

**OTOKAR OTOMOTİV VE SAVUNMA  
SANAYİ ANONİM ŞİRKETİ**

**CONVENIENCE TRANSLATION INTO ENGLISH OF  
CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2022  
(ORIGINALLY ISSUED IN TURKISH)**

(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, 2022, 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, 2022, 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) Other matter

The consolidated financial statements of the Group for the year ended December 31, 2021 which was prepared in accordance with Turkish Auditing Standards as issued by the Public Oversight Accounting and Auditing Standards Authority of Turkey, were audited by another audit firm, who has expressed an unmodified opinion on those statements on February 4, 2022.

#### 4) 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.



**EY**

Building a better  
working world

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

Key audit matter	Audit procedures in relation to key audit matter
<p data-bbox="229 690 547 723"><b>Inventory impairment</b></p> <p data-bbox="229 761 893 863">This has been identified as a key audit matter, as the provisions for impairment in inventory contains significant estimates.</p> <p data-bbox="229 901 893 1072">As of December 31, 2022, the Group has an inventory amounting to TRY 3,869,853 thousand and there is an allowance amounting TRY 40,785 thousand on its inventories. Explanations on inventories are disclosed in Note 2.4 and Note 10.</p>	<p data-bbox="920 761 1590 863">The following procedures have been applied to audit the amount of impairment of provision for inventories:</p> <ul data-bbox="920 901 1590 1482" style="list-style-type: none"><li data-bbox="920 901 1590 970">· Understanding of the accounting policy regarding the inventory impairment provision,</li><li data-bbox="920 1009 1590 1077">· Comparison of inventory turnover with the previous year,</li><li data-bbox="920 1116 1590 1217">· Observing whether there are inventories that have not moved for a long time or are damaged in the year-end inventory counts,</li><li data-bbox="920 1256 1590 1358">· Evaluation of the reasonableness of the provision amount allocated by the Group during the year,</li><li data-bbox="920 1396 1590 1482">· Evaluation of the adequacy of disclosures on impairment of inventories and inventories to TFRS.</li></ul>

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

<b>Trade receivables recoverability and impairment</b>	
<p>Trade receivables are considered as a significant balance sheet item since they represent 35% 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.</p> <p>As of December 31, 2022, there is impairment amounting to TRY 133,855 thousand on trade receivables amounting to TRY 4,890,970 thousand in the statement of consolidated financial position.</p> <p>Due to the size of the amounts and the reasoning required in the assessment of collectability of trade receivables and TFRS 9's applications are complex and comprehensive; the existence and collectability of trade receivables are considered as the key audit matter.</p> <p>Explanations on trade receivables are disclosed in Note 8.</p>	<p>The following procedures have been applied to audit the amount of provision for trade receivables:</p> <ul style="list-style-type: none"> <li>· Evaluation of the Group's trade receivable process related to collections,</li> <li>· Analytical analysis of the receivable aging tables and comparison of the trade receivable collection ratio with the previous year,</li> <li>· Testing of trade receivable balances by sending confirmation letters via sample,</li> <li>· Testing of subsequent collections made in the following period by sampling method,</li> <li>· Testing of the collaterals received for the receivables through sampling and evaluating of the convertible ability of cash,</li> <li>· Evaluation of the compliance of the accounting policies applied to TFRS 9, the Group's past history performance, local and global practices,</li> <li>· 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,</li> <li>· Evaluation of the adequacy of disclosures on impairment of trade receivables and trade receivables to TFRS.</li> </ul>

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

<b>Provision for warranty expenses</b>	
<p>As explained in Note 15, the Group has provision for warranty expenses amounting to TRY 345,980 thousand as of December 21, 2022.</p> <p>We focused on this matter during our audit for the reasons below;</p> <ul style="list-style-type: none"> <li>a) the amount of the provision for warranty expenses balance is material in the consolidated financial statements.</li> <li>b) the provisions for warranty expenses is calculated per vehicle, depending on certain assumptions such as the probable warranty claims per vehicle and foreign exchange rates. Changes in such as assumptions may affect the consolidated financial statements.</li> </ul>	<p>We performed the following audit procedures to test reasonableness of the provision for warranty expenses:</p> <ul style="list-style-type: none"> <li>-We review Group's assumptions and inputs in establishing the accounting estimates used</li> <li>-We tested the remaining warranty period per vehicle as follows: <ul style="list-style-type: none"> <li>• Group management provided us with the provisions for warranty expenses calculation. We checked the number of vehicles sold subject to the warranty calculation and tested the invoices of the vehicles sold in current period by using the sampling method.</li> <li>• We tested the mathematical accuracy of the remaining warranty period calculated for each vehicle sold by recalculation.</li> </ul> </li> <li>-We tested the provision for warranty per vehicle estimated using the current and previous years actual warranty expenses as stated below: <ul style="list-style-type: none"> <li>• We compared the consistency of the actual warranty expenses with the Group management's past estimations and assumptions.</li> <li>• The Group calculates the current year's provision for warranty expense per vehicle in hard currency based on the actual warranty expenses realized in the current and previous periods taking into consideration the changes in foreign exchange rate. We assessed the reasonableness of the provision for warranty expense taking into account the actual warranty and fluctuations in the foreign exchange rate and compared this amount with the provision for warranty expense calculated by the Group.</li> <li>• We tested the Group's actual warranty expenses for the current period using by sampling method.</li> </ul> </li> </ul>

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

<b>Capitalized development costs</b>	
<p>The Group capitalizes research and development costs for increasing efficiency and capacity of the automobile production or decreasing production costs.</p> <p>Detailed in Note 13 to the accompanying consolidated financial statements, capitalized development costs on consolidated financial statements as of December 31, 2022 is significant for our audit due to variety of nature of costs and management judgments involved in the capitalization process.</p>	<p>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.</p> <p>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&amp;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.</p> <p>Furthermore, we assessed the appropriateness of the disclosures in the consolidated financial statements in Note 13, intangible assets, in terms of TFRS.</p>

**5) 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.

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

**6) 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.

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

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 January 31, 2023.
- 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 2022 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 Ülgen, SMMM  
Partner

31 January 2023  
Istanbul, Turkey



**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 2022**

<b>CONTENT</b>	<b>PAGE</b>
<b>CONSOLIDATED BALANCE SHEETS.....</b>	<b>1-2</b>
<b>CONSOLIDATED STATEMENTS OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME.....</b>	<b>3</b>
<b>CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY.....</b>	<b>4</b>
<b>CONSOLIDATED STATEMENTS OF CASH FLOWS .....</b>	<b>5</b>
<b>NOTES TO CONSOLIDATED FINANCIAL STATEMENTS .....</b>	<b>6-72</b>

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 2022 AND 2021

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

	Notes	(Audited) 31 December 2022	(Audited) 31 December 2021
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	4	1,671,457	644,857
Financial investments	11	60,000	-
Trade receivables	8	4,159,008	1,761,233
<i>Due from related parties</i>	27	1,631,795	533,242
<i>Due from other parties</i>	8	2,527,213	1,227,991
Other receivables	9	906	1,212
Inventories	10	3,869,853	1,426,393
Derivative financial instruments	7	2,450	51
Prepaid expenses	17	123,213	20,045
Other current assets	17	725,028	106,634
<b>Total current assets</b>		<b>10,611,915</b>	<b>3,960,425</b>
<b>Non-current assets</b>			
Trade receivables	8	731,962	421,129
Other receivables	9	5,257	4,474
Investments accounted for using the equity method	5	241,054	182,459
Financial investments	11	11,431	144
Property, plant and equipment	12	723,360	396,704
Right of use assets	12	39,948	33,946
Intangible assets	13	1,234,061	739,375
Deferred income tax asset	25	437,650	234,424
Prepaid expenses	17	72,265	16,446
Other non-current assets	17	43,472	-
<b>Total non-current assets</b>		<b>3,540,460</b>	<b>2,029,101</b>
<b>Total assets</b>		<b>14,152,375</b>	<b>5,989,526</b>

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 2022 AND 2021**

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

	Notes	(Audited) 31 December 2022	(Audited) 31 December 2021
<b>Liabilities</b>			
<b>Current liabilities</b>			
Short-term borrowings	6	5,137,400	473,279
<i>Bank loans</i>	6	5,106,361	455,503
<i>Short-term lease liabilities</i>	6	31,039	17,776
Short-term portion of long-term borrowings	6	1,109,411	644,014
<i>Bank Loans</i>	6	1,109,411	644,014
Trade Payables	8	2,217,223	554,860
<i>Due to related parties</i>	27	220,240	70,714
<i>Due to other parties</i>	8	1,996,983	484,146
Employee benefit obligations	17	197,429	67,060
Other payables	9	27,863	46,547
Liabilities from customer contracts	17	537,323	602,791
Government promotion and subsidies	14	1,963	16,572
Short-term provisions	15	735,797	440,523
<i>Provisions for employee benefits</i>	16	49,288	20,705
<i>Other provisions</i>	15	686,509	419,818
Other current liabilities	17	33,492	6,688
<b>Total current liabilities</b>		<b>9,997,901</b>	<b>2,852,334</b>
<b>Non-current liabilities</b>			
Long-term borrowings	6	1,300,613	1,261,164
<i>Bank loans</i>	6	1,252,064	1,233,360
<i>Long-term lease liabilities</i>	6	48,549	27,804
Government promotion and subsidies	14	12,364	11,283
Long-term provisions	16	314,077	89,427
<i>Provisions for employee benefits</i>	16	314,077	89,427
Liabilities from customer contracts	17	424,440	278,783
<b>Total non-current liabilities</b>		<b>2,051,494</b>	<b>1,640,657</b>
<b>Total liabilities</b>		<b>12,049,395</b>	<b>4,492,991</b>
<b>Equity</b>			
Paid-in share capital	18	24,000	24,000
Inflation adjustment on share capital	18	52,743	52,743
Restricted reserves	18	183,398	133,530
Accumulated other comprehensive income and expense that will not be reclassified to statement of profit or loss	18	(139,244)	(12,925)
<i>Defined benefit plans remeasurement losses</i>	18	(139,244)	(12,925)
Accumulated other comprehensive income and expense that may be reclassified to statement of profit or loss		(216,453)	(210,099)
<i>Currency translation differences</i>		(216,453)	(210,099)
Retained earnings	18	959,418	467,762
Net profit for the period	18	1,239,118	1,041,524
<b>Total equity</b>		<b>2,102,980</b>	<b>1,496,535</b>
<b>Total liabilities and equity</b>		<b>14,152,375</b>	<b>5,989,526</b>

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 2022 AND 2021**

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

	Notes	(Audited) 1 January - 31 December 2022	(Audited) 1 January - 31 December 2021
Net Sales	19	9,603,737	4,508,874
Cost of sales (-)	19	(6,559,813)	(2,792,189)
<b>GROSS PROFIT</b>		<b>3,043,924</b>	<b>1,716,685</b>
Marketing expenses (-)	20	(1,338,197)	(596,356)
General administrative expenses (-)	20	(482,636)	(202,991)
Research and development expenses (-)	20	(159,204)	(109,841)
Other operating income	22	1,401,571	976,660
Other operating expenses (-)	22	(772,568)	(708,619)
<b>OPERATING PROFIT</b>		<b>1,692,890</b>	<b>1,075,538</b>
Income from investing activities		4,519	1,432
Share of profit/loss of investments accounted for using the equity method, net	5	185,279	107,451
<b>OPERATING INCOME BEFORE FINANCIAL EXPENSES</b>		<b>1,882,688</b>	<b>1,184,421</b>
Financial income	23	247,620	223,298
Financial expense (-)	24	(1,053,467)	(503,173)
<b>PROFIT BEFORE TAX</b>		<b>1,076,841</b>	<b>904,546</b>
<b>Tax income/(expense) from continued operations</b>			
Current tax expense (-)	25	(9,369)	(827)
Deferred tax income	25	171,646	137,805
<b>PROFIT/LOSS FOR THE PERIOD</b>		<b>1,239,118</b>	<b>1,041,524</b>
<b>Items that will not be reclassified to statement of profit or loss</b>			
Remeasurement (losses)/gains	16	(157,899)	(1,670)
Deferred tax income/(expense)	25	31,580	334
<b>Items that may be reclassified to statement of profit or loss</b>			
Currency translation differences of investments accounted for using the equity method	5	76,626	92,558
Currency translation differences		(82,980)	(243,551)
<b>Other comprehensive income</b>		<b>(132,673)</b>	<b>(152,329)</b>
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>1,106,445</b>	<b>889,195</b>
<b>Earnings per share (Kr)</b>	<b>26</b>	<b>5.163</b>	<b>4.340</b>

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 CHANGES IN EQUITY FOR THE PERIODS 1 JANUARY - 31 DECEMBER 2022 AND 2021**

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

	Paid in share capital	Inflation adjustments	Restricted reserves	Accumulated other comprehensive income and expense that will not be reclassified to statement of profit or loss Remeasurement profits (losses) on defined benefit plans	Accumulated other comprehensive income and expense that may be reclassified to statement of profit or loss Currency translation differences	Retained earnings	Net income for the period	Total equity
<b>1 January 2021 – 31 December 2021</b>								
<b>Beginning of the period</b>	<b>24,000</b>	<b>52,743</b>	<b>93,650</b>	<b>(11,589)</b>	<b>(59,103)</b>	<b>289,374</b>	<b>618,268</b>	<b>1,007,343</b>
Transfers	-	-	39,880	-	-	578,388	(618,268)	-
Dividends paid	-	-	-	-	-	(400,000)	-	(400,000)
Total comprehensive income	-	-	-	(1,336)	(150,996)	-	1,041,524	889,192
<b>End of the period</b>	<b>24,000</b>	<b>52,743</b>	<b>133,530</b>	<b>(12,925)</b>	<b>(210,099)</b>	<b>467,762</b>	<b>1,041,524</b>	<b>1,496,535</b>
<b>January 2022 – 31 December 2022</b>								
<b>Beginning of the period</b>	<b>24,000</b>	<b>52,743</b>	<b>133,530</b>	<b>(12,925)</b>	<b>(210,099)</b>	<b>467,762</b>	<b>1,041,524</b>	<b>1,496,535</b>
Transfers	-	-	49,868	-	-	991,656	(1,041,524)	-
Dividends paid	-	-	-	-	-	(500,000)	-	(500,000)
Total comprehensive income	-	-	-	(126,319)	(6,354)	-	1,239,118	1,106,445
<b>End of the period</b>	<b>24,000</b>	<b>52,743</b>	<b>183,398</b>	<b>(139,244)</b>	<b>(216,453)</b>	<b>959,418</b>	<b>1,239,118</b>	<b>2,102,980</b>

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 2022 AND 2021**

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

	Notes	(Audited) 1 January - 31 December 2022	(Audited) 1 January - 31 December 2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		<b>(1,802,896)</b>	<b>952,847</b>
Net profit/(loss) for the period		1,239,118	1,041,524
<b>Adjustments to reconcile net profit (loss) for the period to cash flows from operating activities</b>		<b>1,338,652</b>	<b>558,721</b>
<b>Adjustments for depreciation and amortization</b>	12, 13	<b>179,645</b>	<b>105,148</b>
<b>Adjustments in relation to impairment:</b>		<b>46,363</b>	<b>41,365</b>
- Provision for doubtful receivables	8	34,175	34,488
- Provision for inventories	10	12,188	6,877
<b>Adjustments in relation to provision:</b>		<b>573,786</b>	<b>319,290</b>
- Provision for employee benefits	16	102,460	32,651
- Provision for warranty expenses	15	295,796	205,751
- Adjustments for other provisions		175,530	80,888
<b>Adjustments in relation to interest income and expenses:</b>		<b>648,788</b>	<b>151,635</b>
- Adjustment in relation to interest income	23	(74,346)	(31,490)
- Adjustment in relation to interest expense	24	723,134	183,125
<b>Adjustments in relation to unrealised foreign exchange gains and losses</b>	6	<b>240,960</b>	<b>215,772</b>
<b>Adjustments in relation to fair value gains and losses</b>		<b>1,184</b>	<b>(28,294)</b>
- Fair value losses/(gains) on financial assets		(1,284)	-
- Fair value losses/(gains) on financial derivative instruments		2,468	(28,294)
<b>Adjustments for undistributed profits of investments accounted for using equity method</b>		<b>(185,279)</b>	<b>(107,451)</b>
Adjustments for undistributed profits of joint ventures	5	(185,279)	(107,451)
<b>Adjustments for tax income/(expenses)</b>		<b>(162,276)</b>	<b>(137,312)</b>
<b>Adjustments in relation to gains or losses on sales of property, plant and equipment</b>		<b>(4,519)</b>	<b>(1,432)</b>
- Losses / (gains) on sale of property, plant and equipments		(4,519)	(1,432)
<b>Changes in net working capital</b>		<b>(4,154,673)</b>	<b>(601,786)</b>
<b>Adjustments for increase/decrease in trade receivables</b>		<b>(2,746,189)</b>	<b>(898,907)</b>
<b>Adjustments for increase/decrease in inventories</b>		<b>(2,455,648)</b>	<b>(97,688)</b>
<b>Adjustments for increase/decrease in trade payables</b>		<b>1,662,363</b>	<b>205,341</b>
<b>Adjustments for other increase (decrease) in working capital</b>		<b>(615,199)</b>	<b>189,468</b>
- Increase/(decrease) in other assets related to activities		(821,330)	(16,520)
- Increase/(decrease) in other liabilities related to activities		206,131	205,988
<b>Cash flows from operations</b>		<b>(1,576,903)</b>	<b>998,459</b>
Payments in relation to employee benefits	16	(7,126)	(3,794)
Payments in relation to other provisions	15	(204,635)	(85,172)
Deductions/(payments) in relation to income tax		(9,369)	(827)
<b>Other cash collections/(payments)</b>		<b>(4,863)</b>	<b>44,179</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		<b>(716,825)</b>	<b>(279,951)</b>
<b>Cash outflows for the acquisition of shares of other businesses or funds or debt instruments</b>		<b>(10,000)</b>	<b>-</b>
<b>Proceeds from sale of property, plant and equipment and intangible assets</b>		<b>5,366</b>	<b>2,039</b>
- Proceeds from sale of property, plant and equipment		5,366	2,039
<b>Cash outflows due to purchase of property, plant and equipment and intangible assets</b>		<b>(984,184)</b>	<b>(500,722)</b>
- Purchase of property, plant and equipment	12	(373,642)	(193,123)
- Purchase of intangible assets	13	(610,542)	(307,599)
<b>Dividends received</b>	5	<b>203,307</b>	<b>187,242</b>
<b>Interest received</b>		<b>68,686</b>	<b>31,490</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		<b>3,621,288</b>	<b>(302,308)</b>
<b>Cash inflow from due to borrowings</b>		<b>9,425,019</b>	<b>2,031,827</b>
- Proceeds from bank borrowings	6	9,425,019	2,031,827
<b>Cash outflow due to repayment of borrowings</b>		<b>(4,758,143)</b>	<b>(1,763,430)</b>
- Repayments of borrowings	6	(4,758,143)	(1,763,430)
<b>Cash outflows related to loan payments arising from lease agreements</b>		<b>(6,777)</b>	<b>(16,502)</b>
<b>Dividends paid</b>		<b>(500,000)</b>	<b>(400,000)</b>
<b>Interest paid</b>		<b>(478,811)</b>	<b>(154,203)</b>
<b>Other cash collections/(payments)</b>		<b>(60,000)</b>	<b>-</b>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS BEFORE THE EFFECT OF CURRENCY TRANSLATION DIFFERENCES</b>		<b>1,101,567</b>	<b>370,586</b>
<b>Currency translation difference on cash and cash equivalents</b>		<b>(80,627)</b>	<b>(243,151)</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>1,020,940</b>	<b>127,435</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>	4	<b>644,857</b>	<b>517,422</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	4	<b>1,665,797</b>	<b>644,857</b>

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**

**NOTES TO CONSOLIDATED YEARS ENDED FINANCIAL STATEMENTS AT 31 DECEMBER 2022 AND 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 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:

<b>Subsidiaries</b>	<b>Country</b>	<b>Main activity</b>	<b>Field of activity</b>
Otokar Europe SAS	France	Sales and marketing	Automotive
Otokar Land Systems LLC	United Arab Emirates	Sales and marketing	Automotive and defense industry
Otokar Europe Filiala Bucuresti SRL	Romania	Sales and marketing	Automotive
Otokar Central Asia Limited	Kazakhstan	Sales and marketing	Automotive and defense industry
<b>Subsidiaries</b>	<b>Country</b>	<b>Main activity</b>	<b>Field of activity</b>
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:

	<b>31 December 2022</b>		<b>31 December 2021</b>	
	<b>Period end</b>	<b>Average</b>	<b>Period end</b>	<b>Average</b>
<b>Total personnel number</b>	2,942	2,437	2,286	2,248

The consolidated financial statements for the year ended 31 December 2022 were authorized for issue and signed by the Board of Directors of Otokar on 31 January 2023. The accompanying consolidated financial statements may be amended by the General Assembly.

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

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

**OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ**

**NOTES TO CONSOLIDATED YEARS ENDED FINANCIAL STATEMENTS  
AT 31 DECEMBER 2022 AND 2021**

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

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

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

	(%)
Koç Holding A.Ş.	44.68
Ünver Holding A.Ş.	24.81
Other	30.51
	<b>100.00</b>

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 15 April 2019.



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

## OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

### NOTES TO CONSOLIDATED YEARS ENDED FINANCIAL STATEMENTS AT 31 DECEMBER 2022 AND 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 consolidated financial statements have been prepared from statutory financial statements with adjustments and reclassifications for the purpose of fair presentation in accordance with Turkish Accounting Standards as prescribed by POA. The adjustments are mainly related with deferred taxation, retirement pay liability, prorated and useful life depreciation adjustment of fixed assets, accounting of provisions and discount of receivables and payables.

The 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 year.

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 except the situation stated below used in the preparation of these consolidated financial statements for the year ended 31 December 2022 are consistent with those used in the preparation of financial statements for the year ended 31 December 2021.

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

## OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

### NOTES TO CONSOLIDATED YEARS ENDED FINANCIAL STATEMENTS AT 31 DECEMBER 2022 AND 2021

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

---

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

##### 2.2 Accounting errors and changes in accounting estimates (Continued)

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

##### 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 The new standards, amendments and interpretations

The accounting policies adopted in preparation of the consolidated financial statements as of December 31, 2022 are consistent with those of the previous financial year, except for the adoption of new and amended TFRS and TFRS interpretations effective as of January 1, 2022 and thereafter. The effects of these standards and interpretations on the Group's financial position and performance have been disclosed in the related paragraphs.

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

##### Amendments to TFRS 3 – Reference to the Conceptual Framework

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

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

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

## OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

### NOTES TO CONSOLIDATED YEARS ENDED FINANCIAL STATEMENTS AT 31 DECEMBER 2022 AND 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 The new standards, amendments and interpretations (Continued)

###### Amendments to TAS 16 – Proceeds before intended use

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

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

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

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

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

###### Annual Improvements – 2018–2020 Cycle

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

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

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

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

## OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

### NOTES TO CONSOLIDATED YEARS ENDED FINANCIAL STATEMENTS AT 31 DECEMBER 2022 AND 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 The new standards, amendments and interpretations (Continued)

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

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

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

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

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

##### **TFRS 17 - The new Standard for insurance contracts**

POA issued TFRS 17 in February 2019, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. TFRS 17 model combines a current balance sheet measurement of insurance contract liabilities with the recognition of profit over the period that services are provided. TFRS 17 will become effective for annual reporting periods beginning on or after 1 January 2023; early application is permitted.

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 2020 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.

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

## OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

### NOTES TO CONSOLIDATED YEARS ENDED FINANCIAL STATEMENTS AT 31 DECEMBER 2022 AND 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 The new standards, amendments and interpretations (Continued)

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

##### **Amendments to TAS 8 - Definition of Accounting Estimates**

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

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

##### **Amendments to TAS 1 - Disclosure of Accounting Policies**

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

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

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

## OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

### NOTES TO CONSOLIDATED YEARS ENDED FINANCIAL STATEMENTS AT 31 DECEMBER 2022 AND 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 The new standards, amendments and interpretations (Continued)

##### **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 issued to TAS 12 are effective for annual periods beginning on or after 1 January 2023. The amendments clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognised in the financial statements (and interest expense) or to the related asset component (and interest expense). This judgement is important in determining whether any temporary differences exist on initial recognition of the asset and liability. The amendments apply to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period presented, a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for all deductible and taxable temporary differences associated with leases and decommissioning obligations should be recognized.

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

##### **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 recognise 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 recognise 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 Group is in the process of assessing the impact of the amendments on financial position or performance of the Group.

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

## OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

### NOTES TO CONSOLIDATED YEARS ENDED FINANCIAL STATEMENTS AT 31 DECEMBER 2022 AND 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)

##### 2.3.2 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 2022, 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.

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

## OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

### NOTES TO CONSOLIDATED YEARS ENDED FINANCIAL STATEMENTS AT 31 DECEMBER 2022 AND 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)

##### 2.3.2 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.



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

**OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ**

**NOTES TO CONSOLIDATED YEARS ENDED FINANCIAL STATEMENTS  
AT 31 DECEMBER 2022 AND 2021**

(Amounts expressed in thousand Turkish Lira ('TRY') 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 2022 and 2021:

<b>Subsidiaries</b>	<b>2022</b>		<b>2021</b>	
	<b>Direct and indirect ownership (%)</b>	<b>Proportion of effective interest (%)</b>	<b>Direct and indirect ownership (%)</b>	<b>Proportion of effective interest (%)</b>
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

*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.

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

**OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ**

**NOTES TO CONSOLIDATED YEARS ENDED FINANCIAL STATEMENTS AT 31 DECEMBER 2022 AND 2021**

(Amounts expressed in thousand Turkish Lira ('TRY') 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 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 2022 and 2021:

Joint ventures	2022		2021	
	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.

**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:

- Identification of customer contracts,
- Identification of performance obligations,
- Determination of transaction price in the contract,
- Allocation of price to performance obligations,
- Recognition of revenue when the performance obligations are fulfilled.

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

- 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,
- Group can identify each party's rights regarding the goods or services to be transferred,
- Group can identify the payment terms for the goods or services to be transferred;
- The contract has commercial substance,
- 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.

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

**OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ**

**NOTES TO CONSOLIDATED YEARS ENDED FINANCIAL STATEMENTS  
AT 31 DECEMBER 2022 AND 2021**

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

---

**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 armoured 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.

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

**OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ**

**NOTES TO CONSOLIDATED YEARS ENDED FINANCIAL STATEMENTS  
AT 31 DECEMBER 2022 AND 2021**

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

---

**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).

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

**OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ**

**NOTES TO CONSOLIDATED YEARS ENDED FINANCIAL STATEMENTS  
AT 31 DECEMBER 2022 AND 2021**

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

---

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

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

**OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ**

**NOTES TO CONSOLIDATED YEARS ENDED FINANCIAL STATEMENTS  
AT 31 DECEMBER 2022 AND 2021**

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

---

**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.

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

## OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

### NOTES TO CONSOLIDATED YEARS ENDED FINANCIAL STATEMENTS AT 31 DECEMBER 2022 AND 2021

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

---

#### 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.

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

**OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ**

**NOTES TO CONSOLIDATED YEARS ENDED FINANCIAL STATEMENTS  
AT 31 DECEMBER 2022 AND 2021**

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

---

**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.



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

**OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ**

**NOTES TO CONSOLIDATED YEARS ENDED FINANCIAL STATEMENTS  
AT 31 DECEMBER 2022 AND 2021**

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

---

**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.

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

**OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ**

**NOTES TO CONSOLIDATED YEARS ENDED FINANCIAL STATEMENTS  
AT 31 DECEMBER 2022 AND 2021**

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

---

**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.

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

## OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

### NOTES TO CONSOLIDATED YEARS ENDED FINANCIAL STATEMENTS AT 31 DECEMBER 2022 AND 2021

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

---

#### 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.

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

**OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ**

**NOTES TO CONSOLIDATED YEARS ENDED FINANCIAL STATEMENTS  
AT 31 DECEMBER 2022 AND 2021**

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

---

**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.

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

**OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ**

**NOTES TO CONSOLIDATED YEARS ENDED FINANCIAL STATEMENTS  
AT 31 DECEMBER 2022 AND 2021**

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

---

**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.

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

## OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

### NOTES TO CONSOLIDATED YEARS ENDED FINANCIAL STATEMENTS AT 31 DECEMBER 2022 AND 2021

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

---

#### 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.

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

**OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ**

**NOTES TO CONSOLIDATED YEARS ENDED FINANCIAL STATEMENTS  
AT 31 DECEMBER 2022 AND 2021**

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

---

**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.

**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.

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

## OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

### NOTES TO CONSOLIDATED YEARS ENDED FINANCIAL STATEMENTS AT 31 DECEMBER 2022 AND 2021

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

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

##### 2.4 Summary of significant accounting policies (Continued)

##### 2.5 Going concern

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

##### 2.6 Convenience translation into english of consolidated financial statements

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

#### NOTE 3 - SEGMENT REPORTING

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

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.

#### NOTE 4 - CASH AND CASH EQUIVALENTS

	31 December 2022	31 December 2021
<b>Banks</b>		
- Time deposits	1,425,923	545,213
- Demand deposits	245,429	99,593
Other	105	51
<b>Cash and cash equivalents in the cash flow statement</b>	<b>1,671,457</b>	<b>644,857</b>
Interest accrual	5,660	-
	<b>1,677,117</b>	<b>644,857</b>

As of 31 December 2022, TRY 1,425,923 thousand of the total amount of time deposits amounting to TRY 141,174 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 1,284,749 thousand is 24.63% and has a maturity of 24 days.

(As of 31 December 2021, TRY 545,213 thousand of the total amount of time deposits amounting to TRY 209,292 thousand is denominated in foreign currency and the annual effective interest rate is 0.77% and has a maturity of 1 days. The annual effective interest rate of the remaining TRY 335,921 thousand is 25% and has a maturity of 1 days.)

As of 31 December 2022, the Group has restricted bank deposit amounting to TRY 10,314 thousand (31 December 2021: TRY 0,2 thousand).



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

**OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ**

**NOTES TO CONSOLIDATED YEARS ENDED FINANCIAL STATEMENTS  
AT 31 DECEMBER 2022 AND 2021**

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

**NOTE 5 - INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD**

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

<b>Joint ventures</b>	<b>2022</b>		<b>2021</b>	
	<b>(%)</b>	<b>Amount</b>	<b>(%)</b>	<b>Amount</b>
Al Jasoor	49	241,054	49	182,456
		<b>241,054</b>		<b>182,456</b>

The movement of joint venture is as follows as of 31 December 2022 and 2021:

	<b>2022</b>	<b>2021</b>
<b>1 January</b>	<b>182,456</b>	<b>169,689</b>
Shares of profit/(loss)	185,279	107,451
Dividend paid	(203,307)	(187,242)
Currency translation differences	76,626	92,558
<b>31 December</b>	<b>241,054</b>	<b>182,456</b>

The summary of the financial statements of Al Jasoor as of 31 December 2022 and 2021 is as follows:

	<b>31 December 2022</b>	<b>31 December 2021</b>
Total assets	897,218	1,081,715
Total liabilities	(405,271)	(709,350)
<b>Net assets</b>	<b>491,947</b>	<b>372,365</b>
Ownership of the Group	49%	49%
<b>Net asset share of the Group</b>	<b>241,054</b>	<b>182,456</b>

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

**OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ**

**NOTES TO CONSOLIDATED YEARS ENDED FINANCIAL STATEMENTS  
AT 31 DECEMBER 2022 AND 2021**

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

**NOTE 6 - BORROWINGS**

**Short term borrowings**

<b>31 December 2022</b>	<b>Maturities</b>	<b>Annual effective interest rate (%)</b>	<b>TRY equivalent</b>
<b>Bank loans</b>			
EUR loans	9 June 2023	5.95	99,932
TRY loans	5 January 2023 – 15 November 2023	23.72	5,006,429
			<b>5,106,361</b>

**Short-term lease liabilities**

EUR lease liabilities	-	2.00	21,377
TRY lease liabilities	-	30.00	9,662
			<b>31,039</b>

**Total short term borrowings**

**5,137,400**

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

<b>31 December 2022</b>	<b>Maturities</b>	<b>Annual effective interest rate (%)</b>	<b>TRY equivalent</b>
<b>Bank loans</b>			
EUR loans	9 January 2023 – 15 September 2023	2.94	865,626
TRY loans	7 April 2023 – 31 December 2023	18.25	243,785
			<b>1,109,411</b>

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

**OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ**

**NOTES TO CONSOLIDATED YEARS ENDED FINANCIAL STATEMENTS  
AT 31 DECEMBER 2022 AND 2021**

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

**NOTE 6 – BORROWINGS (Continued)**

**Long term borrowings**

<b>31 December 2022</b>	<b>Maturities</b>	<b>Annual effective interest rate (%)</b>	<b>TRY equivalent</b>
<b>Bank loans</b>			
TRY loans	11 January 2024 – 5 August 2025	15.19	1,252,064
			<b>1,252,064</b>
<b>Long-term lease liabilities</b>			
EUR lease liabilities	-	2.00	33,436
TRY lease liabilities	-	30.00	15,113
			<b>48,549</b>
<b>Total long term borrowings</b>			<b>1,300,613</b>

(\*) Bearing fixed interest rate

**Short term borrowings**

<b>31 December 2021</b>	<b>Maturities</b>	<b>Annual effective interest rate (%)</b>	<b>TRY equivalent</b>
<b>Bank loans</b>			
RON loans	28 January 2022	5.16	454,573
TRY loans	3 June 2022	8.75	930
			<b>455,503</b>
<b>Short-term lease liabilities</b>			
EUR lease liabilities	-	2.00	12,242
TRY lease liabilities	-	25.00	5,534
			<b>17,776</b>
<b>Total short term borrowings</b>			<b>473,279</b>

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

**OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ**

**NOTES TO CONSOLIDATED YEARS ENDED FINANCIAL STATEMENTS  
AT 31 DECEMBER 2022 AND 2021**

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

**NOTE 6 – BORROWINGS (Continued)**

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

<b>31 December 2021</b>	<b>Maturities</b>	<b>Annual effective interest rate (%)</b>	<b>TRY equivalent</b>
<b>Bank loans</b>			
EUR loans	15 September 2023	2.82	2,168
TRY loans	31 December 2022	13.49	641,846
			<b>644,014</b>

(\*) Bearing fixed interest rate

**Long term borrowings (\*)**

<b>31 December 2021</b>	<b>Maturities</b>	<b>Annual effective interest rate (%)</b>	<b>TRY equivalent</b>
<b>Bank loans</b>			
TRY loans	5 August 2025	18.85	641,406
EUR loans	15 August 2023	3.15	591,954
			<b>1,233,360</b>
<b>Long-term lease liabilities</b>			
EUR lease liabilities	-	2.00	19,149
TRY lease liabilities	-	25.00	8,655
			<b>27,804</b>
<b>Total long term borrowings</b>			<b>1,261,164</b>

(\*) Bearing fixed interest rate

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

The Group has no financial commitments arising from its borrowings.

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

**OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ**

**NOTES TO CONSOLIDATED YEARS ENDED FINANCIAL STATEMENTS  
AT 31 DECEMBER 2022 AND 2021**

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

The movement of the borrowings for the years ended 31 December 2022 and 2021 are as follows:

	<b>2022</b>		<b>2021</b>	
<b>1 January</b>	<b>2,378,457</b>		<b>1,854,064</b>	
Borrowing received during the period	9,425,019		2,031,827	
Cash outflows from debt payments from lease agreements	(6,777)		(16,502)	
Changes in lease liabilities within the scope of TFRS 16	23,585		27,804	
Principal payments (-)	(4,758,143)		(1,763,430)	
Change in interest accruals	244,323		28,922	
Change in exchange rates	240,960		215,772	
<b>31 December</b>	<b>7,547,424</b>		<b>2,378,457</b>	

  

	<b>31 December 2022</b>		<b>31 December 2021</b>	
	<b>Carrying values</b>	<b>Fair values</b>	<b>Carrying values</b>	<b>Fair values</b>
Fixed interest	7,603,581	7,118,644	1,878,305	1,878,305
Floating rate	349,192	349,192	454,572	454,572
	<b>7,952,773</b>	<b>7,467,836</b>	<b>2,332,877</b>	<b>2,307,677</b>

**NOTE 7 - 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.

	<b>Contract amount</b>	<b>Current period contract maturity</b>	<b>Fair value assets</b>
<b>31 December 2022</b>			
Forward transactions	2,275,924	5 January 2023 - 9 February 2023	2,450
Short-term derivative financial instruments	2,275,924		2,450
<b>Total derivative financial instruments</b>	<b>2,275,924</b>		<b>2,450</b>

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

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

NOTES TO CONSOLIDATED YEARS ENDED FINANCIAL STATEMENTS  
AT 31 DECEMBER 2022 AND 2021

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

NOTE 7 - DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

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

NOTE 8 - TRADE RECEIVABLES AND PAYABLES

Trade receivables

	31 December 2022	31 December 2021
Trade receivables, net	2,658,318	1,073,224
Notes receivables, net	2,750	252,151
	<b>2,661,068</b>	<b>1,325,375</b>
Less: provision for doubtful receivables	(133,855)	(97,384)
<b>Short-term trade receivables</b>	<b>2,527,213</b>	<b>1,227,991</b>
Trade receivables from related parties (Note 27)	1,631,795	533,242
<b>Short-term trade receivables</b>	<b>4,159,008</b>	<b>1,761,233</b>
Long-term notes receivable, net	731,962	421,129
<b>Long-term trade receivables</b>	<b>731,962</b>	<b>421,129</b>

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

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

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

**OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ**

**NOTES TO CONSOLIDATED YEARS ENDED FINANCIAL STATEMENTS  
AT 31 DECEMBER 2022 AND 2021**

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

**NOTE 8 - 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 2022, the total trade receivable from dealers amounting to TRY 473,254 thousand (31 December 2021: TRY 268,134 thousand), after provision provided for doubtful receivables, has been secured by mortgages and guarantees at the amount of TRY 473,254 thousand (31 December 2021: TRY 268,479 thousand). The Group manages the credit risk of remaining balance in the manner described in the Credit Risk section of Note 28 to the consolidated financial statements.

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

**31 December 2022**

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	330
	<hr/>
	330
<b>Amount secured with guarantees</b>	<b>330</b>

**31 December 2021**

1- 30 day past due	-
1- 3 month past due	-
3- 12 month past due	-
1- 5 year past due	-
Over 5 years past due	395
	<hr/>
	395
<b>Amount secured with guarantees</b>	<b>395</b>

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 2022 and 2021 are as follows:

	<b>2022</b>	<b>2021</b>
<b>1 January</b>	<b>97,384</b>	<b>61,524</b>
Collections	(1,110)	-
Currency translation differences	3,406	1,372
Exchange differences	34,175	34,488
	<hr/>	<hr/>
<b>31 December</b>	<b>133,855</b>	<b>97,384</b>

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

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

NOTES TO CONSOLIDATED YEARS ENDED FINANCIAL STATEMENTS  
AT 31 DECEMBER 2022 AND 2021

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

NOTE 8 - TRADE RECEIVABLES AND PAYABLES (Continued)

Trade payables

	31 December 2022	31 December 2021
Trade payables, net	1,996,983	484,146
<b>Short-term other trade payables</b>	<b>1,996,983</b>	<b>484,146</b>
Trade payables to related parties (Note 27)	220,240	70,714
<b>Short-term trade payables</b>	<b>2,217,223</b>	<b>554,860</b>

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

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

NOTE 9 - OTHER RECEIVABLES AND PAYABLES

Other short-term receivables

	31 December 2022	31 December 2021
Due from personnel	36	582
Deposits and guarantees given	870	630
	<b>906</b>	<b>1,212</b>

Other long-term receivables

	31 December 2022	31 December 2021
Deposits and guarantees given	5,257	4,474
	<b>5,257</b>	<b>4,474</b>

Short term other receivables

	31 December 2022	31 December 2021
Other miscellaneous payables	27,863	46,547
	<b>27,863</b>	<b>46,547</b>



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

**OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ**

**NOTES TO CONSOLIDATED YEARS ENDED FINANCIAL STATEMENTS  
AT 31 DECEMBER 2022 AND 2021**

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

**NOTE 10 - INVENTORIES**

	<b>31 December 2022</b>	<b>31 December 2021</b>
Raw material	1,907,968	576,526
Semi-finished goods	110,760	73,797
Finished goods	927,746	276,878
Merchandise goods	385,212	164,392
Goods in transit	578,952	363,397
Impairment for inventories (*)	(40,785)	(28,597)
	<b>3,869,853</b>	<b>1,426,393</b>

(\*) TRY 357 thousand of impairment is related to finished goods (31 December 2021: TRY 110 thousand), TRY 8,007 thousand related to finished goods (31 December 2021: TRY 4,026 thousand), TRY 32,421 thousand is related to raw materials (31 December 2021: TRY 24,461 thousand). The impairment has been accounted for under cost of sales.

The movements of impairment for inventories in 2022 and 2021 are as follows:

	<b>2022</b>	<b>2021</b>
<b>1 January</b>	<b>(28,597)</b>	<b>(21,720)</b>
Current year provisions	(12,188)	(6,877)
<b>31 December</b>	<b>(40,785)</b>	<b>(28,597)</b>

**NOTE 11 - 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 11.284 thousand.

Financial investments include blocked deposits amounting to TRY 60,000 thousand as of 31 December 2022.

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

**OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ**

**NOTES TO CONSOLIDATED YEARS ENDED FINANCIAL STATEMENTS  
AT 31 DECEMBER 2022 AND 2021**

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

**NOTE 12 - PROPERTY, PLANT AND EQUIPMENT**

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
<b>Cost</b>						
Land	37,437	-	-	-	-	37,437
Land improvements	18,112	10,060	-	-	-	28,172
Buildings	108,514	40,979	-	-	75,995	225,488
Machinery and equipment	246,086	85,286	2,322	(2,469)	18,060	349,285
Motor vehicles	19,869	9,322	-	(805)	4,606	32,992
Furniture and fixtures	131,673	107,739	1,388	(461)	13,132	253,471
Leasehold improvements	1,715	2,721	-	-	-	4,436
Construction in process	36,526	117,535	-	-	(111,793)	42,268
	<b>599,932</b>	<b>373,642</b>	<b>3,710</b>	<b>(3,735)</b>	<b>-</b>	<b>973,549</b>
<b>Accumulated depreciation</b>						
Land improvements	(5,351)	(645)	-	-	-	(5,996)
Buildings	(50,692)	(4,341)	-	-	-	(55,033)
Machinery and equipment	(104,958)	(23,176)	(1,557)	2,337	-	(127,354)
Motor vehicles	(8,062)	(2,747)	-	305	-	(10,504)
Furniture and fixtures	(33,090)	(15,851)	(1,101)	246	-	(49,796)
Leasehold improvements	(1,075)	(431)	-	-	-	(1,506)
	<b>(203,228)</b>	<b>(47,191)</b>	<b>(2,658)</b>	<b>2,888</b>	<b>-</b>	<b>(250,189)</b>
<b>Net book value</b>	<b>396,704</b>					<b>723,360</b>

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

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

**OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ**

**NOTES TO CONSOLIDATED YEARS ENDED FINANCIAL STATEMENTS  
AT 31 DECEMBER 2022 AND 2021**

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

**NOTE 12 - PROPERTY, PLANT AND EQUIPMENT (Continued)**

Movements of property, plant and equipment and related accumulated depreciation for the year ended 31 December 2021.

	1 January 2021	Additions	Currency translation differences	Disposal	Transfers	31 December 2021
<b>Cost</b>						
Land	37,437	-	-	-	-	37,437
Land improvements	8,920	9,192	-	-	-	18,112
Buildings	60,781	19,840	-	-	27,893	108,514
Machinery and equipment	134,800	42,311	2,125	(2,291)	69,141	246,086
Motor vehicles	14,561	5,760	-	(452)	-	19,869
Furniture and fixtures	74,749	55,918	1,371	(433)	68	131,673
Leasehold improvements	1,132	583	-	-	-	1,715
Construction in process	74,109	59,519	-	-	(97,102)	36,526
	<b>406,489</b>	<b>193,123</b>	<b>3,496</b>	<b>(3,176)</b>	<b>-</b>	<b>599,932</b>
<b>Accumulated depreciation</b>						
Land improvements	(5,027)	(324)	-	-	-	(5,351)
Buildings	(48,582)	(2,110)	-	-	-	(50,692)
Machinery and equipment	(93,657)	(11,916)	(1,479)	2,094	-	(104,958)
Motor vehicles	(6,970)	(1,218)	-	126	-	(8,062)
Furniture and fixtures	(24,240)	(8,153)	(1,046)	349	-	(33,090)
Leasehold improvements	(999)	(76)	-	-	-	(1,075)
	<b>(179,475)</b>	<b>(23,797)</b>	<b>(2,525)</b>	<b>2,569</b>	<b>-</b>	<b>(203,228)</b>
<b>Net book value</b>	<b>227,014</b>					<b>396,704</b>

The distribution of depreciation and amortization expenses of tangible and intangible assets for the years ended 31 December 2022 and 2021 are as follows:

	2022	2021
Research and development expenses	107,526	66,089
Cost of goods sold	21,395	10,905
Right of use assets	16,598	12,400
Depreciation on inventories	12,362	4,582
Development projects in process	11,798	5,181
General administrative expenses	8,195	4,871
Currency translation differences	2,659	2,525
Selling and marketing expenses	1,771	1,120
	<b>182,304</b>	<b>107,673</b>

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

**OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ**

**NOTES TO CONSOLIDATED YEARS ENDED FINANCIAL STATEMENTS  
AT 31 DECEMBER 2022 AND 2021**

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

**NOTE 12 - PROPERTY, PLANT AND EQUIPMENT (Continued)**

**Right of use assets**

In 2022, while TRY 23,572 thousand new inflows to right-of-use assets; TRY 16,598 thousand depreciation expense was incurred.

The balances of right of use assets as of 31 December 2022 and 2021 and the accumulated depreciation amounts in the relevant periods are as follows:

<b>31 December 2022</b>	<b>Buildings</b>	<b>Motor vehicles</b>	<b>Furniture and fixtures</b>	<b>Total</b>
Cost	23,723	60,544	3,524	87,791
Accumulated depreciation	(15,254)	(32,049)	(540)	(47,843)
	<b>8,469</b>	<b>28,495</b>	<b>2,984</b>	<b>39,948</b>

<b>31 December 2021</b>	<b>Buildings</b>	<b>Motor vehicles</b>	<b>Furniture and fixtures</b>	<b>Total</b>
Cost	20,393	44,202	595	65,190
Accumulated depreciation	(11,073)	(19,750)	(421)	(31,244)
	<b>9,320</b>	<b>24,452</b>	<b>174</b>	<b>33,946</b>

**NOTE 13 - INTANGIBLE ASSETS**

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

	<b>1 January 2022</b>	<b>Addition</b>	<b>Currency translation differences</b>	<b>Disposal</b>	<b>Transfers</b>	<b>31 December 2022</b>
<b>Cost</b>						
Other intangible assets	36,066	27,856	-	-	-	63,922
Development costs	731,479	-	-	-	435,952	1,167,431
Developments projects in progress	427,413	582,686	-	-	(435,952)	574,147
	<b>1,194,958</b>	<b>610,542</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,805,500</b>
<b>Accumulated amortization</b>						
Other intangible assets	(20,010)	(8,330)	-	-	-	(28,340)
Development costs	(435,573)	(107,526)	-	-	-	(543,099)
	<b>(455,583)</b>	<b>(115,856)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(571,439)</b>
<b>Net book value</b>	<b>739,375</b>					<b>1,234,061</b>

In 2022, the Group has capitalised TRY 37,564 thousand (2021: TRY 6,930 thousand) of its borrowing costs in relation to its qualifying asset.

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

**OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ**

**NOTES TO CONSOLIDATED YEARS ENDED FINANCIAL STATEMENTS  
AT 31 DECEMBER 2022 AND 2021**

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

**NOTE 13 - INTANGIBLE ASSETS (Continued)**

Movements of intangible assets and related accumulated amortisation for the years ended 31 December 2021:

	1 January 2021	Addition	Currency translation differences	Disposal	Transfers	31 December 2021
<b>Cost</b>						
Other intangible assets	26,463	9,603	-	-	-	36,066
Development costs	574,432	-	-	-	157,047	731,479
Developments projects in progress	286,464	297,997	-	-	(157,047)	427,414
	<b>887,359</b>	<b>307,600</b>	-	-	-	<b>1,194,959</b>
<b>Accumulated amortization</b>						
Other intangible assets	(17,142)	(2,868)	-	-	-	(20,010)
Development costs	(369,490)	(66,083)	-	-	-	(435,573)
	<b>(386,632)</b>	<b>(68,951)</b>	-	-	-	<b>(455,583)</b>
<b>Net book value</b>	<b>500,727</b>					<b>739,376</b>

**NOTE 14 - GOVERNMENT GRANTS AND INCENTIVES**

	31 December 2022	31 December 2021
Short-term	1,963	16,572
Long-term	12,364	11,283
	<b>14,327</b>	<b>27,855</b>

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.

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

**OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ**

**NOTES TO CONSOLIDATED YEARS ENDED FINANCIAL STATEMENTS  
AT 31 DECEMBER 2022 AND 2021**

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

**NOTE 15 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES**

**Short-term provisions**

	<b>31 December 2022</b>	<b>31 December 2021</b>
Provision for warranty expenses	345,980	254,819
Purchases costs provisions	185,281	41,890
Employee benefits		
short-term provisions (Note 16)	49,288	20,705
Litigation provisions	4,046	3,667
Other cost allowance	151,202	119,442
	<b>735,797</b>	<b>440,523</b>

**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 2022 and 2021 are as follows:

	<b>2022</b>	<b>2021</b>
<b>1 January</b>	<b>254,819</b>	<b>134,240</b>
Additional provisions	295,796	205,751
Disposals/payments (-)	(204,635)	(85,172)
<b>31 December</b>	<b>345,980</b>	<b>254,819</b>

**Commitments and contingencies**

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

	<b>31 December 2022</b>	<b>31 December 2021</b>
a. Total amount of guarantees, pledges and mortgages given the name of legal entity	3,463,280	1,856,622
b. Total amount of guarantees, pledges and mortgages given in favour of the parties which are included in the scope of full consolidation	100,680	567,653
c. Total amount of guarantees, pledges and mortgages given to third parties for their liabilities in the purpose of conducting the ordinary operations	-	-
d. Total amount of other guarantees, pledges and mortgages	-	-
	<b>3,563,960</b>	<b>2,424,275</b>

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

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

NOTES TO CONSOLIDATED YEARS ENDED FINANCIAL STATEMENTS  
AT 31 DECEMBER 2022 AND 2021

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

NOTE 15 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Continued)

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

	31 December 2022		31 December 2021	
	Original currency	TRY equivalent	Original currency	TRY equivalent
TRY	1,368,967	1,368,967	308,493	308,493
USD	80,184	1,499,311	85,823	1,113,770
EUR	23,469	467,845	58,640	860,970
RON	56,871	227,837	47,814	141,042
		<b>3,563,960</b>		<b>2,424,275</b>

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

	31 December 2022	31 December 2021
Bank letters of guarantee	3,563,960	1,888,371
Surety	-	535,904
	<b>3,563,960</b>	<b>2,424,275</b>

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

	31 December 2022	31 December 2021
Bank letters of guarantee	1,377,529	700,650
Guarantee notes	5,791	6,191
Mortgages received	20	20
	<b>1,383,340</b>	<b>706,861</b>

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

**OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ**

**NOTES TO CONSOLIDATED YEARS ENDED FINANCIAL STATEMENTS  
AT 31 DECEMBER 2022 AND 2021**

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

**NOTE 16 - EMPLOYEE BENEFITS**

	<b>31 December 2022</b>	<b>31 December 2021</b>
Provision for employment termination benefits	314,077	89,427
Provision for unused vacation	49,288	20,705
	<b>363,365</b>	<b>110,132</b>

**Employment termination benefits**

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

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

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

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 19,982.83 in full (1 January 2021: TRY 10,848.59 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

	<b>31 December 2022</b>	<b>31 December 2021</b>
Net discount rate (%)	0.55	4.45
Turnover rate to estimate the probability of retirement (%)	97.72	97.61

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

	<b>2022</b>	<b>2021</b>
<b>1 January</b>	<b>89,427</b>	<b>63,725</b>
Interest expense	9,479	5,767
Charge for the period	64,398	22,059
Remeasurement differences	157,899	1,670
Payments	(7,126)	(3,794)
<b>As of 31 December</b>	<b>314,077</b>	<b>89,427</b>

As of 31 December 2022, the important factors used in the calculation of the provision for severance pay of the sensitivity analyzes of the assumptions are as follows:

<b>Sensitivity level</b>	<b>Interest rate</b>		<b>Inflation rate</b>	
	<b>%0.025 increase</b>	<b>%0.025 decrease</b>	<b>%0.025 increase</b>	<b>%0.025 decrease</b>
Change in severance pay liabilities	8,577	(8,947)	(8,996)	8,657



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

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

NOTES TO CONSOLIDATED YEARS ENDED FINANCIAL STATEMENTS  
AT 31 DECEMBER 2022 AND 2021

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

NOTE 16 - EMPLOYEE BENEFITS (Continued)

Provision for unused vacation

The movements of provision for unused vacation are as follows:

	2022	2021
<b>1 January</b>	<b>20,705</b>	<b>15,880</b>
Charge for the period, net (Note 21)	28,583	4,825
<b>31 December</b>	<b>49,288</b>	<b>20,705</b>

NOTE 17 - PREPAID EXPENSES, DEFERRED REVENUE, OTHER ASSETS AND  
LIABILITIES

a) Prepaid expenses

Short- term prepaid expenses	31 December 2022	31 December 2021
Prepaid expenses	123,213	20,045
	<b>123,213</b>	<b>20,045</b>
Long-term prepaid expenses	31 December 2022	31 December 2021
Advances given	39,905	16,446
Prepaid expenses	32,360	-
	<b>72,265</b>	<b>16,446</b>

b) Other non-current assets

	31 December 2022	31 December 2021
Value added tax receivables	697,662	97,129
Other	27,366	9,505
	<b>725,028</b>	<b>106,634</b>
Other non-current assets – long term	31 December 2022	31 December 2021
Value added tax receivables	43,472	-
	<b>43,472</b>	-

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

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

NOTES TO CONSOLIDATED YEARS ENDED FINANCIAL STATEMENTS  
AT 31 DECEMBER 2022 AND 2021

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

NOTE 17 - PREPAID EXPENSES, DEFERRED REVENUE, OTHER ASSETS AND  
LIABILITIES (Continued)

c) Liabilities from customer contracts

Liabilities from customer contracts - short term	31 December 2022	31 December 2021
Advances received	386,329	552,711
Deferred maintenance revenues	145,658	50,080
Other deferred revenues	5,336	-
	<b>537,323</b>	<b>602,791</b>

Liabilities from customer contracts - long term	31 December 2022	31 December 2021
Deferred maintenance revenues	424,440	278,783
	<b>424,440</b>	<b>278,783</b>

d) Employee benefits obligation

	31 December 2022	31 December 2021
Payables to employees	69,159	23,330
Social security payables	72,554	22,002
Taxes and funds payable	55,716	21,728
	<b>197,429</b>	<b>67,060</b>

e) Other current liabilities

	31 December 2022	31 December 2021
Taxes and funds payable	25,442	3,985
Deferred special consumption tax	5,497	1,101
Other	2,553	1,602
	<b>33,492</b>	<b>6,688</b>

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

**OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ**

**NOTES TO CONSOLIDATED YEARS ENDED FINANCIAL STATEMENTS  
AT 31 DECEMBER 2022 AND 2021**

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

**NOTE 18 - EQUITY**

**Share capital**

As of 31 December 2022 and 2021, the principal shareholders and their respective shareholding percentages are as follows:

	31 December 2022		31 December 2021	
	TRY	(%)	TRY	(%)
Koç Holding A.Ş.	10,723	44.68	10,723	44.68
Ünver Holding A.Ş.	5,955	24.81	5,955	24.81
Other	7,322	30.51	7,322	30.51
	<b>24,000</b>	<b>100.00</b>	<b>24,000</b>	<b>100.00</b>
Inflation adjustment on equity items	52,743		52,743	
	<b>76,743</b>		<b>76,743</b>	

The legal reserve consists of first and second legal reserves, allocated in accordance with the Turkish Commercial Code.

The first legal reserve is allocated out of last period's statutory profits at the rate of 5% per annum until the total reserve reaches 20% of the paid-in share capital (not indexed to the inflation). The second legal reserve is allocated after the first legal reserve and dividends, at the rate of 10% per annum of all cash dividend distributions. The first and the second legal reserves are not available for distribution unless they exceed 50% of the share capital, but may be used to absorb losses in the event that the general reserve is exhausted.

Publicly traded companies enter into force as of 1 February 2014, dividend distributions according to the Communiqué No: II-19.1.

Companies distribute dividends in accordance with their dividend payment policies settled and dividend payment decision taken in general assembly and also in conformity with relevant legislations. The communiqué does not constitute a minimum dividend rate. Companies distribute dividend in accordance with the method defined in their dividend policy or articles of incorporation. In addition, dividend can be distributed by fixed or variable installments and advance dividend can be paid in accordance with profit on interim financial statements of the Group.

In accordance with the Turkish Commercial Code (TCC), unless the required reserves and the dividend for shareholders as determined in the article of association or in the dividend distribution policy of the company are set aside, no decision may be made to set aside other reserves, to transfer profits to the subsequent year or to distribute dividends to the holders of usufruct right certificates, to the members of the board of directors or to the employees; and no dividend can be distributed to these persons unless the determined dividend for shareholders is paid in cash.

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

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

NOTES TO CONSOLIDATED YEARS ENDED FINANCIAL STATEMENTS  
AT 31 DECEMBER 2022 AND 2021

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

NOTE 18 - EQUITY (Continued)

As of 31 December 2022 and 2021, the restated amounts and the equity restatement differences of the aforementioned nominal values are as follows :

<b>31 December 2022</b>	<b>Historical value</b>	<b>Inflation adjustments on equity items</b>	<b>Restated value</b>
Share capital	24,000	52,743	76,743
Legal reserves	183,398	10,950	194,348
	<b>207,398</b>	<b>63,693</b>	<b>271,091</b>

  

<b>31 December 2021</b>	<b>Historical value</b>	<b>Inflation adjustments on equity items</b>	<b>Restated value</b>
Share capital	24,000	52,743	76,743
Legal reserves	133,530	10,950	144,480
	<b>157,530</b>	<b>63,693</b>	<b>221,223</b>

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

	<b>31 December 2022</b>	<b>31 December 2021</b>
Legal reserves	183,398	133,530
Extraordinary reserves	840,217	204,709
	<b>1,023,615</b>	<b>338,239</b>
Year's net income per statutory financial statements	500,000	400,000
Dividend paid per share (piaster)	2.083	1.667

The Company's share capital is fully paid, and consists of 24,000,000,000 shares with piaster 0.1 par value each.

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

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

NOTES TO CONSOLIDATED YEARS ENDED FINANCIAL STATEMENTS  
AT 31 DECEMBER 2022 AND 2021

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

NOTE 19 - REVENUE AND COST OF SALES

Net sales

	1 January - 31 December 2022	1 January - 31 December 2021
Domestic sales	2,626,598	1,251,396
Export sales	7,037,727	3,282,799
<b>Gross Sales</b>	<b>9,664,325</b>	<b>4,534,195</b>
Less: sales discounts and returns	(60,588)	(25,321)
<b>Net sales</b>	<b>9,603,737</b>	<b>4,508,874</b>

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

	1 January - 31 December 2022	1 January - 31 December 2021
Commercial vehicle	5,418,561	1,931,260
Military vehicle	2,772,492	2,011,010
Other sales (*)	1,412,684	566,604
	<b>9,603,737</b>	<b>4,508,874</b>

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

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

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

NOTES TO CONSOLIDATED YEARS ENDED FINANCIAL STATEMENTS  
AT 31 DECEMBER 2022 AND 2021

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

NOTE 19 - REVENUE AND COST OF SALES (Continued)

Cost of sales

	1 January - 31 December 2022	1 January - 31 December 2021
Cost of finished goods sold	(5,846,596)	(2,584,143)
Cost of merchandise goods sold	(713,217)	(208,046)
	<b>(6,559,813)</b>	<b>(2,792,189)</b>

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

	1 January - 31 December 2022	1 January - 31 December 2021
Sales and marketing expenses	(1,338,197)	(596,356)
General administrative expenses	(482,636)	(202,991)
Research and development expenses	(159,204)	(109,841)
	<b>(1,980,037)</b>	<b>(909,188)</b>

NOTE 21 - EXPENSES BY NATURE

	1 January - 31 December 2022	1 January - 31 December 2021
Cost of raw material and consumption goods	5,809,653	1,924,724
Personnel expenses	1,109,480	444,701
Cost of merchandises sold	485,737	446,153
Sales, incentives and premiums	387,411	121,064
Administrative expenses	313,649	118,183
Operational expenses	312,997	87,527
Provision for warranty expenses	281,257	194,314
Transportation, distribution and storage expenses	189,272	69,426
Depreciation and amortization expense	148,760	101,135
Advertising, promotion and promotion costs	85,252	38,107
Change in finished and semi-finished goods	(687,830)	99,195
Other expenses	104,212	56,848
	<b>8,539,850</b>	<b>3,701,377</b>

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

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

NOTES TO CONSOLIDATED YEARS ENDED FINANCIAL STATEMENTS  
AT 31 DECEMBER 2022 AND 2021

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

NOTE 21 - EXPENSES BY NATURE (Continued)

The breakdown of personnel expenses for the years 2022 and 2021 is as follows:

	1 January - 31 December 2022	1 January - 31 December 2021
<b>Based on the account it's booked:</b>		
Cost of sales and inventories on hand	613,363	222,393
Sales and marketing expenses	275,777	125,929
Capitalized development expenditures	252,984	117,921
General administrative expenses	200,257	86,869
Research and development expenses	20,083	9,510
	<b>1,362,464</b>	<b>562,622</b>
	1 January - 31 December 2022	1 January - 31 December 2021
<b>By nature:</b>		
Wages and salaries	984,277	435,179
Other social benefits	148,802	39,205
Social security premiums	116,012	49,996
Provision for employment termination benefits	73,962	27,832
Provision for vacation pay liability	28,583	4,825
Other	10,828	5,585
	<b>1,362,464</b>	<b>562,622</b>

*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 2022	1 January - 31 December 2021
Independent audit fee for the reporting period	1,324	782
Fee for other assurance services	-	17
Fees for services other than independent auditing	502	14
	<b>1,826</b>	<b>813</b>

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.

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

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

NOTES TO CONSOLIDATED YEARS ENDED FINANCIAL STATEMENTS  
AT 31 DECEMBER 2022 AND 2021

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

NOTE 22 - OTHER OPERATING INCOME AND EXPENSES

	1 January - 31 December 2022	1 January - 31 December 2021
<b>Other operating income</b>		
Foreign exchange gains on operating activities	770,684	705,886
Revenue from charge of due date receivables	444,396	108,030
Gain on forward transactions	81,215	120,768
Other income	105,276	41,976
	<b>1,401,571</b>	<b>976,660</b>

	31 December 2022	31 December 2021
<b>Other operating expenses</b>		
Foreign exchange loss on operating activities	(685,886)	(611,854)
Loss on forward transactions	(83,681)	(92,474)
Expected credit losses on trade receivables	(1,682)	(3,240)
Other expenses	(1,319)	(1,051)
	<b>(772,568)</b>	<b>(708,619)</b>

NOTE 23 - FINANCIAL INCOME

	1 January - 31 December 2022	1 January - 31 December 2021
Foreign exchange gains on deposits	122,732	163,752
Interest income from time deposits	74,346	31,490
Foreign exchange gains on bank borrowings	50,542	28,056
	<b>247,620</b>	<b>223,298</b>

NOTE 24 - FINANCIAL EXPENSES

	1 January - 31 December 2022	1 January - 31 December 2021
Foreign exchange losses on bank borrowings	(723,134)	(183,125)
Interest expense on bank borrowings	(280,897)	(257,996)
Foreign exchange losses on deposits	(42,839)	(58,314)
Other	(6,597)	(3,738)
	<b>(1,053,467)</b>	<b>(503,173)</b>



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

## OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

### NOTES TO CONSOLIDATED YEARS ENDED FINANCIAL STATEMENTS AT 31 DECEMBER 2022 AND 2021

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

#### NOT 25 - TAX ASSETS AND LIABILITIES

The Company is subject to taxation in accordance with the tax regulation and the legislation effective in Turkey. The Group's subsidiaries located abroad are subject to taxation in accordance with the tax regulations and laws of the relevant countries.

Regarding the tax regulations of the Law No. 7316 published in the Official Gazette dated April 22, 2021 and numbered 31462, the corporate tax rate; It has been determined to be applied as 25% for 2021 corporate earnings and 23% for 2022 corporate earnings. Corporate tax is declared until the evening of the twenty-fifth day of the fourth month following the end of the relevant year and is paid in a single installment until the end of the relevant month. In accordance with the tax legislation, 25% temporary tax is calculated and paid on quarterly earnings, and the amounts paid in this way are deducted from the tax calculated on the annual income.

Corporate tax losses can be carried forward for a maximum period of 5 years following the year in which the losses were incurred. The tax authorities can inspect tax returns and the related accounting records for a retrospective maximum period of five years.

By the Presidential Decree No. 4936 dated 21.12.2021, by joint stock companies residing in Turkey; The income tax withholding rate has been reduced from 15% to 10% in dividend payments made to real persons residing in Turkey, non-income and corporate taxpayers or exempted from these taxes, and real and legal persons who are not resident in Turkey. Dividend payments made from joint stock companies residing in Turkey to joint stock companies residing in Turkey are not subject to tax withholding. In addition, if the profit is not distributed or added to the capital, no tax deduction is made.

Research and development incentive rate which will be calculated over the research and development expenditures, is raised to 100% from 40% with the amendment made to the 10th article of the Tax Law numbered 5520 as a result of the amendment in the 35th article of the Law 5746 related to the Support of Research and Development Operations.

The aforementioned law has been enacted as of 1 April 2008. Accordingly, income tax-payers can deduct 100% of the expenditures made as of then, which are related to research and development related to new technology and information developments.

As a result of its research and development expenditures made in 2022 amounting to TRY 508,523 (2021: TRY 266,854). The Group has utilized research and development incentives at 100% deduction without any withholding tax. The Company has an R&D center certificate.

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

	31 December 2022	31 December 2021
Income tax payable	9,369	827
Prepaid taxes (-)	(9,369)	(827)
	-	-

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

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

NOTES TO CONSOLIDATED YEARS ENDED FINANCIAL STATEMENTS  
AT 31 DECEMBER 2022 AND 2021

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

NOT 25 - TAX ASSETS AND LIABILITIES (Continued)

The breakdown of total tax expense for the years ended 31 December 2022 and 2021 are as follows:

	31 December 2022	31 December 2021
Current tax charge	(9,369)	(827)
<b>Deferred tax income/expense reflected in profit or loss</b>		
Charged to profit for the period	171,646	137,805
	<b>162,277</b>	<b>136,978</b>

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

	1 January - 31 December 2022	1 January - 31 December 2021
<b>Profit before tax</b>	<b>1,076,841</b>	<b>904,546</b>
Income tax charge at effective tax rate	(242,289)	(226,137)
Disallowable expenses	(30,936)	(720)
Discounts and exceptions	161,698	192,338
Real estate revaluation effect (*)	143,929	-
Tax effect on gain on investments accounted for using the equity method	41,688	26,863
Impact of foreign companies subject to different tax rates	1,688	(8,364)
Other differences	86,499	152,998
<b>Total</b>	<b>162,277</b>	<b>136,978</b>

(\*) Law No. 7338, within the framework of the new regulations made in the temporary article 32 of the Tax Procedure Law (TPL), the revaluation of immovables and depreciable assets has been allowed. The Company has revalued its depreciable assets in accordance with the TPL. Valued depreciable assets are followed at cost model in the Group's consolidated financial statements within the scope of TAS 16 Tangible Fixed Assets Standard. As of 31 December 2021, the deferred tax effect calculated over the temporary difference arising from the cancellation of the effect of the valuation increase in the legal records and 2% tax effect on legal records due to the relevant valuation has been accounted in the current year profit or loss statement.

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

**OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ**

**NOTES TO CONSOLIDATED YEARS ENDED FINANCIAL STATEMENTS  
AT 31 DECEMBER 2022 AND 2021**

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

**NOT 25 - TAX ASSETS AND LIABILITIES (Continued)**

Within the scope of the Law No. 7316 on 'The Law on the Collection of Public Claims and Amendments to Certain Laws' published in the Official Gazette dated April 22, 2021 and numbered 31462; Instead of 20%, the corporate tax rate will be 25% for 2021 and 23% for 2022. Within the scope of the said law, deferred tax assets and liabilities in the consolidated financial statements are calculated with a 25% tax rate for the portion of temporary differences that will have a tax effect in 2021, and 23% in 2022. In the deferred tax calculation for the year after 2022, the tax rate is considered as 20%.

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

	<u>Cumulative temporary differences</u>		<u>Deferred tax assets/(liability)</u>	
	<u>31 December 2022</u>	<u>31 December 2021</u>	<u>31 December 2022</u>	<u>31 December 2021</u>
Property, plant and equipment	55,221	(94,471)	14,525	(15,413)
Intangible assets	(79,292)	(123,144)	(15,858)	(24,629)
Deferred financial expenses	(10,970)	(3,144)	(2,194)	(786)
Inventories	86,260	40,541	17,252	9,538
Provision for warranty expenses	345,980	254,819	69,196	63,705
Provision for employment termination benefits	314,077	89,427	62,815	22,357
Deferred financial income	284,842	49,520	56,968	12,380
Other provisions	297,408	55,663	59,482	13,916
Deferred maintenance income	533,173	196,887	103,163	60,225
Investment incentives (*)	74,605	86,238	74,605	86,238
Other	45,169	23,019	(2,304)	6,893
<b>Deferred tax assets, net</b>			<b>437,650</b>	<b>234,424</b>

(\*) 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 872,007 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 2022 and 2021 are as follows:

	<b>2022</b>	<b>2021</b>
<b>1 January</b>	<b>234,424</b>	<b>96,285</b>
Deferred tax income/loss		
Charged to profit for the period	171,646	137,805
Charged to other comprehensive income	31,580	334
<b>As of 31 December</b>	<b>437,650</b>	<b>234,424</b>

The law on amending the Tax Procedure Law and the Corporate Tax Law was enacted on January 20, 2022, Law No. It has been enacted with the number 7352 and it has been decided that the financial statements will not be subject to inflation adjustment in the 2021 and 2022 accounting periods, including the temporary accounting periods, and in the provisional tax periods of the 2023 accounting period, regardless of whether the conditions for the inflation adjustment within the scope of the Repeated Article 298 are met.

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

**OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ**

**NOTES TO CONSOLIDATED YEARS ENDED FINANCIAL STATEMENTS  
AT 31 DECEMBER 2022 AND 2021**

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

**NOTE 26 - EARNINGS PER SHARE (Continued)**

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.

	<b>31 December 2022</b>	<b>31 December 2021</b>
Net income attributable to shareholders	1,250,160	1,041,524
Weighted average number of issued shares	24,000,000,000	24,000,000,000
Earnings per share (Piaster)	5.163	4.340

**NOTE 27 - 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 2022 and 2021:

<b>Due from related parties</b>	<b>31 December 2022</b>	<b>31 December 2021</b>
Ram Dış Ticaret A.Ş. (1) (*)	1,423,693	229,946
Al Jasoor Heavy Vehicles Industry LLC (3) (**)	208,029	303,111
Other (1)	73	185
	<b>1,631,795</b>	<b>533,242</b>

(\*) 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..

<b>Due to related parties</b>	<b>31 December 2022</b>	<b>31 December 2021</b>
Ram Dış Ticaret A.Ş. (1)	113,899	14,020
Zer Merkezi Hizmetler A.Ş. (1)	40,531	16,530
Koç Holding A.Ş. (2)	31,099	19,066
Setur Servis Turistik A.Ş. (1)	6,122	5,312
Divan Turizm İşletmeleri A.Ş. (1)	5,295	-
Koç Sistem Bilgi ve İletişim Hiz. A.Ş. (1)	4,316	4,005
Otokoç Otomotiv Tic. ve San. A.Ş. (1)	4,047	2,916
Opet Fuchs Madeni Yağ A.Ş. (1)	3,213	1,798
Ford Otosan A.Ş.(2)	2,669	456
Akpa Dayanıklı Tük. Paz. A.Ş. (1)	1,703	525
Other (1)	7,346	6,086
	<b>220,240</b>	<b>70,714</b>

(1) Related parties of the parent company

(2) Shareholder of the Company

(3) Joint venture

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

**OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ**

**NOTES TO CONSOLIDATED YEARS ENDED FINANCIAL STATEMENTS  
AT 31 DECEMBER 2022 AND 2021**

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

**NOTE 27 - RELATED PARTY DISCLOSURES**

<b>Advances received from related parties</b>	<b>31 December 2022</b>	<b>31 December 2021</b>
Al Jasoor Heavy Vehicles Industry LLC (3) (**)	137,137	6,271
Ram Dış Ticaret A.Ş. (1)	100,327	421,792
	<b>237,464</b>	<b>428,063</b>

(\*) 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:

<b>Sales of products and services</b>	<b>1 January - 31 December 2022</b>	<b>1 January - 31 December 2021</b>
Ram Dış Ticaret A.Ş. (1) (*)	2,851,674	473,018
Al Jasoor Heavy Vehicles Industry LLC (3)	308,736	1,665,582
Other (1)	1,369	410
	<b>3,161,779</b>	<b>2,139,010</b>

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

<b>Fixed asset purchases</b>	<b>1 January - 31 December 2022</b>	<b>1 January - 31 December 2021</b>
Koç Sistem Bilgi ve İletişim Hiz. A.Ş. (1)	24,175	13,178
Zer Merkezi Hizmetler A.Ş. (1)	10,201	6,743
Ark İnşaat A.Ş. (1)	-	12,373
Other (1)	2,127	562
	<b>36,503</b>	<b>32,856</b>

<b>Inventory purchases</b>	<b>1 January - 31 December 2022</b>	<b>1 January - 31 December 2021</b>
Zer Merkezi Hizmetler A.Ş. (1)	208,754	67,617
Ram Dış Ticaret A.Ş. (1)	71,836	9,820
Opet Petrolcülük A.Ş. (1)	16,976	4,215
Opet Fuchs Madeni Yağ A.Ş. (1)	15,023	6,229
Ford Otosan A.Ş. (2)	12,375	23,303
Akpa Dayanıklı Tük. Paz. A.Ş. (1)	12,319	2,873
Bal Kaynak Su İth. İhr. San ve Tic A.Ş. (1)	2,914	945
Diğer (1)	924	577
	<b>341,121</b>	<b>115,579</b>

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

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

**OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ**

**NOTES TO CONSOLIDATED YEARS ENDED FINANCIAL STATEMENTS  
AT 31 DECEMBER 2022 AND 2021**

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

**NOTE 27 - RELATED PARTY DISCLOSURES (Continued)**

	<b>1 January - 31 December 2022</b>	<b>1 January - 31 December 2021</b>
<b>Service purchases</b>		
Ram Dış Ticaret A.Ş. (1)	77,533	76,394
Eltek Elektrik Enerji İth. İhr. Top. Tic. A.Ş. (1)	64,419	11,452
Setur Servis Turistik A.Ş. (1)	46,554	14,430
Koç Holding A.Ş. (2) (*)	44,955	24,229
Koç Sistem Bilgi ve İlt. Hiz. A.Ş. (1)	28,462	11,671
Otokoç Otomotiv Tic. ve San. A.Ş. (1)	20,570	12,721
Ram Sigorta Aracılık Hiz. A.Ş. (1) (**)	18,817	10,147
Divan Turizm İşletmeleri A.Ş. (1)	7,428	-
Ingage Dijital (1)	5,030	2,356
Ark İnşaat A.Ş. (1)	-	3,167
Other (1)	8,948	4,600
	<b>322,716</b>	<b>171,167</b>

(\*) 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 2022 in accordance with insurance policies signed between insurance companies via Ram Sigorta Aracılık Hizmetleri A.Ş. which is an insurance agency.

<b>Banks deposits</b>	<b>31 December 2022</b>	<b>31 December 2021</b>
Yapı ve Kredi Bankası A.Ş. (1)		
- Time deposits	141,174	365,436
- Deposit deposits (*)	66,931	2
	<b>208,105</b>	<b>365,438</b>

(\*) TRY 60,000 thousand is included in the Financial investments item under Current Assets.

<b>Loans</b>	<b>31 December 2022</b>	<b>31 December 2021</b>
Yapı ve Kredi Bankası A.Ş. (1)	840,642	141,828
	<b>840,642</b>	<b>141,828</b>

(1) Related parties of the parent company

(2) Shareholder of the Company

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

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

NOTES TO CONSOLIDATED YEARS ENDED FINANCIAL STATEMENTS  
AT 31 DECEMBER 2022 AND 2021

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

NOTE 27 - RELATED PARTY DISCLOSURES (Continued)

For the years ended 31 December 2022 and 2021, financial income and expense with related parties:

	1 January - 31 December 2022	1 January - 31 December 2021
<b>Trade receivables and payables foreign exchange gains</b>		
Ram Dış Ticaret A.Ş. (1)	253,685	214,544
Other (1)	2,040	1,534
	<b>255,725</b>	<b>216,078</b>

	1 January - 31 December 2022	1 January - 31 December 2021
<b>Trade receivables and payables foreign exchange expenses</b>		
Ram Dış Ticaret A.Ş. (1)	54,499	179,021
Other (1)	3,351	2,082
	<b>57,850</b>	<b>181,103</b>

For the years ended 31 December 2022 and 2021, financial income and expense with related parties:

	1 January - 31 December 2022	1 January - 31 December 2021
<b>Interest income</b>		
Yapı ve Kredi Bankası A.Ş. (1)	15,439	2,694
	<b>15,439</b>	<b>2,694</b>

(1) Related parties of the parent company

	1 January - 31 December 2022	1 January - 31 December 2021
<b>Interest expense</b>		
Yapı ve Kredi Bankası A.Ş. (1)	14,862	13,149
	<b>14,862</b>	<b>13,149</b>

	1 January - 31 December 2022	1 January - 31 December 2021
<b>Foreign exchange gains</b>		
Yapı ve Kredi Bankası A.Ş. (1)	37,899	23,362
	<b>37,899</b>	<b>23,362</b>

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

**OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ**

**NOTES TO CONSOLIDATED YEARS ENDED FINANCIAL STATEMENTS  
AT 31 DECEMBER 2022 AND 2021**

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

**NOTE 27 - RELATED PARTY DISCLOSURES (Continued)**

	<b>1 January - 31 December 2022</b>	<b>1 January - 31 December 2021</b>
<b>Foreign exchange expenses</b>		
Yapı ve Kredi Bankası A.Ş. (1)	14,996	13,010
	<b>14,996</b>	<b>13,010</b>

(1) Related parties of the parent company

**Benefits provided to senior executives**

For the year ended 31 December 2022, the total amount of benefits provided to senior management is TRY 67,596 thousand (31 December 2021: TRY 29,972 - TRY 1,400 thousand of this amount is related to the payments made due to separation and remaining part consists of short term benefits). The senior executives consist of board members, general manager and deputy general managers.

**NOTE 28 - NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS**

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.

***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).



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

**OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ**

**NOTES TO CONSOLIDATED YEARS ENDED FINANCIAL STATEMENTS  
AT 31 DECEMBER 2022 AND 2021**

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

**NOTE 28 - NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS  
(Continued)**

31 December 2022	Receivables		
	Trade receivables	Other	Bank deposit
<b>Maximum credit risk exposure as of reporting date (A+B+C+D+E) (1)</b>	<b>4,890,970</b>	<b>6,193</b>	<b>1,725,692</b>
- <i>Maximum risk secured by guarantee (2)</i>	864,486	-	-
A. Net book value of financial assets neither overdue nor impaired	4,894,877	6,193	1,725,692
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	330	-	-
D. Net book value of impaired assets	(4,237)	-	-
- <i>Overdue (gross book value)</i>	129,618	-	-
- <i>Impairment (-) (Note 8)</i>	(133,855)	-	-
- <i>Net value under guarantee</i>	(4,237)	-	-
- <i>Not overdue (gross book value)</i>	-	-	-
- <i>Impairment (-)</i>	-	-	-
- <i>Net value under guarantee</i>	-	-	-
E. Off- balance sheet items having credit risk	-	-	-

31 December 2021	Receivables		
	Trade receivables	Other	Bank deposit
<b>Maximum credit risk exposure as of reporting date (A+B+C+D+E) (1)</b>	<b>2,374,028</b>	<b>5,686</b>	<b>644,806</b>
- <i>Maximum risk secured by guarantee (2)</i>	478,548	-	-
A. Net book value of financial assets neither overdue nor impaired	2,372,357	5,686	644,806
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	395	-	-
D. Net book value of impaired assets	1,276	-	-
- <i>Overdue (gross book value)</i>	98,660	-	-
- <i>Impairment (-) (Note 8)</i>	(97,384)	-	-
- <i>Net value under guarantee</i>	1,276	-	-
- <i>Not overdue (gross book value)</i>	-	-	-
- <i>Impairment (-)</i>	-	-	-
- <i>Net value under guarantee</i>	-	-	-
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.

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

**OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ**

**NOTES TO CONSOLIDATED YEARS ENDED FINANCIAL STATEMENTS  
AT 31 DECEMBER 2022 AND 2021**

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

**NOTE 28 - NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS  
(Continued)**

As of 31 December 2022 and 2021, maturities of gross trade payables and financial liabilities are as follows:

**31 December 2022**

<b>Maturities per agreements</b>	<b>Book value</b>	<b>Total cash outflow per agreements (=I+II+III+IV)</b>	<b>Less than 3 month (I)</b>	<b>Between 3-12 month (II)</b>	<b>Between 1-5 years (III)</b>	<b>Over 5 years (IV)</b>
<b>Non-derivative financial liabilities</b>						
Bank loans	7,467,836	8,129,444	1,378,899	5,463,436	1,287,109	-
Trade payables	2,217,223	2,228,192	2,228,192	-	-	-
<b>Expected maturities</b>	<b>Book value</b>	<b>Total expected cash outflow</b>	<b>Less than 3 month</b>	<b>Between 3-12 month</b>	<b>Between 1-5 year</b>	<b>Over 5 years</b>
<b>Non-derivative financial liabilities</b>						
Other payables	27,863	27,863	27,863	-	-	-
Other short-term liabilities	33,492	33,492	33,492	-	-	-
<b>Expected (or maturities per agreement)</b>	<b>Book value</b>	<b>Total expected cash outflow</b>	<b>Less than 3 month</b>	<b>Between 3-12 month</b>	<b>Between 1-5 year</b>	<b>Over 5 years</b>
<b>Derivative financial liabilities (net)</b>						
	<b>2,450</b>	<b>2,450</b>	<b>2,450</b>	-	-	-
Derivative cash inflows	1,139,187	1,139,187	1,139,187	-	-	-
Derivative cash outflows	(1,136,737)	(1,136,737)	(1,136,737)	-	-	-

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

**OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ**

**NOTES TO CONSOLIDATED YEARS ENDED FINANCIAL STATEMENTS  
AT 31 DECEMBER 2022 AND 2021**

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

**NOTE 28 - NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS  
(Continued)**

**31 December 2021**

<b>Maturities per agreements</b>	<b>Book value</b>	<b>Total cash outflow per agreements (=I+II+III+IV)</b>	<b>Less than 3 month (I)</b>	<b>Between 3-12 month (II)</b>	<b>Between 1-5 years (III)</b>	<b>Over 5 years (IV)</b>
<b>Non-derivative financial liabilities</b>						
Bank loans	2,332,877	2,823,104	692,772	640,943	1,489,389	-
Trade payables	554,860	554,860	554,860	-	-	-
<b>Expected maturities</b>	<b>Book value</b>	<b>Total expected cash outflow</b>	<b>Less than 3 month</b>	<b>Between 3-12 month</b>	<b>Between 1-5 year</b>	<b>Over 5 years</b>
<b>Non-derivative financial liabilities</b>						
Other payables	46,547	23,707	23,707	-	-	-
Other short-term liabilities	6,688	6,688	6,688	-	-	-
<b>Expected (or maturities per agreement)</b>	<b>Book value</b>	<b>Total expected cash outflow</b>	<b>Less than 3 month</b>	<b>Between 3-12 month</b>	<b>Between 1-5 year</b>	<b>Over 5 years</b>
<b>Derivative financial liabilities (net)</b>						
Derivative cash inflows	51	51	51	-	-	-
Derivative cash outflows	66,071	66,071	66,071	-	-	-
	(66,020)	(66,020)	(66,020)	-	-	-

**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.

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

**OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ**

**NOTES TO CONSOLIDATED YEARS ENDED FINANCIAL STATEMENTS  
AT 31 DECEMBER 2022 AND 2021**

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

**NOTE 28 - 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:

<b>31 December 2022</b>	<b>TRY equivalent (functional currency)</b>	<b>USD</b>	<b>EUR</b>	<b>GBP</b>
1. Trade receivables	3,487,288	95,051	85,779	-
2a. Monetary financial assets (including cash, bank accounts)	244,588	6,959	5,742	-
2b. Non-monetary financial assets	-	-	-	-
3. Other	-	-	-	-
4. <b>Current assets (1+2+3)</b>	<b>3,731,876</b>	<b>102,010</b>	<b>91,521</b>	-
5. Trade receivables	-	-	-	-
6a. Monetary financial assets	-	-	-	-
6b. Non-monetary financial assets	-	-	-	-
7. Other	60	-	3	-
8. <b>Non-current assets (5+6+7)</b>	<b>60</b>	-	<b>3</b>	-
9. <b>Total assets (4+8)</b>	<b>3,731,936</b>	<b>102,010</b>	<b>91,524</b>	-
10. Trade payables	(1,314,279)	(46,511)	(22,279)	(21)
11. Financial liabilities	(965,567)	-	(48,436)	-
12a. Monetary other liabilities	(224,999)	(6,260)	(5,415)	-
12b. Non-monetary other liabilities	-	-	-	-
13. <b>Current liabilities (10+11+12)</b>	<b>(2,504,845)</b>	<b>(52,771)</b>	<b>(76,130)</b>	<b>(21)</b>
14. Trade payables	-	-	-	-
15. Financial liabilities	-	-	-	-
16a. Monetary other liabilities	-	-	-	-
16b. Non-monetary other liabilities	-	-	-	-
17. <b>Non-current liabilities (14+15+16)</b>	-	-	-	-
18. <b>Total liabilities (13+17)</b>	<b>(2,504,845)</b>	<b>(52,771)</b>	<b>(76,130)</b>	<b>(21)</b>
<b>Net balance sheet position (9+18)</b>	<b>1,227,091</b>	<b>49,239</b>	<b>15,394</b>	<b>(21)</b>
Net asset/(liability) position of off-balance sheet derivative instruments(19a-19b)	(1,136,737)	(48,000)	(12,000)	-
19a. Hedged total assets amount	-	-	-	-
19b. Hedged total liabilities amount	(1,136,737)	(48,000)	(12,000)	-
20. <b>Net foreign currency asset/(liability) position (9+18+19)</b>	<b>90,354</b>	<b>1,239</b>	<b>3,394</b>	<b>(21)</b>
<b>Net foreign currency asset/(liability) position of monetary items (=1+2a+5+6a-10-11-12a-14-15-16a)</b>	<b>1,227,031</b>	<b>49,239</b>	<b>15,391</b>	<b>(21)</b>
Total fair value of financial instruments used for foreign currency hedging	(2,450)	(3,105)	655	-
23. Export	6,998,600	194,086	188,864	10
24. Import	4,078,976	73,657	157,562	473

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

**OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ**

**NOTES TO CONSOLIDATED YEARS ENDED FINANCIAL STATEMENTS  
AT 31 DECEMBER 2022 AND 2021**

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

**NOTE 28 - NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS  
(Continued)**

31 December 2021	TRY equivalent (functional currency)	USD	EUR	GBP
1. Trade receivables	1,171,588	35,458	48,442	11
2a. Monetary financial assets (including cash, bank accounts)	319,360	21,648	2,617	-
2b. Non-monetary financial assets	-	-	-	-
3. Other	26	2	-	-
4. <b>Current assets (1+2+3)</b>	<b>1,490,974</b>	<b>57,108</b>	<b>51,059</b>	<b>11</b>
5. Trade receivables	-	-	-	-
6a. Monetary financial assets	-	-	-	-
6b. Non-monetary financial assets	-	-	-	-
7. Other	-	-	-	-
8. <b>Non-current assets (5+6+7)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
9. <b>Total assets (4+8)</b>	<b>1,490,974</b>	<b>57,108</b>	<b>51,059</b>	<b>11</b>
10. Trade payables	(357,876)	(16,798)	(9,495)	(27)
11. Financial liabilities	(2,173)	-	(148)	-
12a. Monetary other liabilities	(544,449)	(35,147)	(6,016)	-
12b. Non-monetary other liabilities	-	-	-	-
13. <b>Current liabilities (10+11+12)</b>	<b>(904,498)</b>	<b>(51,945)</b>	<b>(15,659)</b>	<b>(27)</b>
14. Trade payables	-	-	-	-
15. Financial liabilities	(591,961)	-	(40,318)	-
16a. Monetary other liabilities	-	-	-	-
16b. Non-monetary other liabilities	-	-	-	-
17. <b>Non-current liabilities (14+15+16)</b>	<b>(591,961)</b>	<b>-</b>	<b>(40,318)</b>	<b>-</b>
18. <b>Total liabilities (13+17)</b>	<b>(1,496,459)</b>	<b>(51,945)</b>	<b>(55,977)</b>	<b>(27)</b>
<b>Net balance sheet position (9+18)</b>	<b>(5,485)</b>	<b>5,163</b>	<b>(4,918)</b>	<b>(16)</b>
Net asset/(liability) position of off-balance sheet derivative instruments(19a-19b)	51	(5,087)	4,500	-
19a. Hedged total assets amount	66,068	-	4,500	-
19b. Hedged total liabilities amount	(66,017)	(5,087)	-	-
20. <b>Net foreign currency asset/(liability) position (9+18+19)</b>	<b>(5,434)</b>	<b>76</b>	<b>(418)</b>	<b>(16)</b>
<b>Net foreign currency asset/(liability) position of monetary items (=1+2a+5+6a-10-11-12a-14-15-16a)</b>	<b>(5,511)</b>	<b>5,161</b>	<b>(4,918)</b>	<b>(16)</b>
Total fair value of financial instruments used for foreign currency hedging	(51)	(51)	-	-
23. Export	3,269,963	219,714	103,911	31
24. Import	1,145,085	43,180	67,679	551

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

**OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ**

**NOTES TO CONSOLIDATED YEARS ENDED FINANCIAL STATEMENTS  
AT 31 DECEMBER 2022 AND 2021**

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

**NOTE 28 - 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 2022 and 2021:

<b>31 December 2022</b>	<b>Profit before tax Appreciation of foreign currency</b>	<b>Profit before tax Depreciation of foreign foreign currency</b>
<i>In case 10% appreciation of USD against TRY:</i>		
1- USD net asset/liability	2,316	(2,316)
2- Amount hedged for USD risk (-)	-	-
<b>3- USD net effect (1+2)</b>	<b>2,316</b>	<b>(2,316)</b>
<i>In case 10% appreciation of EUR against TRY:</i>		
4- EUR net asset/liability	6,766	(6,766)
5- Amount hedged for EUR risk (-)	-	-
<b>6- EUR net effect (4+5)</b>	<b>6,766</b>	<b>(6,766)</b>
<i>In case 10% appreciation of GBP against TRY</i>		
7- GBP net asset/liability	(47)	47
8- Amount hedged for GBP risk (-)	-	-
<b>9- GBP net effect (7+8)</b>	<b>(47)</b>	<b>47</b>
<b>Total (3+6+9)</b>	<b>9,035</b>	<b>(9,035)</b>
<b>31 December 2021</b>	<b>Profit before tax Appreciation of foreign currency</b>	<b>Profit before tax Depreciation of foreign foreign currency</b>
<i>In case 10% appreciation of USD against TRY:</i>		
1- USD net asset/liability	99	(99)
2- Amount hedged for USD risk (-)	-	-
<b>3- USD net effect (1+2)</b>	<b>99</b>	<b>(99)</b>
<i>In case 10% appreciation of EUR against TRY:</i>		
4- EUR net asset/liability	(614)	614
5- Amount hedged for EUR risk (-)	-	-
<b>6- EUR net effect (4+5)</b>	<b>(614)</b>	<b>614</b>
<i>In case 10% appreciation of GBP against TRY</i>		
7- GBP net asset/liability	(28)	28
8- Amount hedged for GBP risk (-)	-	-
<b>9- GBP net effect (7+8)</b>	<b>(28)</b>	<b>28</b>
<b>Total (3+6+9)</b>	<b>(543)</b>	<b>543</b>

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

**OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ**

**NOTES TO CONSOLIDATED YEARS ENDED FINANCIAL STATEMENTS  
AT 31 DECEMBER 2022 AND 2021**

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

**NOTE 28 - 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 2022 and 2021, 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.

	<b>31 December 2022</b>	<b>31 December 2021</b>
Total financial liability	7,547,424	2,378,457
Less: Cash and cash equivalents (Note 4)	(1,731,458)	(644,857)
Net financial liability	5,815,966	1,733,600
Total equity	2,102,980	1,496,535
<b>Financial debt/shareholders' equity factor</b>	<b>279%</b>	<b>116%</b>

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

**OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ**

**NOTES TO CONSOLIDATED YEARS ENDED FINANCIAL STATEMENTS  
AT 31 DECEMBER 2022 AND 2021**

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

**NOTE 29 - 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 2022 and 2021:

**31 December 2022**

<b>Assets</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Derivative financial instruments	-	2,450	-	2,450
	-	<b>2,450</b>	-	<b>2,450</b>

**31 December 2021**

<b>Liabilities</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Derivative financial instruments	-	51	-	51
	-	<b>51</b>	-	<b>51</b>

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.



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

**OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ**

**NOTES TO CONSOLIDATED YEARS ENDED FINANCIAL STATEMENTS  
AT 31 DECEMBER 2022 AND 2021**

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

---

**NOTE 30 - SUBSEQUENT EVENTS**

None.