As of 31 December 2023, the important factors used in the calculation of the provision for severance pay of the sensitivity analyzes of the assumptions are as follows:

	Interest rate		Inflation rate	
Sensitivity level	**%0.025 increase**	**%0.025 decrease**	**%0.025 increase**	**%0.025 decrease**
Change in employment termination benefit	8,409	(8,772)	(9,013)	8,665

(Amounts expressed in thousands of Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise indicated.)

NOTE 17 - EMPLOYEE BENEFITS (Continued)

Provision for unused vacation

The movements of provision for unused vacation are as follows:

	2023	2022
1 January	**81,213**	**56,043**
Monetary gain/ (loss)	(46,816)	(21,925)
Charge for the period, net (Note 21)	74,740	47,095
31 December	**109,137**	**81,213**

NOTE 18 - PREPAID EXPENSES, DEFERRED REVENUE, OTHER ASSETS AND LIABILITIES

a) Prepaid expenses

Short- term prepaid expenses	**31 December 2023**	**31 December 2022**
Prepaid expenses	168,667	208,517
	168,667	**208,517**

Long-term prepaid expenses	**31 December 2023**	**31 December 2022**
Advances given	21,727	65,753
Prepaid expenses	4,784	53,709
	26,511	**119,462**

b) Other non-current assets

	31 December 2023	**31 December 2022**
Value added tax receivables	1,051,123	1,149,558
Other	41,557	45,093
	1,092,680	**1,194,651**

Other non-current assets – long term	**31 December 2023**	**31 December 2022**
Value added tax receivables	-	71,630
	-	**71,630**

(Amounts expressed in thousands of Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise indicated.)

NOTE 18 - PREPAID EXPENSES, DEFERRED REVENUE, OTHER ASSETS AND LIABILITIES (Continued)

c) Liabilities from customer contracts

Liabilities from customer contracts - short term	31 December 2023	31 December 2022
Advances received	448,220	636,565
Deferred maintenance revenues	323,982	298,642
Other deferred revenues	-	8,792
	772,202	**943,999**

Liabilities from customer contracts - long term	31 December 2023	31 December 2022
Deferred maintenance revenues	610,431	879,497
	610,431	**879,497**

d) Employee benefits obligation

	31 December 2023	31 December 2022
Payables to employees	171,102	113,956
Social security payables	139,417	119,549
Taxes and funds payable	99,684	91,805
	410,203	**325,310**

e) Other current liabilities

	31 December 2023	31 December 2022
Taxes and funds payable	52,232	41,922
Deferred special consumption tax	6,258	9,058
Other	5,033	4,195
	63,523	**55,175**

(Amounts expressed in thousands of Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise indicated.)

NOTE 19 - EQUITY

Share capital

As of 31 December 2023 and 2022, the principal shareholders and their respective shareholding percentages are as follows:

	31 December 2023		31 December 2022	
	TRY	**(%)**	**TRY**	**(%)**
Koç Holding A.Ş.	53,614	44.68	10,723	44.68
Ünver Holding A.Ş.	29,775	24.81	5,955	24.81
Other	36,611	30.51	7,322	30.51
	120,000	**100.00**	**24,000**	**100.00**
Inflation adjustment on equity items	1,195,090		1,229,245	
	1,315,090		**1,253,245**	

(*) Based on the decision taken by the Board of Directors on February 14, 2023; Although the company's registered capital ceiling was TL 100,000,000, pursuant to the CMB's Registered Capital System's provision of "Can exceed the registered capital ceiling once for each ceiling as a result of transactions requiring a general assembly decision such as merger, division and similar transactions and by adding any kind of internal resource and profit to the capital.", its paid-in capital of TL 24,000,000 was increased by TL 96,000,000 with a 400% increase to be covered entirely by internal resources, to TL 120,000,000. According to the financial statements prepared in accordance with the TRL, TL 4,625,782.96 of the capital increase of TL 96,000,000 made from internal resources was covered from Legal Reserves Inflation Adjustment Differences, TL 11,599,006.86 from Extraordinary Reserves Inflation Adjustment Differences, TL 43,688,529.92 from Extraordinary Reserves, and TL 36,086,680.26 from Special Funds. However, according to the financial statements prepared in accordance with TFRS, TL 61,845,000 of it was covered from Capital Inflation Adjustment Differences, and TL 34,155,000 from Extraordinary Reserves Previous Year Profits.

Accumulated profits in the statutory books can be distributed, with the exception of the provision regarding statutory reserves mentioned below. Legal reserves according to the Turkish Commercial Code are divided into two as first and second group legal reserves. Legal reserves of the first group are allocated as 5% of the statutory net income until reaching 20% of the Group's paid-up capital according to the Turkish Commercial Code. Second group legal reserves, on the other hand, are 10% of the distributed profit exceeding 5% of the paid-up capital. According to the Turkish Commercial Code, legal reserves can only be used to offset losses as long as they do not exceed 50% of the paid-up capital, they cannot be used in any other way. Public companies make their dividend distributions according to the Profit Share Communiqué No II-19.1 of the CMB, which came into effect as of February 1, 2014.

Companies distribute their profits according to the profit distribution policies to be determined by their general assemblies and in compliance with the relevant legislation by the decision of the general assembly. Within the scope of the mentioned communiqué, no minimum distribution rate has been determined. Companies pay dividends in the manner determined in their articles of association or profit distribution policies. In addition, dividends can be paid in equal or different amounts of installments and may distribute cash dividend advances on the profit in the consolidated financial statements.

(Amounts expressed in thousands of Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise indicated.)

NOTE 19 - EQUITY (Continued)

As of 31 December 2023 and 2022, the restated amounts and the equity restatement differences of the aforementioned nominal values are as follows :

31 December 2023

	Historical value	Inflation adjustments on equity items	Restated value
Share capital	120,000	1,195,090	1,315,090
Legal reserves	183,398	771,738	955,136
	303,398	**1,966,828**	**2,270,226**

31 December 2022

	Historical value	Inflation adjustments on equity items	Restated value
Share capital	24,000	1,229,245	1,253,245
Legal reserves	183,398	771,738	955,136
	207,398	**2,000,983**	**2,208,381**

Historical value of legal and extraordinary reserves in the statutory financial statements are as follows:

	31 December 2023	31 December 2022
Legal reserves	955,136	955,136
Extraordinary reserves	5,189,569	3,233,334
	6,144,705	**4,188,470**

As of the years ending on December 31, 2023, there has been no dividend payment.

As of the years ending on December 31, 2022, the dividend amount distributed per share is 2.786 cents (Earnings per share is 2.083 cents as of the date of the Board of Directors' decision).

As of December 31, 2023, all of the Company's capital has been paid up and it consists of 120,000,000,000 shares each with a nominal value of 0.1 cent.

(Amounts expressed in thousands of Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise indicated.)

NOTE 20 - REVENUE AND COST OF SALES

Net sales

	1 January - 31 December 2023	1 January - 31 December 2022
Domestic sales	7,447,813	5,110,312
Export sales	19,915,430	12,823,460
Gross Sales	**27,363,243**	**17,933,772**
Less: sales discount and returns	(124,362)	(114,800)
Net sales	**27,238,881**	**17,818,972**

Sales of the Group for the years ended 31 December 2023 and 2022 in terms of the products are as follows:

	1 January - 31 December 2023	1 January - 31 December 2022
Commercial vehicle	17,079,922	10,236,415
Military vehicle	6,251,431	5,237,623
Other sales (*)	3,907,528	2,344,934
	27,238,881	**17,818,972**

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

Cost of sales

	1 January - 31 December 2023	1 January - 31 December 2022
Cost of finished goods sold	(18,375,108)	(12,327,550)
Cost of merchandise goods sold	(2,556,926)	(1,445,261)
	(20,932,034)	**(13,772,811)**

(Amounts expressed in thousands of Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise indicated.)

NOTE 20 - RESEARCH AND DEVELOPMENT EXPENSES, MARKETING AND GENERAL ADMINISTRATIVE EXPENSES

	1 January - 31 December 2023	1 January - 31 December 2022
Sales and marketing expenses	(3,653,742)	(2,485,267)
General administrative expenses	(1,171,033)	(948,626)
Research and development expenses	(739,906)	(545,125)
	(5,564,681)	**(3,979,018)**

NOTE 22 - EXPENSES BY NATURE

	1 January - 31 December 2023	1 January - 31 December 2022
Cost of raw material and consumption goods	(15,668,384)	(11,795,839)
Personnel expenses	(3,303,235)	(2,092,395)
Cost of merchandises sold	(1,987,575)	(1,068,056)
Sales, incentives and premiums	(1,014,300)	(692,862)
Provision for warranty expenses	(861,394)	(525,255)
Depreciation and amortization expense	(805,022)	(603,450)
Administrative expenses	(674,185)	(602,825)
Operational expenses	(649,377)	(582,799)
Transportation, distribution and storage expenses	(572,758)	(341,187)
Change in finished and semi-finished goods	(358,873)	924,076
Advertising, promotion and promotion costs	(212,790)	(158,251)
Other expenses	(388,822)	(212,986)
	(26,496,715)	**(17,751,829)**

The breakdown of personnel expenses for the years 2023 and 2022 is as follows:

	1 January - 31 December 2023	1 January - 31 December 2022
Based on the account it's booked:		
Cost of sales and inventories on hand	(2,086,366)	(1,145,991)
Capitalized development expenditures	(734,067)	(486,126)
General administrative expenses	(540,816)	(387,328)
Sales and marketing expenses	(645,089)	(521,608)
Research and development expenses	(30,964)	(37,468)
	(4,037,302)	**(2,578,521)**

(Amounts expressed in thousands of Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise indicated.)

NOTE 22 - EXPENSES BY NATURE (Continued)

	1 January - 31 December 2023	1 January - 31 December 2022
By nature:		
Wages and salaries	(2,982,568)	(1,858,307)
Other social benefits	(547,888)	(273,838)
Social security premiums	(330,055)	(222,906)
Provision for employment termination benefits	(73,395)	(143,488)
Provision for vacation pay liability	(79,146)	(59,908)
Other	(24,250)	(20,074)
	(4,037,302)	**(2,578,521)**

Fees for Services Obtained from Independent Auditor/Independent Audit Firm

The Group's explanation regarding the fees for the services rendered by the independent audit firms, which is based on the POA's letter dated August 19, 2021, the preparation principles of which are based on the Board Decision published in the Official Gazette on March 30, 2021, are as follows:

	1 January - 31 December 2023	1 January - 31 December 2022
Independent audit fee for the reporting period	2,987	2,544
Fee for other assurance services	60	-
Fees for services other than independent auditing	1,160	964
	4,207	**3,508**

The fees above have been determined by including the legal audit and other related service fees of all subsidiaries, and the foreign currency fees of foreign subsidiaries have been converted into TRY using the annual average rates of the relevant years.

(Amounts expressed in thousands of Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise indicated.)

NOTE 23 - OTHER OPERATING INCOME AND EXPENSES

	1 January - 31 December 2023	1 January - 31 December 2022
Other operating income		
Foreign exchange gains on operating activities	3,500,807	1,522,120
Revenue from charge of due date receivables	668,233	853,872
Gain on forward transactions	198,806	156,771
İncentive income	2,686	3,720
Other income	155,501	183,002
	4,526,033	**2,719,485**

	31 December 2023	31 December 2022
Other operating expenses		
Foreign exchange loss on operating activities	(2,498,286)	(1,326,519)
Loss on forward transactions	(239,595)	(158,632)
Doubtful provision	(32,515)	(14,021)
Expected credit losses on trade receivables	(4,965)	(3,232)
Other expenses	(793)	(2,536)
	(2,776,154)	**(1,504,940)**

NOTE 24 - FINANCIAL INCOME

	1 January - 31 December 2023	1 January - 31 December 2022
Interest income from time deposits	990,620	151,731
Foreign exchange gains on deposits	302,738	246,577
Foreign exchange gains on bank borrowings	116,901	99,759
	1,410,259	**498,067**

NOTE 25 - FINANCIAL EXPENSES

	1 January - 31 December 2023	1 January - 31 December 2022
Interest expense on bank borrowings	(3,666,748)	(1,298,207)
Foreign exchange losses on bank borrowings	(1,228,900)	(547,872)
Foreign exchange losses on deposits	(118,976)	(84,753)
Other	(24,978)	(12,676)
	(5,039,602)	**(1,943,508)**

NOT 26 - TAX ASSETS AND LIABILITIES

The company's operations are subject to taxation under the tax regulations and laws currently in force in Turkey. The Group's subsidiaries located abroad are subject to taxation according to the tax regulations and laws of the respective countries.

Although the Corporate Tax rate applicable for the year 2023 has been declared as 20% by the Law No. 7394 that was published in the Official Gazette dated April 15, 2022, and numbered 31810, the Corporate Tax rate applicable for 2023 has been increased to 25% by the Article 21 of the Law No. 7456 published in the Official Gazette dated July 15, 2023, and numbered 32249 that aims to Compensate the Economic Losses Resulting from the Earthquakes on February 6, 2023 (As of December 31, 2022: 23%).

Corporate tax is declared and paid in a single installment by the end of the third month following the respective year-end. As per the tax legislation, temporary tax is calculated and paid based on the profits of each three-monthly period at the Corporate Tax rate applicable for the respective year, and the amounts thus paid are set off against tax calculated on annual profits.

In accordance with the Corporate Tax Law, fiscal losses indicated in the declaration can be deducted from the corporate tax base of the period, provided it does not exceed five years. Declarations and related accounting records can be examined by the tax office within five years, and tax accounts can be revised.

According to the Presidential Decree No. 4936 dated December 21, 2021, the rate of income tax deduction for dividend payments made by resident joint-stock companies in Turkey to resident real persons, who are not subjected to income and corporate tax or exempt from these taxes, and who are not resident in Turkey, both individual and legal, has been reduced from 15% to 10%. Dividend payments made by resident joint-stock companies in Turkey to other resident joint-stock companies in Turkey are not subject to tax deduction. If the profit is not distributed or added to the capital, no tax deduction is made.

In amending Article 10 of the Corporate Tax Law No. 5520 and changing accordance to Article 3 of the Law No. 5746 on Supporting Research and Development Activities, the R&D deduction rate calculated on research and development expenses increased from 40% to 100%.

This law came into effect on April 1, 2008. Accordingly, corporate taxpayers can take into account 100% of the expenditures they have made since 2008 within the framework of research and development activities aiming at new technology and knowledge search when determining corporate income.

The company, which has an R&D center certificate, has an R&D deduction of TL 867,524 (As of December 31, 2022: TL 837,908) incurred in 2023, and it can benefit from an R&D deduction of 100% without withholding tax from its tax base due to research and development expenses.

(Amounts expressed in thousands of Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise indicated.)

NOT 26 - TAX ASSETS AND LIABILITIES (Continued)

As of 31 December 2023 and 2022, income tax payables are presented net of prepaid taxes in the balance sheet as follows:

	31 December 2023	31 December 2022
Income tax payable	21,069	15,438
Prepaid taxes (-)	-	(15,438)
	21,069	**-**

The breakdown of total tax expense for the years ended 31 December 2023 and 2022 are as follows:

	31 December 2023	31 December 2022
Current tax charge	(224,474)	(20,055)
Deferred tax income/expense reflected in profit or loss		
Charged to profit for the period	734,417	(133,451)
	509,943	**(153,506)**

The reconciliation of profit before tax to total tax expense is as follows:

	1 January - 31 December 2023	1 January - 31 December 2022
Profit before tax	**1,458,019**	**2,171,586**
Income tax charge at effective tax rate	(364,505)	(488,607)
Disallowable expenses	(188,348)	(59,259)
Discounts and exceptions	342,960	309,740
Real estate revaluation effect (*)	-	275,704
Tax effect on gain on investments accounted for using the equity method	(770)	79,855
Monetary gain/ (loss) and other	720,606	(270,939)
Total	**509,943**	**(153,506)**

(Amounts expressed in thousands of Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise indicated.)

NOT 26 - TAX ASSETS AND LIABILITIES (Continued)

According to the Law No. 7316 titled "Law on the Amendment of the Law on the Procedure for the Collection of Public Receivables and Some Laws" that was published in the Official Gazette numbered 31462 on April 22, 2021; Instead of a corporate tax rate of 20%, it will be applied at 25% for 2021 and 23% for 2022. For calculations of deferred tax after 2022, the tax rate is taken into account at 20%. As of December 31, 2023, and 2022, the distribution of the net deferred tax liability calculated using temporary differences subject to deferred tax and effective tax rates is summarized below:

	Cumulative temporary differences		Deferred tax assets/(liability)	
	31 December 2023	31 December 2022	31 December 2023	31 December 2022
Property, plant and equipment and Intangible assets	(63,721)	(2,487,121)	15,113	(593,183)
Deferred financial expenses	(25,536)	(18,076)	(6,384)	(3,615)
Deferred maintenance income	870,407	1,129,531	203,255	220,186
Provision for warranty expenses	691,016	570,081	172,803	114,016
Other provisions	567,957	490,048	141,989	98,010
Provision for employment termination benefits	328,495	517,514	82,124	103,502
Deferred financial income	290,747	469,342	72,687	93,868
Inventories	212,027	(638,625)	53,007	(127,725)
Investment incentives (*)	-	122,929	-	122,929
Other	192,507	23,676	43,784	5,705
Deferred tax assets, net			**778,378**	**33,693**

(*) 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 1,045,390 thousand was issued for the modernization investment envisaged to be made in the next 4 years.

The movement of deferred tax asset for the years ended 31 December 2023 and 2022 are as follows:

	2023	2022
1 January	**33,693**	**189,091**
Deferred tax income/loss		
Monetary gain/ (loss)	(19,096)	(83,529)
Charged to profit for the period	734,417	(133,451)
Charged to other comprehensive income	29,364	61,582
As of 31 December	**778,378**	**33,693**

(Amounts expressed in thousands of Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise indicated.)

NOTE 27 - EARNINGS PER SHARE

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

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

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

	31 December 2023	**31 December 2022**
Net income attributable to shareholders	1,967,962	2,018,080
Weighted average number of issued shares	12,000,000,000	12,000,000,000
Earnings per share (Piaster)	16.399	16.817

NOTE 28 - 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 31 December 2023 and 2022:

Due from related parties	**31 December 2023**	**31 December 2022**
Ram Dış Ticaret A.Ş. (1) (*)	3,018,081	2,345,861
Al Jasoor Heavy Vehicles Industry LLC (3) (**)	277,523	342,775
Other (1)	19,131	120
	3,314,735	**2,688,756**

(*) 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..

(Amounts expressed in thousands of Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise indicated.)

NOTE 28 - RELATED PARTY DISCLOSURES (Continued)

Due to related parties	31 December 2023	31 December 2022
Ram Dış Ticaret A.Ş. (1)	324,730	187,675
Koç Holding A.Ş. (2)	64,972	51,243
Zer Merkezi Hizmetler A.Ş. (1)	59,806	66,784
Koç Digital Çözümler A.Ş. (2)	19,837	183
Setur Servis Turistik A.Ş. (1)	16,789	10,087
Koç Sistem Bilgi ve İletişim Hiz. A.Ş. (1)	16,614	7,112
Divan Turizm İşletmeleri A.Ş. (1)	9,649	8,725
Otokoç Otomotiv Tic. ve San. A.Ş. (1)	8,490	6,668
Ark İnşaat (1)	5,705	-
Opet Fuchs Madeni Yağ A.Ş. (1)	5,061	5,294
Koçtaş Yapı Marketleri A.Ş. (2)	3,276	367
Akpa Dayanıklı Tük. Paz. A.Ş. (1)	3,098	2,806
Ram Sigorta Aracılık Hizmet A.Ş. (1)	2,781	2,727
Ford Otosan A.Ş.(2)	2,636	4,398
Other (1)	13,205	8,827
	556,649	**362,896**

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

Advances received from related parties	31 December 2023	31 December 2022
Al Jasoor Heavy Vehicles Industry LLC (3) (**)	24,405	225,965
Ram Dış Ticaret A.Ş. (1)	56,747	165,312
	81,152	**391,277**

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

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

Sales of products and services	1 January - 31 December 2023	1 January - 31 December 2022
Ram Dış Ticaret A.Ş. (1) (*)	6,092,744	5,479,266
Al Jasoor Heavy Vehicles Industry LLC (3)	1,050,025	593,212
Other (1)	2,903	2,626
	7,145,672	**6,075,104**

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

(Amounts expressed in thousands of Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise indicated.)

NOTE 28 - RELATED PARTY DISCLOSURES (Continued)

Fixed asset purchases	**1 January - 31 December 2023**	**1 January - 31 December 2022**
Koç Sistem Bilgi ve İletişim Hiz. A.Ş. (1)	73,001	46,451
Zer Merkezi Hizmetler A.Ş. (1)	8,794	19,600
Koç Digital Çözümler A.Ş. (2)	3,147	-
Other (1)	5,682	4,086
	90,624	**70,137**

Inventory purchases	**1 January- 31 December 2023**	**1 January - 31 December 2022**
Zer Merkezi Hizmetler A.Ş. (1)	435,558	401,103
Ram Dış Ticaret A.Ş. (1)	125,281	138,027
Opet Fuchs Madeni Yağ A.Ş. (1)	37,070	28,865
Opet Petrolcülük A.Ş. (1)	35,576	32,618
Akpa Dayanıklı Tük. Paz. A.Ş. (1)	27,174	23,670
Ford Otosan A.Ş. (2)	18,694	23,778
Koçtaş Yapı Marketleri A.Ş.(2)	5,035	395
Bal Kaynak Su İth. İhr. San ve Tic A.Ş. (1)	2,203	5,599
Diğer (1)	6,257	1,379
	692,848	**655,434**

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

(Amounts expressed in thousands of Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise indicated.)

NOTE 28 - RELATED PARTY DISCLOSURES (Continued)

Service purchases	1 January - 31 December 2023	1 January - 31 December 2022
Ram Dış Ticaret A.Ş. (1)	321,636	148,973
Setur Servis Turistik A.Ş. (1)	120,150	89,450
Koç Holding A.Ş. (2) (*)	100,635	86,377
Eltek Elektrik Enerji İth. İhr. Top. Tic. A.Ş. (1)	98,892	123,776
Ram Sigorta Aracılık Hiz. A.Ş. (1) (**)	78,619	36,156
Koç Sistem Bilgi ve İlt. Hiz. A.Ş. (1)	72,679	54,688
Ark İnşaat A.Ş. (1)	47,521	-
Otokoç Otomotiv Tic. ve San. A.Ş. (1)	42,466	39,524
Divan Turizm İşletmeleri A.Ş. (1)	20,319	14,273
Koç Digital Çözümler A.Ş. (2)	19,967	400
Token Finansal Teknolojileri A	10,797	-
Ingage Dijital (1)	8,127	9,664
Other (1)	28,326	16,787
	970,134	**620,068**

(*) It includes service cost that are based on finance, law, planning, tax and including personnel and key management expenses 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 December 2023 in accordance with insurance policies signed between insurance companies via Ram Sigorta Aracılık Hizmetleri A.Ş. which is an insurance agency.

Banks deposits	31 December 2023	31 December 2022
Yapı ve Kredi Bankası A.Ş. (1)		
- Time deposits	589,211	232,617
- Deposit deposits (*)	3,160	110,284
	592,371	**342,901**

Loans	31 December 2023	31 December 2022
Yapı ve Kredi Bankası A.Ş. (1)	444,920	1,385,150
	444,920	**1,385,150**

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

(Amounts expressed in thousands of Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise indicated.)

NOTE 28 - RELATED PARTY DISCLOSURES (Continued)

For the years ended 31 December 2023 and 2022, financial income and expense with related parties:

	1 January - 31 December 2023	1 January - 31 December 2022
Trade receivables and payables foreign exchange gains		
Ram Dış Ticaret A.Ş. (1)	657,268	487,436
Other (1)	2,119	3,917
	659,387	**491,353**

	1 January - 31 December 2023	1 January - 31 December 2022
Trade receivables and payables foreign exchange expenses		
Ram Dış Ticaret A.Ş. (1)	122,540	104,715
Other (1)	7,885	6,438
	130,425	**111,153**

For the years ended 31 December 2023 and 2022, financial income and expense with related parties:

	1 January - 31 December 2023	1 January - 31 December 2022
Interest income		
Yapı ve Kredi Bankası A.Ş. (1)	61,980	29,664
	61,980	**29,664**

(1) Related parties of the parent company

	1 January - 31 December 2023	1 January - 31 December 2022
Interest expense		
Yapı ve Kredi Bankası A.Ş. (1)	195,758	28,557
	195,758	**28,557**

	1 January- 31 December 2023	1 January - 31 December 2022
Foreign exchange gains		
Yapı ve Kredi Bankası A.Ş. (1)	62,055	72,820
	62,055	**72,820**

(1) The related parties of the Group's parent company

(Amounts expressed in thousands of Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise indicated.)

NOTE 28 - RELATED PARTY DISCLOSURES (Continued)

	1 January- 31 December 2023	1 January - 31 December 2022
Foreign exchange expenses		
Yapı ve Kredi Bankası A.Ş. (1)	17,156	28,814
	17,156	**28,814**

(1) Related parties of the parent company

Benefits provided to senior executives

The total benefits provided by the Group to its senior executives in the year ended December 31, 2023, amounted to TL 159,115 thousand, all of which consisted of short-term benefits (As of December 31, 2022: The total benefits provided by the Group to its senior executives amount to TL 129,881 thousand.) Senior executives consist of board members, general manager, and deputy general managers.

NOTE 29 - NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

The Group is exposed to various financial risks due to its operations, including the effects of changes in debt and capital market prices, exchange rates, and interest rates. These risks are market risk (including currency risk and interest rate risk), credit risk, and liquidity risk. The Group's overall risk management program focuses on the unpredictability and volatility of financial markets and aims to minimize the potential negative effects on the Group's financial performance.

Credit risk

Ownership of financial assets involves the risk that counterparties may be unable to meet the terms of their agreements. These risks are monitored by limiting the aggregate risk from any individual counterparty (excluding related parties) and by receiving guarantees from customers when considered necessary. Credit risk of the Group mainly arises from trade receivables. The Group manages this risk that may arise from its dealers or from other customers by restricting the credit limits determined for the dealers according to the amount of guarantees received, by receiving advance payments or by receiving the pledge of ownership of the vehicles sold. Credit limits are regularly monitored by the Group and the customers' credit quality are regularly evaluated by considering the customer's financial position, past experiences and other factors. All foreign sales are made after receiving confirmed letters of credit. Military vehicle sales are made to domestic or foreign governmental institutions or to companies acting as agents to these institutions; accordingly, the Group does not anticipate any collection risk related to military vehicle sales. Trade receivables are evaluated by management based on their past experiences and current economic condition, and are presented in financial statements net of provision for doubtful receivables (Note 8).

(Amounts expressed in thousands of Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise indicated.)

NOTE 29 - NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Continued)

	Receivables		
31 December 2023	**Trade receivables**	**Other receivables**	**Bank deposit**
Maximum credit risk exposure as of reporting date (A+B+C+D+E) (1)	**9,052,805**	**13,195**	**6,772,040**
- Maximum risk secured by guarantee (2)	1,119,794	-	-
A. Net book value of financial assets neither overdue nor impaired	8,822,722	13,195	6,772,040
B. Net book value of financial assets of which conditions are negotiated, otherwise considered as impaired or overdue	-	-	-
C. Net book value of assets overdue but not impaired	-	-	-
D. Net book value of impaired assets	442	-	-
- *Overdue (gross book value)*	229,641	-	-
- *Impairment (-) (Note 8)*	(229,199)	-	-
- *Net value under guarantee*	442	-	-
- *Not overdue (gross book value)*	-	-	-
- *Impairment (-)*	-	-	-
- *Net value under guarantee*	-	-	-
E. Off- balance sheet items having credit risk	-	-	-

	Receivables		
31 December 2022	**Trade receivables**	**Other receivables**	**Bank deposit**
Maximum credit risk exposure as of reporting date (A+B+C+D+E) (1)	**8,058,994**	**10,155**	**2,744,609**
- Maximum risk secured by guarantee (2)	1,424,439	-	-
A. Net book value of financial assets neither overdue nor impaired	8,051,468	10,155	2,744,609
B. Net book value of financial assets of which conditions are negotiated, otherwise considered as impaired or overdue	-	-	-
C. Net book value of assets overdue but not impaired	544	-	-
D. Net book value of impaired assets	6,982	-	-
- *Overdue (gross book value)*	220,557	-	-
- *Impairment (-) (Note 8)*	(213,575)	-	-
- *Net value under guarantee*	6,982	-	-
- *Not overdue (gross book value)*	-	-	-
- *Impairment (-)*	-	-	-
- *Net value under guarantee*	-	-	-
E. Off- balance sheet items having credit risk	-	-	-

(1) Guarantees received and factors increasing the loan reliability are not considered when determining this amount.
(2) Guarantees consist of guarantee notes, guarantee checks, mortgages and car pledges received from customers.

Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash and marketable securities, the availability of funding from an adequate amount of committed credit facilities and the ability to close out market positions.

The ability to fund existing and prospective debt requirements are managed by maintaining the availability of adequate committed funding lines from high quality lenders.

(Amounts expressed in thousands of Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise indicated.)

NOTE 29 - NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Continued)

As of 31 December 2023 and 2022, maturities of gross trade payables and financial liabilities are as follows:

31 December 2023

Maturities per agreements	Book value	Total cash outflow per agreements (=I+II+III+IV)	Less than 3 month (I)	Between 3-12 month (II)	Between 1-5 years (III)	Over 5 years (IV)
Non-derivative financial liabilities						
Bank loans	14,404,080	19,178,414	6,371,924	8,890,104	3,916,386	-
Trade payables	4,098,863	4,124,399	4,124,399	-	-	-

Expected maturities	Book value	Total expected cash outflow	Less than 3 month	Between 3-12 month	Between 1-5 year	Over 5 years
Non-derivative financial liabilities						
Other payables	35,296	35,296	35,296	-	-	-
Other short-term liabilities	63,523	63,523	63,523	-	-	-

Expected (or maturities per agreement)	Book value	Total expected cash outflow	Less than 3 month	Between 3-12 month	Between 1-5 year	Over 5 years
Derivative financial liabilities (net)	**(25,853)**	**(25,853)**	**(25,853)**	**-**	**-**	**-**
Derivative cash inflows	2,287,890	2,287,890	2,287,890	-	-	-
Derivative cash outflows	(2,313,743)	(2,313,743)	(2,313,743)	-	-	-

(Amounts expressed in thousands of Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise indicated.)

NOTE 29 - NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Continued)

31 December 2022

Maturities per agreements	Book value	Total cash outflow per agreements (=I+II+III+IV)	Less than 3 month (I)	Between 3-12 month (II)	Between 1-5 years (III)	Over 5 years (IV)
Non-derivative financial liabilities						
Bank loans	12,304,971	13,395,122	2,272,052	9,002,263	2,120,807	-
Trade payables	3,653,383	3,671,457	3,671,457	-	-	-

Expected maturities	Book value	Total expected cash outflow	Less than 3 month	Between 3-12 month	Between 1-5 year	Over 5 years
Non-derivative financial liabilities						
Other payables	45,911	45,911	45,911	-	-	-
Other short-term liabilities	55,175	55,175	55,175	-	-	-

Expected (or maturities per agreement)	Book value	Total expected cash outflow	Less than 3 month	Between 3-12 month	Between 1-5 year	Over 5 years
Derivative financial liabilities (net)	**4,037**	**4,037**	**4,037**	**-**	**-**	**-**
Derivative cash inflows	1,877,072	1,877,072	1,877,072	-	-	-
Derivative cash outflows	(1,873,035)	(1,873,035)	(1,873,035)	-	-	-

Market risk

a) Foreign currency risk and related sensitivity analysis

The Group is exposed to the foreign exchange risk through the rate changes at the translation of foreign currency denominated liabilities to local currency. These risks are monitored and limited by analyzing the foreign currency position. Currency risk is monitored and limited by analyzing the foreign currency position. The Group follows a policy of diversifying its foreign currency position in order to manage the foreign currency risk that may arise due to future operations and recognized assets and liabilities.

(Amounts expressed in thousands of Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise indicated.)

NOTE 29 - NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Continued)

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

	31 December 2023	**TRY equivalent (functional currency)**	**USD**	**EUR**	**GBP**
1.	Trade receivables	7,602,346	122,801	122,408	-
2a.	Monetary financial assets (including cash, bank accounts)	578,097	7,082	11,347	-
2b.	Non-monetary financial assets	-	-	-	-
3.	Other	-	-	-	-
4.	**Current assets (1+2+3)**	**8,180,443**	**129,883**	**133,755**	**-**
5.	Trade receivables	-	-	-	-
6a.	Monetary financial assets	-	-	-	-
6b.	Non-monetary financial assets	-	-	-	-
7.	Other	98	-	3	-
8.	**Non-current assets (5+6+7)**	98		3	-
9.	**Total assets (4+8)**	**8,180,541**	**129,883**	**133,758**	**-**
10.	Trade payables	(2,177,295)	(42,568)	(28,314)	(50)
11.	Financial liabilities	(3,209,934)	(7,675)	(91,607)	-
12a.	Monetary other liabilities	(371,740)	(5,940)	(6,044)	-
12b.	Non-monetary other liabilities				
13.	**Current liabilities (10+11+12)**	**(5,758,969)**	**(56,183)**	**(125,965)**	**(50)**
14.	Trade payables	-	-	-	-
15.	Financial liabilities	-	-	-	-
16a.	Monetary other liabilities	-	-	-	-
16b.	Non-monetary other liabilities	-	-	-	-
17.	**Non-current liabilities (14+15+16)**				
18.	**Total liabilities (13+17)**	**(5,758,969)**	**(56,183)**	**(125,965)**	**(50)**
	Net balance sheet position (9+18)	**2,421,572**	**73,700**	**7,790**	**(50)**
19.	Net asset/(liability) position of off-balance sheet derivative instruments(19a-19b)	(2,202,820)	(67,000)	(7,075)	-
19a.	Hedged total assets amount	-	-	-	-
19b.	Hedged total liabilities amount	(2,202,820)	(67,000)	(7,075)	-
20.	**Net foreign currency asset/(liability) position (9+18+19)**	**218,752**	**6,700**	**718**	**(50)**
21.	**Net foreign currency asset/(liability) position of monetary items (=1+2a+5+6a-10-11-12a-14-15-16a)**	**2,421,474**	**73,700**	**7,790**	**(50)**
22.	Total fair value of financial instruments used for foreign currency hedging	25,853	6,591	19,262	-
23.	Export	20,006,702	230,602	382,958	-
24.	Import	8,637,512	73,037	201,816	749

(Amounts expressed in thousands of Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise indicated.)

NOTE 29 - NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Continued)

31 December 2022		**TRY equivalent (functional currency)**	**USD**	**EUR**	**GBP**
1.	Trade receivables	5,746,106	95,051	85,779	-
2a.	Monetary financial assets (including cash, bank accounts)	403,015	6,959	5,742	-
2b.	Non-monetary financial assets	-	-	-	-
3.	Other	-	-	-	-
4.	**Current assets (1+2+3)**	**6,149,121**	**102,010**	**91,521**	**-**
5.	Trade receivables	-	-	-	-
6a.	Monetary financial assets	-	-	-	-
6b.	Non-monetary financial assets	-	-	-	-
7.	Other	99	-	3	-
8.	**Non-current assets (5+6+7)**	99		3	-
9.	**Total assets (4+8)**	**6,149,220**	**102,010**	**91,524**	**-**
10.	Trade payables	(2,165,576)	(46,511)	(22,279)	(21)
11.	Financial liabilities	(1,590,978)	-	(48,436)	-
12a.	Monetary other liabilities	(370,752)	(6,260)	(5,415)	-
12b.	Non-monetary other liabilities				
13.	**Current liabilities (10+11+12)**	**(4,127,306)**	**(52,771)**	**(76,130)**	**(21)**
14.	Trade payables	-	-	-	-
15.	Financial liabilities	-	-	-	-
16a.	Monetary other liabilities	-	-	-	-
16b.	Non-monetary other liabilities	-	-	-	-
17.	**Non-current liabilities (14+15+16)**				
18.	**Total liabilities (13+17)**	**(4,127,306)**	**(52,771)**	**(76,130)**	**(21)**
	Net balance sheet position (9+18)	**2,021,914**	**49,239**	**15,394**	**(21)**
19.	Net asset/(liability) position of off-balance sheet derivative instruments(19a-19b)	(1,873,035)	(48,000)	(12,000)	-
19a.	Hedged total assets amount	-	-	-	-
19b.	Hedged total liabilities amount	(1,873,035)	(48,000)	(12,000)	-
20.	**Net foreign currency asset/(liability) position (9+18+19)**	**148,879**	**1,239**	**3,394**	**(21)**
21.	**Net foreign currency asset/(liability) position of monetary items (=1+2a+5+6a-10-11-12a-14-15-16a)**	**2,021,815**	**49,239**	**15,391**	**(21)**
22.	Total fair value of financial instruments used for foreign currency hedging	(4,037)	(3,105)	655	-
23.	Export	7,860,869	194,086	188,864	10
24.	Import	4,647,825	73,657	157,562	473

(Amounts expressed in thousands of Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise indicated.)

NOTE 29 - NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Continued)

The following table demonstrates the sensitivity to a possible change of 10% in the USD, Euro and GBP exchange rates, with all other variables held constant, on the Group's income before tax as of 31 December 2023 and 2022:

		Profit before tax	Profit before tax
31 December 2023		**Appreciation of foreign currency**	**Depreciation of foreign foreign currency**
	In case 10% appreciation of USD against TRY:		
1-	USD net asset/liability	**19,724**	**(19,724)**
2-	Amount hedged for USD risk (-)	**-**	**-**
3-	**USD net effect (1+2)**	**19,724**	**(19,724)**
	In case 10% appreciation of EUR against TRY:		
4-	EUR net asset/liability	**2,339**	**(2,339)**
5-	Amount hedged for EUR risk (-)	**-**	**-**
6-	**EUR net effect (4+5)**	**2,339**	**(2,339)**
	In case 10% appreciation of GBP against TRY		
7-	GBP net asset/liability	**(187)**	**187**
8-	Amount hedged for GBP risk (-)	**-**	**-**
9-	**GBP net effect (7+8)**	**(187)**	**187**
	Total (3+6+9)	**21,876**	**(21,876)**

		Profit before tax	Profit before tax
31 December 2022		**Appreciation of foreign currency**	**Depreciation of foreign foreign currency**
	In case 10% appreciation of USD against TRY:		
1-	USD net asset/liability	**3,817**	**(3,817)**
2-	Amount hedged for USD risk (-)	**-**	**-**
3-	**USD net effect (1+2)**	**3,817**	**(3,817)**
	In case 10% appreciation of EUR against TRY:		
4-	EUR net asset/liability	**11,148**	**(11,148)**
5-	Amount hedged for EUR risk (-)	**-**	**-**
6-	**EUR net effect (4+5)**	**11,148**	**(11,148)**
	In case 10% appreciation of GBP against TRY		
7-	GBP net asset/liability	**(78)**	**78**
8-	Amount hedged for GBP risk (-)	**-**	**-**
9-	**GBP net effect (7+8)**	**(78)**	**78**
	Total (3+6+9)	**14,887**	**(14,887)**

(Amounts expressed in thousands of Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise indicated.)

NOTE 29 - NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Continued)

b) Interest position table and related sensitivity analysis

Interest rate risk

As the Group has no significant interest-bearing assets, the Group's income and operating cash flows are not substantially subject to changes in market interest rates.

The Group's interest rate risk arises from short-term borrowings and time deposits. The Group has obtained fixed rate bearing borrowings and time deposits. However the borrowings and time deposits that the Group is going to obtain in future will be affected from future interest rates.

As of 31 December 2023 and 2022, the financial liabilities of the Group are consisted of fixed rate bank borrowings.

Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

Consistent with other companies in the industry, the Company monitors capital on the basis of the gearing factor. This factor is calculated as net financial liability divided by total capital. Net financial liability is calculated as total borrowings (including borrowings as shown in balance sheet) less cash and cash equivalents.

	31 December 2023	31 December 2022
Total financial liability (Note 7)	16,132,493	12,436,111
Less: Cash and cash equivalents (Note 5)	(6,835,775)	(2,754,110)
Net financial liability	9,296,718	9,682,001
Total equity	8,303,143	6,527,187
Financial debt/shareholders' equity factor	**%112**	**%148**

(Amounts expressed in thousands of Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise indicated.)

NOTE 30 - FINANCIAL INSTRUMENTS

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

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

The following table presents the Group's assets that are measured at fair value at 31 December 2023 and 2022:

31 December 2023

Liabilities	**Level 1**	**Level 2**	**Level 3**	**Total**
Derivative financial instruments	-	25,853	-	25,853
	-	**25,853**	**-**	**25,853**

31 December 2022

Assets	**Level 1**	**Level 2**	**Level 3**	**Total**
Derivative financial instruments	-	4,037	-	4,037
	-	**4,037**	**-**	**4,037**

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.

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 31 - SUBSEQUENT EVENTS

None.