

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

**CONVENIENCE TRANSLATION INTO ENGLISH OF
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY - 30 JUNE 2021**

(ORIGINALLY ISSUED IN TURKISH)



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

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

Introduction

We have reviewed the accompanying condensed consolidated statement of financial position of Otokar Otomotiv ve Savunma Sanayi A.Ş. (the "Company") and its subsidiaries (collectively referred as the "Group") as at 30 June 2021, the condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated changes in equity, condensed consolidated cash flows and other explanatory notes for the six-month period then ended ("condensed consolidated interim financial information"). The management of the Group is responsible for the preparation and fair presentation of this condensed consolidated interim financial information in accordance with Turkish Accounting Standard 34 ("TAS 34") "Interim Financial Reporting". Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of review

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

Conclusion

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

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

Cihan Harman, SMMM
Partner

Istanbul, 30 July 2021

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OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENT
FOR THE PERIOD 1 JANUARY - 30 JUNE 2021**

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

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS AS OF
30 JUNE 2021 AND 31 DECEMBER 2020**

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

	Notes	(Reviewed) 30 January 2021	(Audited) 31 December 2020
Assets			
Current assets			
Cash and cash equivalents	4	324,553	517,422
Trade receivables	9	1,201,595	1,188,748
<i>Due from related parties</i>	22	383,679	440,683
<i>Due from third parties</i>	9	817,916	748,065
Other receivables		687	450
Inventories	10	1,397,836	1,335,582
Derivative financial instruments	8	-	15,937
Prepaid expenses	14	20,468	19,444
Current tax assets		-	281
Other current assets	14	73,295	100,649
Total current assets		3,018,434	3,178,513
Non-current assets			
Trade receivables	9	381,031	130,567
Other receivables		4,854	2,656
Investments accounted for using the equity method	5	194,063	169,689
Financial investment	7	147	147
Property, plant and equipment, net	11	280,032	227,014
Right of use assets, net	11	22,165	19,485
Intangible assets, net	12	589,371	500,727
Deferred income tax asset	20	135,638	96,285
Prepaid expenses	14	11,196	9,092
Total non-current assets		1,618,497	1,155,662
Total assets		4,636,931	4,334,175

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

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

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS AS OF
30 JUNE 2021 AND 31 DECEMBER 2020**

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

	Notes	(Reviewed) 30 June 2021	(Audited) 31 December 2020
Liabilities			
Current liabilities			
Short-term borrowings	6	536,567	586,057
<i>Bank loans</i>	6	525,800	577,078
<i>Short-term lease liabilities</i>	6	10,767	8,979
Short-term portion of long-term borrowings	6	1,006,220	289,014
<i>Bank loans</i>	6	1,006,220	289,014
Trade payables	9	399,316	349,519
<i>Due to related parties</i>	22	6,800	58,964
<i>Due to other parties</i>	9	392,516	290,555
Derivative financial instruments	8	22	-
Employee benefit obligations	14	21,198	51,147
Other payables		59,561	48,012
Liabilities from customer contracts	14	679,274	538,712
Government promotion and subsidies		10,684	2,895
Short-term provisions	13	307,170	234,231
<i>Provisions for employee benefits</i>	13	21,354	15,880
<i>Other provisions</i>		285,816	218,351
Other current liabilities	14	2,843	27,097
Total current liabilities		3,022,855	2,126,684
Non-current liabilities			
Long-term borrowings	6	381,419	978,993
<i>Bank loans</i>	6	364,578	964,949
<i>Long-term lease liabilities</i>	6	16,841	14,044
Government promotion and subsidies		5,485	2,314
Long-term provisions	13	71,428	63,725
<i>Provisions for employee benefits</i>	13	71,428	63,725
Liabilities from customer contracts	14	195,187	155,116
Total non-current liabilities		653,519	1,200,148
Total liabilities		3,676,374	3,326,832
Equity			
Paid-in share capital		24,000	24,000
Inflation adjustment on share capital		52,743	52,743
Restricted reserves		133,530	93,650
Accumulated other comprehensive income and expense that will not be reclassified to statement of profit or loss		(12,835)	(11,589)
<i>Defined benefit plans remeasurement losses</i>		(12,835)	(11,589)
Accumulated other comprehensive income and expense that may be reclassified to statement of profit or loss		(101,147)	(59,103)
<i>Currency translation differences</i>		(101,147)	(59,103)
Retained earnings		467,762	289,374
Net profit for the period		396,504	618,268
Total equity		960,557	1,007,343
Total liabilities and equity		4,636,931	4,334,175

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

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

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME AS OF 30 JUNE 2021 AND 2020**

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

	Notes	(Reviewed)		(Reviewed)	
		1 January - 30 June 2021	1 April - 30 June 2021	1 January - 30 June 2020	1 April - 30 June 2020
Revenue	15	1,859,889	982,647	1,136,248	677,459
Cost of sales (-)	15	(1,189,570)	(592,831)	(697,132)	(388,828)
GROSS PROFIT (LOSS)		670,319	389,816	439,116	288,631
Marketing expenses (-)	16	(229,128)	(112,282)	(140,184)	(62,873)
General administrative expenses (-)	16	(85,678)	(44,265)	(61,788)	(28,694)
Research and development expenses (-)	16	(38,096)	(19,586)	(35,558)	(18,216)
Other operating income	17	303,484	148,210	208,492	93,323
Other operating expenses (-)	17	(217,796)	(103,103)	(188,836)	(75,930)
OPERATING PROFIT (LOSS)		403,105	258,790	221,242	196,241
Income from investing activities		462	113	20	-
Share of profit/loss of investments accounted for using the equity method, net	5	53,276	52,658	40,727	30,521
OPERATING INCOME (EXPENSE) BEFORE FINANCIAL EXPENSES		456,843	311,561	261,989	226,762
Financial income	18	56,716	15,617	32,636	19,605
Financial expense (-)	19	(156,096)	(74,181)	(85,824)	(55,072)
PROFIT (LOSS) BEFORE TAX		357,463	252,997	208,801	191,295
Tax income/(expense) from continued operations					
Deferred tax income/ (expense)	20	39,041	36,063	(36,484)	(41,285)
PROFIT (LOSS) FOR THE PERIOD		396,504	289,060	172,317	150,010
Items that will not be reclassified to statement of profit or loss					
Remeasurement (losses)/gains		(1,558)	345	(2,484)	12
Deferred tax income/(expense)		312	(69)	547	(3)
Items that may be reclassified to statement of profit or loss					
Currency translation differences of investments accounted for using the equity method	5	32,431	8,621	18,437	7,297
Currency translation differences		(74,475)	(21,014)	(31,658)	(21,683)
Other comprehensive (loss)/income		(43,290)	(12,117)	(15,158)	(14,377)
TOTAL COMPREHENSIVE INCOME (EXPENSE)		353,214	276,943	157,159	135,633
Earnings per share (Kr)	21	1,652	1,204	0,718	0,625

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

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

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE PERIODS ENDED 30 JUNE 2021 AND 2020

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

					Accumulated other comprehensive income and expense that will not be reclassified to statement of profit or loss	Accumulated other comprehensive income and expense that may be reclassified to statement of profit or loss			
		Paid in share capital	Inflation adjustment on share capital	Restricted reserve	Remeasurement losses on defined benefit plans	Currency translation differences	Retained earnings	Net income for the period	Total equity
1 January 2020-30 June 2020	Beginning of the period	24,000	52,743	73,770	(9,741)	(12,380)	157,662	351,592	637,646
	Transfers	-	-	19,880	-	-	331,712	(351,592)	-
	Dividends paid	-	-	-	-	-	(200,000)	-	(200,000)
	Total comprehensive income	-	-	-	(1,937)	(13,221)	-	172,317	157,159
	Closing balances	24,000	52,743	93,650	(11,678)	(25,601)	289,374	172,317	594,805
1 January 2021-30 June 2021	Beginning of the period	24,000	52,743	93,650	(11,589)	(59,103)	289,374	618,268	1,007,343
	Transfers	-	-	39,880	-	-	578,388	(618,268)	-
	Dividends paid	-	-	-	-	-	(400,000)	-	(400,000)
	Total comprehensive income	-	-	-	(1,246)	(42,044)	-	396,504	353,214
	Closing balances	24,000	52,743	133,530	(12,835)	(101,147)	467,762	396,504	960,557

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

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE PERIODS ENDED 30 JUNE 2021 AND 2020

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

	Notes	(Reviewed) 1 January – 30 June 2021	(Reviewed) 1 January – 30 June 2020
CASH FLOWS FROM OPERATING ACTIVITIES		450,869	(207,310)
Net profit/ (loss) for the period		396,504	172,317
Adjustments to reconcile net profit/ (loss) for the period to cash flows from operating activities		197,502	181,283
Depreciation and amortization	11.12	52,075	46,755
Adjustments in relation to impairment:		11,957	18,304
- Provision for doubtful receivables	9	8,209	6,395
- Provision for inventories	10	3,748	11,909
Adjustments in relation to provision		112,998	60,296
- Provision for employee benefits	13	13,466	11,827
- Provision for warranty expenses	13	68,110	41,809
- Adjustments for other provisions		31,422	6,660
Adjustments in relation to interest income and expenses:		48,987	39,402
- Adjustment in relation to interest income	18	(23,017)	(14,357)
- Adjustment in relation to interest expense	19	72,004	53,759
Adjustments in relation to unrealised foreign exchange gains and losses	6	54,264	21,616
Adjustments in relation to fair value gains and losses		10,000	(827)
Fair value losses/(gains) on financial derivative instruments		10,000	(827)
Adjustments for undistributed profits of investments accounted for using equity method		(53,276)	(40,727)
- Adjustments for undistributed profits of joint ventures	5	(53,276)	(40,727)
Adjustment on tax (income)/ expense		(39,041)	36,484
Adjustments in relation to gains or losses on sales of property, plant and equipment		(462)	(20)
- Gain on sale of property, plant and equipments		(462)	(20)
Changes in net working capital		(115,182)	(530,255)
Change in trade receivables		(271,831)	(238,591)
Change in inventories		(66,002)	(291,700)
Change in trade payables		49,797	15,087
Other changes		172,854	(15,051)
- (Increase)/ decrease in other assets related to activities		21,790	(37,268)
- Increase/ (decrease) in other liabilities related to activities		151,064	22,217
Cash flows from operations		478,824	(176,655)
Payments in relation to employee benefits	13	(1,847)	(3,367)
Payments in relation to other provisions		(32,067)	(26,618)
Other cash collections/(payments)		5,959	(670)
CASH FLOWS FROM INVESTING ACTIVITIES		(126,696)	(99,196)
Proceeds from sale of property, plant and equipment and intangible assets		860	96
- Proceeds from sale of property, plant and equipment		860	96
Cash outflows due to purchase of property, plant and equipment and intangible assets		(188,889)	(99,292)
- Cash outflows due to purchase of property, plant and equipment	11	(62,637)	(11,700)
- Cash outflows due to purchase of intangible assets	12	(126,252)	(87,592)
Dividends Received		61,333	-
CASH FLOWS FROM FINANCING ACTIVITIES		(442,568)	594,300
Cash inflow from to borrowings		979,482	1,490,850
- Proceeds from bank borrowings	6	979,482	1,490,850
Cash outflow due to repayment of borrowings		(979,603)	(663,995)
- Repayments of borrowings	6	(979,603)	(663,995)
Cash outflows on debt payments from leasing agreements	6	(4,936)	(5,481)
Dividends paid		(400,000)	(200,000)
Interest paid		(60,528)	(41,431)
Interest received		23,017	14,357
NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS BEFORE THE EFFECT OF CURRENCY TRANSLATION DIFFERENCES		(118,395)	287,794
Effect of currency translation difference on cash and cash equivalents		(74,474)	(31,708)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(192,869)	256,086
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	4	517,422	222,722
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	4	324,553	478,808

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

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE PERIOD ENDED 30 JUNE 2021

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

NOTE 1 - GROUP’S ORGANIZATION AND NATURE OF OPERATIONS

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

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

The registered addresses of the Company are as follows:

Headquarters:

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

Plant:

Atatürk Cad. No: 6
54580 Arifiye / Sakarya

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

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

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

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

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

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

	30 June 2021		31 December 2020	
	Period end	Average	Period end	Average
Total personnel number	2,230	2,245	2,258	2,110

The condensed interim consolidated financial statements for the period ended 30 June 2021 were authorized for issue and signed by the Board of Directors of Otokar on 30 July 2021.

Otokar is registered to the Capital Market Board (“CMB”) and its shares are listed on the Borsa Istanbul A.Ş. (“BIST”) since 1995. As of 30 June 2021, 27.85% of the shares are quoted on the BIST.

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE PERIOD ENDED 30 JUNE 2021

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

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

As of 30 June 2021, the principal shareholders and their respective shareholding percentages are as follows:

	(%)
Koç Holding A.Ş.	44.68
Ünver Holding A.Ş.	24.81
Other	30.51
	100.00

Otokar Otomotiv ve Savunma Sanayi A.Ş. is controlled by Koç Holding A.Ş.

The parent company (Koç Holding A.Ş.), is controlled by Koç Family and the companies owned by Koç Family.

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

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

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

2.1 Basis of presentation of consolidated financial statements

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

For the period ended 30 June 2021, the Group prepared its condensed interim consolidated financial statements in accordance with the Turkish Accounting Standard No.34 Interim Financial Reporting. Condensed interim consolidated financial statements of the Group do not include all the information and disclosures required in the annual financial statements, therefore should be read in conjunction with the Group's annual financial statements as of 31 December 2020.

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

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

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE PERIOD ENDED 30 JUNE 2021

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

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

2.1 Basis of presentation of consolidated financial statements (Continued)

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

Functional and presentation currency

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

Financial statements of foreign subsidiaries, joint ventures and associates

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

2.2 Accounting errors and changes in accounting estimates

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

If changes in accounting estimates are related to only one period, they are recognised in the period when changes are applied; if changes in estimates are related to future periods, they are recognized both in the period where the change is applied and future periods prospectively. The accounting policies used in the preparation of these condensed interim consolidated financial statements for the period ended 30 June 2021 are consistent with those used in the preparation of consolidated financial statements for the year ended 31 December 2020.

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.

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE PERIOD ENDED 30 JUNE 2021

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

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

2.3 Changes in accounting policies (Continued)

2.3.1 New and amended standards and interpretations

a. Standards, amendments and interpretations applicable as at 30 June 2021:

- **Amendment to IFRS 16, 'Leases' – Covid-19 related rent concessions Extension of the Practical expedient;** as of March 2021, this amendment extended till June 2022 and effective from 1 April 2021. As a result of the coronavirus (COVID-19) pandemic, rent concessions have been granted to lessees. Such concessions might take a variety of forms, including payment holidays and deferral of lease payments. On 28 May 2020, the IASB published an amendment to IFRS 16 that provides an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification. Lessees can elect to account for such rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as variable lease payments in the period(s) in which the event or condition that triggers the reduced payment occurs.
- **Amendments to IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform Phase 2;** effective from annual periods beginning on or after 1 January 2021. The Phase 2 amendments address issues that arise from the implementation of the reforms, including the replacement of one benchmark with an alternative one.
- **Amendments to TFRS 17 and TFRS 4, "Insurance contracts", deferral of TFRS 9;** effective from annual periods beginning on or after 1 January 2021. These amendments defer the date of application of TFRS 17 by two years to 1 January 2023 and change the fixed date of the temporary exemption in TFRS 4 from applying TFRS 9, Financial Instrument until 1 January 2023.

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

b. Standards, amendments and interpretations that are issued but not effective as at 30 June 2021:

- **IFRS 17, 'Insurance contracts';** effective from annual periods beginning on or after 1 January 2023. This standard replaces IFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features.
- **Amendments to IAS 1, Presentation of financial statements' on classification of liabilities;** effective from 1 January 2022. These narrow-scope amendments to IAS 1, 'Presentation of financial statements', clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what IAS 1 means when it refers to the 'settlement' of a liability.

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE PERIOD ENDED 30 JUNE 2021

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

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

2.3 Changes in accounting policies (Continued)

2.3.1 New and amended standards and interpretations (Continued)

- **A number of narrow-scope amendments to IFRS 3, IAS 16, IAS 37 and some annual improvements on IFRS 1, IFRS 9, IAS 41 and IFRS 16;** effective from Annual periods beginning on or after 1 January 2022.
 - **Amendments to IFRS 3,** 'Business combinations' update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.
 - **Amendments to IAS 16,** 'Property, plant and equipment' prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.
 - **Amendments to IAS 37,** 'Provisions, contingent liabilities and contingent assets' specify which costs a company includes when assessing whether a contract will be loss-making.

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

- **Narrow scope amendments to IAS 1, Practice statement 2 and IAS 8;** effective from annual periods beginning on or after 1 January 2023. The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies.
- **Amendment to IAS 12 – Deferred tax related to assets and liabilities arising from a single transaction;** from annual periods beginning on or after 1 January 2023. These amendments require companies to recognise deferred tax on transactions that, on initial recognition give rise to equal amounts of taxable and deductible temporary differences.

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

2.4 Significant accounting judgments and estimates

Group accounting

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

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

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

2.4 Significant accounting judgments and estimates (Continued)

The table below sets out the subsidiaries of the Company and shows the total interest of the Company in these companies at 30 June 2021 and 31 December 2020:

Subsidiaries	2021		2020	
	Direct and indirect ownership (%)	Proportion of effective interest (%)	Direct and indirect ownership (%)	Proportion of effective interest (%)
Otokar Europe SAS	100.00	100.00	100.00	100.00
Otokar Land Systems Limited	100.00	100.00	100.00	100.00
Otokar Europe Filiala Bucuresti SRL	100.00	100.00	100.00	100.00
Otokar Central Asia Limited	100.00	100.00	100.00	100.00
Join Venture	Direct and indirect ownership (%)	Proportion of effective interest (%)	Direct and indirect ownership (%)	Proportion of effective interest (%)
Al Jasoor Heavy Vehicle Industry LLC	49.00	49.00	49.00	49.00

NOTE 3 - SEGMENT REPORTING

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

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

NOTE 4 - CASH AND CASH EQUIVALENTS

	30 June 2021	31 December 2020
Banks		
- Time deposits	268,533	452,463
- Demand deposits	55,995	64,949
Other	25	10
	324,553	517,422

As of 30 June 2021, all time deposit accounts with a total amount of TRY268,533 thousand are in foreign currency, with an annual effective interest rate of 0.6% and a maturity of 1 day.

(As of 31 December 2020, time deposit accounts with a total amount of TRY452,463 thousand, corresponding to TRY86,718 thousand, are in foreign currency, the effective interest rate is 0.74% per annum, and the average maturity is 4 days. The remaining amount of TRY365,745 thousand The effective interest rate is 19.11% per annum with an average maturity of 15 days.)

As of 30 June 2021, the Group has restricted bank deposit amounting to TRY0,2 thousand thousand (31 December 2020: TRY0,2 thousand).

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE PERIOD ENDED 30 JUNE 2021

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

NOTE 5 - INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

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

Joint ventures	2021		2020	
	(%)	Amount	(%)	Amount
Al Jasoor	49	194,063	49	169,689
		194,063		169,689

The movements of joint ventures for the periods ended on 30 June 2021 and 2020 are as follows:

	2021	2020
Beginning- 1 January	169,689	56,162
Shares of profit	53,276	40,727
Currency translation differences	32,431	18,437
Dividend paid	(61,333)	-
Closing- 30 June	194,063	115,326

The summary of the financial statements of Al Jasoor Heavy Vehicle Industry LLC as of 30 June 2021 and 31 December 2020 is as follows:

	30 June 2021	31 December 2020
Total assets	1,137,942	1,130,199
Total liabilities	(741,895)	(783,895)
Net assets	396,047	346,304
Ownership of the Group	49%	49%
Net asset share of the Group	194,063	169,689

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE PERIOD ENDED 30 JUNE 2021

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

NOTE 6 - BORROWINGS

Short-term financial borrowings

30 June 2021	Maturities	Annual average effective interest rate (%)	Amount
Bank loans			
TRY borrowings	01 July 2021	19.55	180,571
RON borrowings	13 August 2021	4.71	345,229
			525,800
Borrowings from lease liabilities			
TRY lease liabilities	-	10.00	3,352
EUR lease liabilities	-	2.00	7,415
			10,767
Total short-term financial liabilities			536,567

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

30 June 2021	Maturities	Annual average effective interest rate (%)	TRY Equivalent
Bank Loans			
TRY borrowings	-	9.10	797,524
EUR borrowings	-	2.35	208,696
			1,006,220

(*) Bearing fixed interest rate

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE PERIOD ENDED 30 JUNE 2021

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

NOTE 6 - BORROWINGS (Continued)

30 June 2021	Maturities	Annual average effective interest rate (%)	TRY Equivalent
Long-term bank loans (*)			
Bank Loans			
TRY borrowings	07 June 2024-05 August 2025	13.87	155,676
EUR borrowings	25 January 2023	3.10	208,902
			364,578
Borrowings from lease liabilities			
TRY borrowings	-	2.00	5,242
EUR borrowings	-	10.00	11,599
			16,841
			Total long-term financial borrowings 381,419
(*) Bearing fixed interest rate			
Short-term bank loans			
31 December 2020	Maturities	Annual average effective interest rate (%)	Amount
Bank loans			
RON borrowings	30 June 2021	5.18	304,455
TRY borrowings	7 June 2021	9.05	272,623
			577,078
Borrowings from lease liabilities			
EUR borrowings	-	2.00	6,399
TRY borrowings	-	10.00	2,580
			8,979
Total short-term financial borrowings			586,057

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE PERIOD ENDED 30 JUNE 2021

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

NOTE 6 - BORROWINGS (Continued)

31 December 2020	Maturities	Annual average effective interest rate (%)	TRY Equivalent
Principals and interest accruals on the short-term portion of long-term borrowings (*)			
TRY borrowings	-	9.19	107,684
EUR borrowings	-	2.73	181,330
			289,014

31 December 2020	Maturities	Annual average effective interest rate (%)	TRY Equivalent
Long-term bank borrowings (*)			
Bank loans			
TRY borrowings	4 October 2021 - 5 August 2025	9.19	784,802
EUR borrowings	20 September 2021 - 25 January 2023	2.73	180,147
			964,949

(*) Bearing fixed interest rate

31 December 2020	Maturities	Annual average effective interest rate (%)	TRY Equivalent
Borrowings from lease liabilities			
EUR borrowings	-	2.00	10,009
TRY borrowings	-	10.00	4,035
			14,044
Total long-term financial borrowings			978,993

As of 30 June 2021, the Group has not provided any guarantees for the borrowings (31 December 2020: None).

The movements of borrowings over the periods ended on 30 June 2021 and 2020 are as follows:

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE PERIOD ENDED 30 JUNE 2021

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

NOTE 6 - BORROWINGS (Continued)

	2021	2020
1 January	1,854,064	801,849
Borrowing received during the period	979,482	1,490,850
Cash outflows related to debt payments from leasing agreements	(4,936)	(5,481)
Lease liabilities for the first time adoption of TFRS 16	9,458	6,295
Principal payments	(979,603)	(663,995)
Change in interest accruals	11,477	12,328
Change in exchange rates	54,264	21,616
30 June	1,924,206	1,663,462

NOTE 7 - FINANCIAL INVESTMENT

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

NOTE 8 - DERIVATIVE FINANCIAL INSTRUMENTS

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

30 June 2021	Contract amount	Current period contract maturity	Fair value liabilities
Forward transactions	393,873	08 July 2021	(22)
Short-term derivative financial instruments	393,873		(22)
Total derivative financial instruments	393,873		(22)
31 December 2020	Contract amount	Current period contract maturity	Fair value assets
Forward transactions	691,263	07 January 2021- 29 January 2021	15,937
Short-term derivative financial instruments	691,263		15,937
Total derivative financial instruments	691,263		15,937

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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE PERIOD ENDED 30 JUNE 2021

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

NOTE 9 - TRADE RECEIVABLES AND PAYABLES

Trade receivables

	30 June 2021	31 December 2020
Trade receivables, net	743,597	699,074
Notes receivables, net	144,363	110,515
	887,960	809,589
Less: provision for doubtful receivables	(70,044)	61,524)
	817,916	748,065
Trade receivables from related parties (Note 22)	383,679	440,683
	1,201,595	1,188,748
Long-term trade receivables, net	381,031	130,567
	381,031	130,567

As of 30 June 2021, the average maturity of short-term trade receivables is between 60-90 days (excluding notes receivables) (31 December 2020: 60-90 days).

As of 30 June 2021 and 31 December 2020 the fair values of trade receivables approximate to their carrying values due to short term maturity of those receivables.

Guarantees received for trade receivables

Receivables of the Group are mainly composed of minibus and bus sales to dealers and trailer and armored vehicle sales. As of 30 June 2021, the total trade receivable from dealers amounting to TRY177,664 thousand (31 December 2020: TRY108,658 thousand), after provision provided for doubtful receivables, has been secured by mortgages and guarantees at the amount of TRY177,597 thousand (31 December 2020: TRY108,658 thousand).

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

30 June 2021	Trade receivables
1- 30 day past due	-
1- 3 month past due	-
3- 12 month past due	-
1- 5 year past due	-
Over 5 years past due	288
	288
Amount secured with guarantees	288

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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE PERIOD ENDED 30 JUNE 2021

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

NOTE 9 - TRADE RECEIVABLES AND PAYABLES (Continued)

31 December 2020	Trade receivables
1- 30 day past due	-
1- 3 month past due	-
3- 12 month past due	-
1- 5 year past due	-
Over 5 years past due	325
	325
Amount secured with guarantees	325

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 periods ended 30 June 2021 and 2020 are as follows:

	2021	2020
1 January	61,524	46,701
Collections	-	(587)
Exchange differences	311	260
Currency translation differences	8,209	6,395
30 June	70,044	52,769

Trade payables

	30 June 2021	31 December 2020
Trade payables, net	392,516	290,065
Notes payables, net	-	490
Short-term other trade payables	392,516	290,555
Trade payables to related parties (Note 22)	6,800	58,964
Short-term trade payables	399,316	349,519

As of 30 June 2021, average payment term for trade payables is 45-60 days (31 December 2020: 45-60 days).

As of 30 June 2021 and 31 December 2020, the fair values of trade payables approximate to their carrying values due to short-term maturity of those payables.

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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE PERIOD ENDED 30 JUNE 2021

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

NOTE 10 - INVENTORIES

	30 June 2021	31 December 2020
Raw material	485,587	535,169
Semi-finished goods	226,473	103,059
Finished goods	308,695	346,811
Merchandise goods	172,308	165,437
Goods in transit	230,240	206,825
Impairment for inventories (*)	(25,467)	(21,719)
	1,397,836	1,335,582

(*) TRY362 thousand of impairment is related to finished goods (31 December 2020: -) and TRY1,078 thousand is related to merchandises (31 December 2020: TRY862 thousand). TRY24,027 thousand of impairment (31 December 2020: TRY20,858 thousand) is related to raw materials. The impairment has been accounted for under cost of sales.

NOTE 11 - PROPERTY, PLANT AND EQUIPMENT

Movements of property, plant and equipment and related accumulated depreciation for the periods ended 30 June 2021 and 2020 is as follows:

	1 January 2021	Additions	Disposal	Transfers	Currency translation differences	30 June 2021
Cost						
Land	37,437	-	-	-	-	37,437
Land improvements	8,920	-	-	-	-	8,920
Buildings	60,781	653	-	341	-	61,775
Machinery and equipment	134,800	6,497	(572)	4,644	508	145,877
Motor vehicles	14,561	285	(452)	-	-	14,394
Furniture and fixtures	74,749	10,090	(214)	68	320	85,013
Leasehold improvements	1,132	20	-	-	-	1,152
Construction in areas	74,109	45,092	-	(5,053)	-	114,148
	406,489	62,637	(1,238)	-	828	468,716
Accumulated Depreciation						
Land improvements	(5,027)	(149)	-	-	-	(5,176)
Buildings	(48,582)	(660)	-	-	-	(49,242)
Machinery and equipment	(93,657)	(4,673)	572	-	(314)	(98,072)
Motor vehicles	(6,970)	(576)	126	-	-	(7,420)
Furniture and fixtures	(24,240)	(3,439)	142	-	(204)	(27,741)
	(999)	(34)	-	-	-	(1,033)
	(179,475)	(9,531)	840	-	(518)	(188,684)
Net book value	227,014					280,032

There is no mortgage on property, plant and equipment as of 30 June 2021 (31 December 2020: None).

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE PERIOD ENDED 30 JUNE 2021

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NOTE 11 - PROPERTY, PLANT AND EQUIPMENT (Continued)

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

The allocation of accumulated depreciation and amortisation for the periods ended 30 June 2021 and 2020 is as follows:

	30 June 2021	30 June 2020
Research and development expenses	36,685	34,615
Right of use of assets	4,936	6,144
Cost of goods sold	3,768	3,205
General administrative expenses	2,196	1,508
Depreciation on inventories	1,979	725
Costs related to uncompleted contracts	1,954	84
Selling and marketing expenses	557	473
Currency translation differences	518	302
	52,593	47,056

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NOTE 11 - PROPERTY, PLANT AND EQUIPMENT (Continued)

Right of use assets

The allocation of right of use assets for the periods ended 30 June 2021 and 2020 is as follows:

	30 June 2021	Buildings	Motor vehicles	Furniture and fixture	Total
Cost		21,369	23,911	665	45,945
Accumulated depreciation		(9,269)	(13,994)	(517)	(23,780)
		12,100	9,917	148	22,165
	30 June 2020	Buildings	Motor vehicles	Furniture and fixture	Total
Cost		20,585	16,687	491	37,763
Accumulated depreciation		(5,325)	(8,696)	(311)	(14,332)
		15,260	7,991	180	23,431

NOTE 12 - INTANGIBLE ASSETS

Movements of intangible assets and related accumulated amortisation for the periods ended 30 June 2021 and 2020 are as follows:

	1 January 2020	Additions	Currency translation differences	Disposals	Transfers	30 June 2020
Cost						
Other intangible assets	26,463	1,542	-	-	-	28,005
Development costs	574,432	-	-	-	6,716	581,148
Developments projects in progress	286,464	124,710	-	-	(6,716)	404,458
	887,359	126,252	-	-	-	1,013,611
Accumulated amortization						
Other intangible assets	(17,142)	(929)	-	-	-	(18,071)
Development costs	(369,490)	(36,679)	-	-	-	(406,169)
	(386,632)	(37,608)	-	-	-	(424,240)
Net book value	500,727					589,371

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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE PERIOD ENDED 30 JUNE 2021

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NOTE 12 - INTANGIBLE ASSETS (Continued)

	1 January 2020	Additions	Currency translation differences	Disposals	Transfers	30 June 2020
Cost						
Other intangible assets	21,821	1,778	-	-	-	23,599
Development costs	542,609	-	-	-	-	542,609
Developments projects in progress	123,643	85,814	-	-	-	209,457
	688,073	87,592	-	-	-	775,665
Accumulated amortization						
Other intangible assets	(14,693)	(1,143)	-	-	-	(15,836)
Development costs	(300,841)	(32,565)	-	-	-	(333,406)
	(315,534)	(33,708)	-	-	-	(349,242)
Net book value	372,539					426,423

NOTE 13 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

Short-term provisions

	30 June 2021	31 December 2020
Provision for warranty expenses	170,283	134,240
Provision for employee benefits	21,354	15,880
Provision for purchase costs	6,596	4,732
Litigation provisions	3,022	2,674
Other	105,915	76,705
	307,170	234,231

Provision for warranty expenses

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

As of 30 June 2021 and 2020, the tables which represent the position of guarantees, pledges and mortgages are as follows:

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

	2021	2020
1 January	134,240	77,897
Additional provision	68,110	41,809
Claim payments	(32,067)	(26,618)
30 June	170,283	93,088

Provision for employment termination benefits

	30 June 2021	31 December 2020
Provision for employment termination benefits	71,428	63,725
Provision for unused vacation	21,354	15,880
	92,782	79,605

Provision for employment termination benefits

The amount payable consists of one month's salary limited to a maximum of TRY7,638.96 in full for each year of service as of 30 June 2021 (31 December 2021: TRY7,117.17 in full).

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

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

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

	30 June 2021	31 December 2020
Net discount rate (%)	4.63	4.63
Turnover rate to estimate the probability of retirement (%)	97.83	97.80

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 TRY8,284.51 in full (1 January 2021: TRY7,638.96 in full), which is effective from 1 July 2021, has been taken into consideration in calculation of retirement benefit provision in the consulate.

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

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

	2021	2020
1 January	63,725	48,460
Interest expense	2,884	2,193
Charge for the period	5,108	6,737
Actuarial loss	1,558	2,484
Payments	(1,847)	(3,367)
30 June	71,428	56,507

Provision for unused vacation

The movements of provision for unused vacation are as follows:

	2021	2020
1 January	15,880	12,520
Charge for the period, net	5,474	2,897
30 June	21,354	15,417

Commitments and contingencies

As of 30 June 2021 and 31 December 2020, the tables which represent the position of guarantees, pledges and mortgages are as follows:

	30 June 2021	31 December 2020
a. Total amount of guarantees, pledges and mortgages given the name of legal entity	1,436,029	1,584,476
b. Total amount of guarantees, pledges and mortgages given in favour of the parties which are included in the scope of full consolidation	391,114	339,921
c. Total amount of guarantees, pledges and mortgages given to third parties for their liabilities in the purpose of conducting the ordinary operations	-	-
d. Total amount of other guarantees, pledges and mortgages	-	-
	1,827,143	1,924,397

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

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

	30 June 2021		31 December 2020	
	Original currency	TRY equivalent		Original currency
USD	103,374	899,885	147,855	1,085,331
EUR	60,417	626,195	58,823	529,870
TRY	203,893	203,894	191,425	191,425
RON	46,450	97,169	46,450	85,343
Chinese Yuan	-	-	29,000	32,428
		1,827,143		1,924,397

Guarantee letters

a) Guarantees given as of 30 June 2021 and 31 December 2020 are as follows:

	30 June 2021	31 December 2020
Bank letters of guarantee	1,448,839	1,924,397
	1,448,839	1,924,397

b) Guarantees received as of 30 June 2021 and 31 December 2020 are as follows:

	30 June 2021	31 December 2020
Bank letters of guarantee	446,643	443,378
Guarantee notes	12,687	12,619
Mortgages received	20	20
Guarantee checks	-	270
	459,350	456,287

Contingent assets

The legal case related to tax deduction for the research and development activities in 2011-2012-2013-2014 and 2015 was concluded in favor of the Group and the same cases is still in progress at appeal phase. The appeal process ended in favor of the Group for 2011-2012-2013-2014 but the decision has been requested by the administration for correction. The appeal process is still in progress for 2015.

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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE PERIOD ENDED 30 JUNE 2021

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

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

a) Prepaid expenses

Prepaid expenses – short-term

	30 June 2021	31 December 2020
Prepaid expenses	20,468	19,444
	20,468	19,444

Prepaid expenses – long-term

	30 June 2021	31 December 2020
Advances given	11,196	9,092
	11,196	9,092

b) Other current assets

	30 June 2021	31 December 2020
Value added tax receivables	68,832	96,884
Other	4,463	3,765
	73,295	100,649

c) Liabilities arising from customer contracts

Liabilities arising from customer contracts - short-term

	30 June 2021	31 December 2020
Advances received	631,568	508,165
Deferred maintenance revenues	47,706	28,750
Other	-	1,797
	679,274	538,712

Liabilities arising from customer contracts - long-term

	30 June 2021	31 December 2020
Deferred maintenance revenues	195,187	155,116
	195,187	155,116

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

d) Employee benefits obligation

	30 June 2021	31 December 2020
Social security payables	12,407	14,802
Payables to employees	5,185	22,978
Taxes and funds payable	3,606	13,367
	21,198	51,147

e) Other current liabilities

	30 June 2021	31 December 2020
Taxes and funds payable	1,155	25,370
Deferred special consumption tax	292	418
Payables to shareholders	174	147
Other	1,222	1,162
	2,843	27,097

NOTE 15 - REVENUE AND COST OF SALES

Net sales	1 January - 30 June 2021	1 April - 30 June 2021	1 January - 30 June 2020	1 April - 30 June 2020
Domestic sales	671,878	292,254	271,715	103,956
Export sales	1,199,133	695,972	871,513	576,483
Gross sales	1,871,011	988,226	1,143,228	680,439
Less: sales discounts and returns	(11,122)	(5,579)	(6,980)	(2,980)
Net sales	1,859,889	982,647	1,136,248	677,459

Sales of the Group for the periods ended 30 June 2021 and 2020 in terms of the products are as follows:

	1 January - 30 June 2021	1 April - 30 June 2021	1 January - 30 June 2020	1 April - 30 June 2020
Commercial vehicle	789,420	339,440	456,361	231,424
Armored vehicle	830,024	507,518	551,785	388,744
Other sales (*)	240,445	135,689	128,102	57,291
	1,859,889	982,647	1,136,248	677,459

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

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE PERIOD ENDED 30 JUNE 2021

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

NOTE 15 - REVENUE AND COST OF SALES (Continued)

Cost of sales

	1 January - 30 June 2021	1 April - 30 January 2021	1 January - 30 June 2020	1 April - 30 June 2020
Cost of finished goods sold	(1,143,354)	(553,434)	(641,794)	(353,777)
Cost of merchandise goods sold	(46,216)	(39,397)	(55,338)	(35,051)
Cost of sales	(1,189,570)	(592,831)	(697,132)	(388,828)

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

	1 January - 30 June 2021	1 April - 30 January 2021	1 January - 30 June 2020	1 April - 30 June 2020
Sales and marketing expenses	(229,128)	(112,282)	(140,184)	(62,873)
General administrative expenses	(85,678)	(44,265)	(61,788)	(28,694)
Research and development expenses	(38,096)	(19,586)	(35,558)	(18,216)
	(352,902)	(176,133)	(237,530)	(109,783)

NOTE 17 - OTHER OPERATING INCOME AND EXPENSES

	1 January 30 June 2021	1 April 30 June 2021	1 January 30 June 2020	1 April 30 June 2020
Other operating income				
Foreign exchange gains on operating activities	241,320	119,740	162,786	67,501
Gain on forward transactions	29,059	9,312	25,457	16,398
Revenue from charge of due date receivables	23,203	14,691	4,386	1,572
Incentives income	239	120	157	78
Other income	9,663	4,347	15,706	7,774
	303,484	148,210	208,492	93,323
Other operating expenses				
Foreign exchange loss on operating activities	(168,660)	(93,961)	(151,977)	(55,239)
Loss on forward transactions	(39,059)	(4,312)	(24,630)	(17,308)
Provision for doubtful receivables	(8,209)	(3,573)	(6,395)	(2,980)
Expected credit losses related to trade receivables	(869)	(701)	(2,219)	(403)
Other expense	(999)	(556)	(3,615)	-
	(217,796)	(103,103)	(188,836)	(75,930)

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE PERIOD ENDED 30 JUNE 2021

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

NOTE 18 - FINANCIAL INCOME

	1 January - 30 June 2021	1 April - 30 June 2021	1 January - 30 June 2020	1 April - 30 June 2020
Foreign exchange gains on bank borrowings	26,247	10,217	17,621	8,747
Foreign exchange gains on deposits	23,017	3,392	14,357	10,858
Interest income from time deposits	7,452	2,008	658	-
	56,716	15,617	32,636	19,605

NOTE 19 - FINANCIAL EXPENSES

	1 January - 30 June 2021	1 April - 30 June 2021	1 January - 30 June 2020	1 April - 30 June 2020
Interest expense on bank borrowings	(72,004)	(36,722)	(53,759)	(37,225)
Foreign exchange losses on bank borrowings	(61,716)	(25,132)	(19,733)	(9,864)
Foreign exchange losses on deposits	(20,683)	(11,103)	(4,691)	(3,702)
Other	(1,693)	(1,224)	(7,641)	(4,281)
	(156,096)	(74,181)	(85,824)	(55,072)

NOTE 20 - TAX ASSETS AND LIABILITIES

In Turkey, the corporation tax rate is 25% (2020: 22%). Corporate tax returns are required to be filed by the twenty-fifth day of the fourth month following the balance sheet date and taxes must be paid in one installment by the end of the fourth month. The tax legislation provides for a temporary tax of 25% to be calculated and paid based on earnings generated for each quarter. The amounts thus calculated and paid are offset against the final corporate tax liability for the year.

As of 30 June 2021 and 31 December 2020, income tax payables are presented net of prepaid taxes in the balance sheet as follows:

	30 June 2021	31 December 2020
Income tax payable	273	685
Prepaid taxes (-)	(273)	(685)
Period profit tax liability/(asset)	-	-

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE PERIOD ENDED 30 JUNE 2021

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

NOTE 20 - TAX ASSETS AND LIABILITIES (Continued)

The breakdown of total tax expense for the periods ended 30 June 2021 and 2020 are as follows:

	1 January - 30 June 2021	1 January - 30 June 2020
Current tax charge	-	-
Deferred tax income / expense reflected in profit or loss		
Charged to profit for the period	39,041	(36,484)
Charged to other comprehensive income	312	547
	39,353	(35,937)

As of 30 June 2021 and 31 December 2020, the breakdown of deferred tax bases and deferred tax liability computed using the current effective tax rates are as follows:

	Cumulative temporary differences		Deferred tax assets / (liability)	
	30 June 2021	31 December 2020	30 June 2021	31 December 2020
Property, plant and equipment	(46,418)	(42,416)	(5,802)	(5,002)
Intangible assets	(84,953)	(98,580)	(16,991)	(19,716)
Deferred financial expenses	(1,276)	(2,620)	(319)	(576)
Inventories	26,342	24,375	6,542	5,309
Provision for warranty expense	170,283	134,240	42,571	26,527
Provision for employment termination benefits	71,428	63,725	17,857	12,745
Deferred financial income	85,672	16,098	21,418	3,542
Provisions for unused vacation	21,354	15,880	5,339	3,494
Other provisions	89,761	59,182	22,440	11,836
Deferred maintenance income	163,592	132,143	41,433	30,495
Investment incentives (*)	1,828	32,787	1,828	32,787
Other	(4,529)	(31,401)	(678)	(5,156)
Deferred tax assets, net			135,638	96,285

(*) 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 TRY447,596 thousand was issued for the modernization investment envisaged to be made in the next 4 years.

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE PERIOD ENDED 30 JUNE 2021

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NOTE 20 - TAX ASSETS AND LIABILITIES (Continued)

The movement of deferred tax asset for the periods ended 30 June 2021 and 2020 are as follows:

	1 January - 30 June 2021	1 January - 30 June 2020
1 January		
	96,285	101,997
Deferred tax income charged to profit or loss and other comprehensive income for the period		
- Charged to profit for the period	39,041	(36,484)
- Charged to other comprehensive income	312	547
30 June	135,638	66,060

NOTE 21 - EARNINGS PER SHARE

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

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

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

	30 June 2021	30 June 2020
Net profit/(loss) for the period	396,504	172,317
Weighted average number of issued shares	24,000,000,000	24,000,000,000
Earnings per share (KR)	1.652	0,718

NOTE 22 - RELATED PARTY DISCLOSURES

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

i) Due from and due to related party balances as of 30 June 2021 and 31 December 2020

Due from related parties	30 June 2021	31 December 2020
Al Jasoor Heavy Vehicle Industry LLC (3) (*)	271,752	175,866
Ram Dış Ticaret A.Ş. (1) (**)	111,918	264,814
Other (1)	9	3
	383,679	440,683

(*) 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.

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

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NOTE 22 - RELATED PARTY DISCLOSURES (Continued)

Due to related parties	30 June 2021	31 December 2020
Ram Dış Ticaret A.Ş. (1)	1,796	11,661
Otokoç Otomotiv Tic. ve San. A.Ş. (1)	1,199	1,135
Ram Sigorta Aracılık Hiz. A.Ş. (1)	983	-
Setur Servis Turistik A.Ş. (1)	747	874
Koç Holding A.Ş. (2)	688	15,833
Zer Merkezi Hizmetler A.Ş. (1)	363	8,689
Opet Fuchs Madeni Yağ A.Ş. (1)	299	1,190
Akpa Dayanıklı Tük.Paz. A.Ş. (1)	253	-
Ford Otosan A.Ş. (2)	158	1,418
Other (1)	314	18,164
	6,800	58,964

(1) Related parties of the parent company

(2) Shareholder

(3) Joint venture

Advances received from related parties	30 June 2021	31 December 2020
Al Jasoor Heavy Vehicle Industry LLC (3) (*)	191,480	336,848
	191,480	336,848

(*) 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:

	1 January 30 June 2021	1 April 30 June 2021	1 January 30 June 2020	1 April 30 June 2020
Sales of products and services				
Al Jasoor Heavy Vehicle Industry LLC (3)	770,504	535,899	556,523	384,088
Ram Dış Ticaret A.Ş. (1) (*)	137,725	20,262	12,357	3,182
Other (1)	139	2	42	22
	908,368	556,163	568,922	387,292

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

	1 January 30 June 2021	1 April 30 June 2021	1 January 30 June 2020	1 April 30 June 2020
Fixed asset purchases				
Ark İnşaat A.Ş. (1)	5,570	2,514	-	-
Koç Sistem Bilgi ve İletişim Hiz. A.Ş (1)	4,319	4,105	2,603	1,691
Otokoç Otomotiv Tic. Ve San. A.Ş. (1)	285	-	-	-
Other (1)	217	120	108	11
	10,391	6,739	2,711	1,702

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NOTE 22 - RELATED PARTY DISCLOSURES (Continued)

	1 January 30 June 2021	1 April 30 June 2021	1 January 30 June 2020	1 April 30 June 2020
Inventory purchases				
Zer Merkezi Hizmetler ve Ticaret A.Ş. (1)	26,694	15,844	17,030	8,606
Ford Otosan A.Ş. (2)	17,168	3,390	659	16
Ram Dış Ticaret A.Ş. (1)	3,367	2,334	3,808	1,884
Opet Fuchs Madeni Yağ A.Ş. (1)	2,585	1,814	1,848	675
Opet Petrolcülük A.Ş.(1)	1,492	857	1,251	470
Akpa Dayanıklı Tük.Paz. A.Ş. (1)	1,310	634	1,032	393
Other (1)	425	188	53	6
	53,041	25,061	25,681	12,050

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

	1 January 30 June 2021	1 April 30 June 2021	1 January 30 June 2020	1 April 30 June 2020
Service purchases				
Ram Sigorta Aracılık Hz. A.Ş.(1)(**)	8,528	749	5,601	287
Ram Dış Ticaret A.Ş.(1)	7,653	2,361	11,221	8,402
Otokoç Otomotiv Tic. ve San. A.Ş.(1)	5,747	3,114	3,888	1,979
Ark İnşaat A.Ş. (1)	3,167	-	-	-
Eltek Elektrik Enerji İth.İhr.Top.Tic. A.Ş. (1)	4,124	1,559	3,176	988
Koç Sistem Bilgi ve İletişim Hiz. A.Ş. (1)	3,951	1,457	3,858	1,759
Koç Holding A.Ş. (2) (*)	2,593	1,403	2,503	1,598
Setur Servis Turistik A.Ş.(1)	2,533	1,585	2,194	130
Other (1)	2,748	1,593	1,569	915
	41,044	13,821	34,010	16,058

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

(**) It includes paid and accrued premium as of 30 June 2021 and 31 December 2020 in accordance with insurance policies signed between insurance companies via Ram Sigorta Aracılık Hizmetleri A.Ş. which is an insurance agency.

Bank deposits	30 June 2021	31 December 2020
Yapı ve Kredi Bankası A.Ş. (1)		
- Time deposits	3,830	44,161
- Demand deposits	30	16
	3,860	44,177

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NOTE 22 - RELATED PARTY DISCLOSURES (Continued)

Checks and notes in collection	30 June 2021	31 December 2020
Yapı ve Kredi Bankası A.Ş. (1)	141,620	141,531
	141,620	141,531

(1) Related parties of the parent company

(2) Shareholder

For the periods ended 30 June 2021 and 2020, financial income and expense with related parties are as follows:

	1 January 30 June 2021	1 April 30 June 2021	1 January 30 June 2020	1 April 30 June 2020
Trade receivables and payables foreign exchange gains				
Ram Dış Ticaret A.Ş. (1)	88,242	70,214	46,203	(8,007)
Al Jasoor Heavy Vehicle Industry LLC (3)	-	-	223	210
Zer Merkezi Hizmetler ve Ticaret A.Ş.	219	3	32	26
Other (1)	117	39	2	2
	88,578	70,256	46,460	(7,769)

	1 January 30 June 2021	1 April 30 June 2021	1 January 30 June 2020	1 April 30 June 2020
Trade receivables and payables foreign exchange expenses				
Ram Dış Ticaret A.Ş. (1)	102,410	79,025	42,422	1,206
Zer Merkezi Hizmetler ve Ticaret A.Ş. (1)	613	385	325	228
Other (1)	110	104	103	74
	103,133	79,514	42,850	1,508

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NOTE 22 - RELATED PARTY DISCLOSURES (Continued)

For the periods ended 30 June 2021 and 2020, financial income and expense with related parties are as follows:

	1 January 30 June 2021	1 April 30 June 2021	1 January 30 June 2020	1 April 30 June 2020
Interest income				
Yapı ve Kredi Bankası A.Ş. (1)	1,420	8	1,122	590
	1,420	8	1,122	590

(1) Related parties of the parent company

	1 January 30 June 2021	1 April 30 June 2021	1 January 30 June 2020	1 April 30 June 2020
Interest expense				
Yapı ve Kredi Bankası A.Ş. (1)	6,511	4,389	7,290	6,363
	6,511	4,389	7,290	6,363

	1 January 30 June 2021	1 April 30 June 2021	1 January 30 June 2020	1 April 30 June 2020
Foreign exchange income				
Yapı ve Kredi Bankası A.Ş. (1)	9,918	7,189	6,670	3,084
	9,918	7,189	6,670	3,084

	1 January 30 June 2021	1 April 30 June 2021	1 January 30 June 2020	1 April 30 June 2020
Foreign exchange expenses				
Yapı ve Kredi Bankası A.Ş. (1)	7,541	5,004	2,515	2,209
	7,541	5,004	2,515	2,209

(1) Related parties of the parent company

Benefits provided to senior executives

For the period ended 30 June 2021, the total amount of benefits provided to senior management is TRY5,583 thousand (30 June 2020: TRY4,666 thousand).

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

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

a) Foreign currency risk and related sensitivity analysis

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

30 June 2021	TRY equivalent (functional currency))	USD	EUR	GBP
1. Trade receivables	666,663	41,332	29,594	11
2a. Monetary financial assets (including cash, bank accounts)	343,567	17,112	18,776	-
2b. Non-monetary financial assets	-	-	-	-
3. Other	17	2	-	-
4. Current assets (1+2+3)	1,010,247	58,446	48,370	11
5. Trade receivables	-	-	-	-
6a. Monetary financial assets	-	-	-	-
6b. Non-monetary financial assets	-	-	-	-
7. Other	-	-	-	-
8. Non-current assets (5+6+7)	-	-	-	-
9. Total assets (4+8)	1,010,247	58,446	48,370	11
10. Trade payables	(237,580)	(16,858)	(8,768)	4
11. Financial liabilities	(208,700)	-	(20,136)	-
12a. Monetary other liabilities	(436,360)	(28,649)	(18,039)	-
12b. Non-monetary other liabilities	-	-	-	-
13. Current liabilities (10+11+12)	(882,640)	(45,507)	(46,943)	4
14. Trade payables	-	-	-	-
15. Financial liabilities	(208,907)	-	(20,156)	-
16a. Monetary other liabilities	-	-	-	-
16b. Non-monetary other liabilities	-	-	-	-
17. Non-current liabilities (14+15+16)	(208,907)	-	(20,156)	-
18. Total liabilities (13+17)	(1,091,547)	(45,507)	(67,099)	4
Net balance sheet position (9+18)	(81,300)	12,939	(18,729)	15
19. Net asset/(liability) position of off-balance sheet derivative instruments (19a-19b)	83,114	(13,074)	19,000	-
19a. Hedged total assets amount	196,926	-	19,000	-
19b. Hedged total liabilities amount	(113,812)	(13,074)	-	-
20. Net foreign currency asset/(liability) position (9+18+19)	1,814	(135)	271	15
21. Net foreign currency asset/(liability) position of monetary items (=1+2a+5+6a- 10-11-12a-14-15-16a)	(81,317)	12,937	(18,729)	15
22. Total fair value of financial instruments used for foreign currency hedging	22	(202)	-	224
23. Export (As of 30 June 2021)	1,189,539	116,301	27,463	20
24. Import (As of 30 June 2021)	434,265	20,018	28,540	349

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE PERIOD ENDED 30 JUNE 2021

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

31 December 2020	TRY equivalent (functional currency)	USD	EUR	GBP
1. Trade receivables	931,704	70,677	45,832	5
2a. Monetary financial assets (including cash, bank accounts)	95,319	5,798	5,857	-
2b. Non-monetary financial assets	-	-	-	-
3. Other	15	2	-	-
4. Current assets (1+2+3)	1,027,038	76,477	51,689	5
5. Trade receivables	-	-	-	-
6a. Monetary financial assets	-	-	-	-
6b. Non-monetary financial assets	-	-	-	-
7. Other	-	-	-	-
8. Non-current assets (5+6+7)	-	-	-	-
9. Total assets (4+8)	1,027,038	76,477	51,689	5
10. Trade payables	(140,738)	(14,070)	(4,113)	(41)
11. Financial liabilities	(181,329)	-	(20,130)	-
12a. Monetary other liabilities	(252,892)	(19,100)	(12,510)	-
12b. Non-monetary other liabilities	-	-	-	-
13. Current liabilities (10+11+12)	(574,959)	(33,170)	(36,753)	(41)
14. Trade payables	-	-	-	-
15. Financial liabilities	(180,149)	-	(19,999)	-
16a. Monetary other liabilities	-	-	-	-
16b. Non-monetary other liabilities	-	-	-	-
17. Non-current liabilities (14+15+16)	(180,149)	-	(19,999)	-
18. Total liabilities (13+17)	(755,108)	(33,170)	(56,752)	(41)
Net balance sheet position (9+18)	271,930	43,307	(5,063)	(36)
19. Net asset/(liability) position of off-balance sheet derivative instruments((19a-19b)	(337,663)	(46,000)	-	-
19a. Hedged total assets amount	-	-	-	-
19b. Hedged total liabilities amount	(337,663)	(46,000)	-	-
20. Net foreign currency asset/(liability) position (9+18+19)	(65,733)	(2,693)	(5,063)	(36)
21. Net foreign currency asset/(liability) position of monetary items (=1+2a+5+6a-10-11-12a-14-15-16a)	271,915	43,305	(5,063)	(36)
22. Total fair value of financial instruments used for foreign currency hedging	(15,937)	(15,937)	-	-
23. Export (As of 30 June 2020)	866,890	86,659	39,056	9
24. Import (As of 30 June 2020)	450,413	29,723	35,785	478

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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE PERIOD ENDED 30 JUNE 2021

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

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

The following table demonstrates the sensitivity to a possible change of 10% in the USD, Euro and GBP exchange rates, with all other variables held constant, on the Group's income before tax as of 30 June 2021 and 31 December 2020:

30 June 2021	Profit before tax Appreciation Foreign currency	Profit before tax Depreciation Foreign currency
<i>In case 10% appreciation of USD against TRY:</i>		
1- USD net asset/liability	(118)	118
2- Amount hedged for USD risk (-)	-	-
3- USD net effect (1+2)	(118)	118
<i>In case 10% appreciation of EUR against TRY:</i>		
4- EUR net asset/liability	281	(281)
5- Amount hedged for EUR risk (-)	-	-
6- EUR net effect (4+5)	281	(281)
<i>In case 10% appreciation of GBP against TRY:</i>		
7- GBP net asset/liability	18	(18)
8- Amount hedged for GBP risk (-)	-	-
9- GBP net effect (7+8)	18	(18)
Total (3+6+9)	181	(181)

31 December 2020	Profit before tax Appreciation Foreign currency	Profit before tax Depreciation Foreign currency
<i>In case 10% appreciation of USD against TRY:</i>		
1- USD net asset/liability	(1,977)	1,977
2- Amount hedged for USD risk (-)	-	-
3- USD net effect (1+2)	(1,977)	1,977
<i>In case 10% appreciation of EUR against TRY:</i>		
4- EUR net asset/liability	(4,561)	4,561
5- Amount hedged for EUR risk (-)	-	-
6- EUR net effect (4+5)	(4,561)	4,561
<i>In case 10% appreciation of GBP against TRY:</i>		
7- GBP net asset/liability	(36)	36
8- Amount hedged for GBP risk (-)	-	-
9- GBP net effect (7+8)	(36)	36
Total (3+6+9)	(6,574)	6,574

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NOTE 24 - FINANCIAL INSTRUMENTS

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

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

The following table presents the Group's assets that are measured at fair value at 30 June 2021 and 31 December 2020:

30 June 2021

Liabilities	Level 1	Level 2	Level 3	Total
Derivative financial instruments	-	22	-	22
	-	22	-	22

31 December 2020

Assets	Level 1	Level 2	Level 3	Total
Derivative financial instruments	-	15,937	-	15,937
	-	15,937	-	15,937

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

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

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

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

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NOTE 24 - FINANCIAL INSTRUMENTS (Continued)

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

NOTE 25 - SUBSEQUENT EVENTS

None.

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