

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

**OTOKAR OTOMOTİV VE SAVUNMA
SANAYİ ANONİM ŞİRKETİ**

**INTERIM CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS AND
EXPLANATORY NOTES FOR THE PERIOD 1
JANUARY - 30 SEPTEMBER 2024**

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

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

**INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENT
FOR THE PERIOD 1 JANUARY - 30 SEPTEMBER 2024**

CONTENT	PAGE
CONSOLIDATED BALANCE SHEETS.....	1-2
CONSOLIDATED STATEMENTS OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME	3
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY	4
CONSOLIDATED STATEMENTS OF CASH FLOWS	5
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS	6-47

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

AS OF 30 SEPTEMBER 2024 AND 31 DECEMBER 2023

(Amounts expressed in thousands of Turkish Lira ("TL") in terms of the purchasing power of the TL at 30 September 2024, unless otherwise indicated.)

		(Unaudited)	(Audited)
	Notes	30 September 2024	31 December 2023
Assets			
Current assets			
Cash and cash equivalents	4	2,457,347	9,287,113
Trade receivables	9	9,636,523	11,630,621
Due from related parties	22	3,396,584	4,503,413
Due from other parties	9	6,239,939	7,127,208
Other receivables		4,443	5,781
Inventories	10	13,013,900	10,094,833
Prepaid expenses	14	223,370	229,152
Other current assets	14	905,596	1,484,520
Total current assets		26,241,179	32,732,020
Non-current assets			
Trade receivables	9	793,550	668,558
Other receivables		32,298	12,147
Investments accounted by equity method	5	53,243	115,967
Financial investments	7	65,699	38,974
Property, plant and equipment	11	4,513,069	4,071,603
Right of use assets	11	85,331	138,183
Intangible assets	12	6,128,268	5,262,844
Goodwill		50,556	61,487
Other intangible assets	12	6,077,712	5,201,357
Deferred income tax asset	20	1,030,106	1,057,508
Prepaid expenses	14	32,730	36,017
Total non-current assets		12,734,294	11,401,801
Total assets		38,975,473	44,133,821

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

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS OF SEPTEMBER 30, 2024 AND DECEMBER 31, 2023

(Unless otherwise stated, the amounts are expressed as one thousand TL on the basis of purchasing power of the Turkish Lira ("TL") as of September 30, 2024.)

		(Unaudited)	(Audited)
	Notes	30 September 2024	31 December 2023
Liabilities			
Short-term liabilities			
Short-term borrowings	6	8,080,057	17,658,862
<i>Bank loans</i>	6	8,015,030	17,579,237
<i>Short-term lease liabilities</i>	6	65,027	79,625
Short-term portion of long-term borrowings	6	1,764,748	1,123,023
<i>Bank Loans</i>	6	669,915	1,016,867
<i>Issue of debt instruments</i>	6	1,094,833	106,156
Derivative Instruments	8	1,939	35,124
Trade Payables	9	3,830,095	5,568,733
<i>Due to related parties</i>	22	124,186	756,266
<i>Due to other parties</i>	9	3,705,909	4,812,467
Derivative financial instruments	14	302,751	557,304
Employee benefit obligations		263,057	47,953
Other payables	20	-	28,624
Current income tax liabilities	14	3,159,872	1,049,117
Liabilities from customer contracts		4,042	5,656
Government incentives and grants	13	1,771,499	2,245,055
Short-term provisions			
<i>Provisions for employee benefits</i>	13	165,039	148,274
<i>Other provisions</i>	13	1,606,460	2,096,781
Trade Payables	14	62,293	86,310
Total current liabilities		19,240,353	28,405,761
Non-current liabilities			
Long-term borrowings	6	10,371,535	3,135,788
<i>Bank loans</i>	6	9,769,826	973,340
<i>Long-term lease liabilities</i>	6	101,709	124,542
<i>Issued debt instruments</i>	6	500,000	2,037,906
Government incentives and grants		17,272	27,121
Long-term provisions	13	499,212	455,136
<i>Provisions for employee benefits</i>			
Liabilities from customer contracts	13	499,212	455,136
Long-term borrowings	14	551,746	829,334
Total long-term liabilities		11,439,765	4,447,379
Total liabilities		30,680,118	32,853,140
Equity			
Paid-in share capital		120,000	120,000
Inflation adjustment on share capital		1,666,681	1,666,681
Restricted reserves		1,381,958	1,297,653
Accumulated other comprehensive income and expense that will not be reclassified to statement of profit or loss		(579,546)	(454,345)
<i>Defined benefit plans remeasurement losses</i>		(579,546)	(454,345)
Accumulated other comprehensive income and expense that will be reclassified to statement of profit or loss		(683,635)	(1,073,560)
<i>Currency translation differences</i>		(683,635)	(1,073,560)
Retained earnings		8,789,813	7,050,570
Net profit or loss for the period		(2,399,916)	2,673,682
Total equity		8,295,355	11,280,681
Total liabilities and equity		38,975,473	44,133,821

The accompanying explanatory notes are supplementary parts of these interim condensed consolidated financial statements.

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE INTERIM PERIODS ENDED SEPTEMBER 30, 2024 AND 2023

(Unless otherwise stated, the amounts are expressed as one thousand TL on the basis of purchasing power of the Turkish Lira ("TL") as of September 30, 2024.)

		Unaudited		Unaudited	
		1 January - 30 September 2024	1 July - 30 September 2024	1 January - 30 September 2023	1 July - 30 September 2023
	Notes				
Revenue	15	21,421,155	7,293,006	23,000,826	10,436,476
Cost of sales (-)	15	(18,209,155)	(6,204,621)	(18,819,564)	(7,916,883)
GROSS PROFIT (LOSS)		3,212,000	1,088,385	4,181,262	2,519,593
Marketing expenses (-)	16	(2,993,609)	(921,194)	(2,870,422)	(1,138,875)
General administrative expenses (-)	16	(1,338,070)	(370,488)	(1,087,204)	(400,932)
Research and development expenses (-)	16	(800,750)	(264,123)	(768,927)	(244,915)
Other operating income	17	3,233,133	1,296,551	4,418,394	1,137,107
Other operating expenses (-)	17	(1,844,513)	(856,869)	(2,817,596)	(875,996)
OPERATING PROFIT (LOSS)		(531,809)	(27,738)	1,055,507	995,982
Income from investing activities		1,582	688	730	(105)
Profit (loss) from investments accounted by equity method	5	(49,222)	(20,893)	(11,144)	(23,982)
OPERATING INCOME (EXPENSE) BEFORE FINANCIAL INCOME (EXPENSE)		(579,449)	(47,943)	1,045,093	971,895
Financial income	18	901,763	276,569	1,420,122	411,613
Financial expense (-)	19	(5,622,284)	(2,211,721)	(4,965,521)	(1,641,905)
Monetary gain/ (loss)		2,969,190	720,568	2,829,091	390,232
PROFIT (LOSS) BEFORE TAXATION FROM CONTINUING OPERATIONS		(2,330,780)	(1,262,527)	328,785	131,835
Income (expense) tax from continuing operations					
Current year tax expense / (income)	20	-	-	(244,361)	20,224
Deferred tax income (expense)	20	(69,136)	358,873	(219,184)	(86,290)
PROFIT/LOSS FOR THE PERIOD		(2,399,916)	(903,654)	(134,760)	65,769
Items that will not be reclassified to profit or loss					
Defined benefit plans remeasurement gains (losses)	13	(166,935)	2,833	(124,719)	(59,458)
Deferred tax income (expense)	20	41,734	(708)	24,945	12,134
Items that will be reclassified to profit or loss					
Currency translation differences of investments accounted by equity method	5	(13,502)	(3,391)	(75,831)	(109,580)
Currency translation differences		403,427	81,030	(83,832)	135,715
Other comprehensive income(expense)		264,724	79,764	(259,437)	(21,189)
TOTAL COMPREHENSIVE INCOME/(EXPENSE)		(2,135,192)	(823,890)	(394,197)	44,580
Earnings (losses) per share (Kr)	21	(19,999)	(7,530)	(2,004)	0,978

The accompanying explanatory notes are supplementary parts of these interim condensed financial statements.

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

FOR THE INTERIM PERIODS ENDING ON SEPTEMBER 30, 2024 AND 2023 CONSOLIDATED STATEMENTS OF CHANGE IN SHAREHOLDERS' EQUITY

(Unless otherwise stated, the amounts are expressed as one thousand TL on the basis of purchasing power of the Turkish Lira ("TL") as of September 30, 2024.)

					Accumulated other comprehensive income and expense that will not be reclassified to statement of profit or loss	Accumulated other comprehensive income and expense that may be reclassified to statement of profit or loss			
		Paid in share capital	Inflation adjustments	Restricted reserves	Remeasurement profits (losses) on defined benefit plans	Currency translation differences	Retained earnings	Net profit for the period	Total Equity
30 September 2023	Beginning of the period	24,000	1,706,438	1,297,653	(334,663)	(932,382)	4,365,045	2,741,802	8,867,893
	Transfers	-	-	-	-	-	2,741,802	(2,741,802)	-
	Capital increase	96,000	(39,757)	-	-	-	(56,243)	-	-
	Total comprehensive income	-	-	-	(99,774)	(159,663)	-	(134,760)	(394,197)
	Closing balances	120,000	1,666,681	1,297,653	(434,437)	(1,092,045)	7,050,604	(134,760)	8,473,696
30 September 2024	Beginning of the period	120,000	1,666,681	1,297,653	(454,345)	(1,073,560)	7,050,570	2,673,682	11,280,681
	Transfers	-	-	84,305	-	-	2,589,377	(2,673,682)	-
	Capital increase	-	-	-	-	-	(850,134)	-	(850,134)
	Total comprehensive income	-	-	-	(125,201)	389,925	-	(2,399,916)	(2,135,192)
	Closing balances	120,000	1,666,681	1,381,958	(579,546)	(683,635)	8,789,813	(2,399,916)	8,295,355

The accompanying explanatory notes are supplementary parts of these interim condensed consolidated financial statements.

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

FOR THE INTERIM PERIOD ENDING SEPTEMBER 30, 2024 EXPLANATORY NOTES ON CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unless otherwise stated, the amounts are expressed as one thousand TL on the basis of purchasing power of the Turkish Lira ("TL") as of September 30, 2024.)

		(Unaudited) 1 January – 30 September, 2024	(Audited) 1 January – 30 September 2023
	Notes		
CASH FLOWS FROM OPERATING ACTIVITIES		(1,130,832)	78,701
Net profit/(loss) for the period		(2,399,916)	(134,760)
Adjustments to reconcile net profit (loss) for the period to cash flows from operating activities		4,461,990	2,901,067
Adjustments for depreciation and amortization	11,12	1,075,666	928,042
Adjustments in relation to impairment:		143,087	150,263
- Provision for inventories	10	143,087	150,263
Adjustments in relation to provision:		523,333	754,514
- Provision for employee benefits		164,635	228,118
- Provision for warranty expenses	13	728,407	738,971
- Adjustments for other provisions		(369,709)	(212,575)
Adjustments in relation to interest income and expenses:		4,107,670	2,632,558
- Adjustment in relation to interest income	18	(740,520)	(919,382)
- Adjustment in relation to interest expense	19	4,848,190	3,551,940
Adjustments in relation to unrealised foreign exchange gains and losses	6	702,795	797,800
Adjustments in relation to fair value gains and losses		(15,858)	46,304
- Fair value losses/(gains) on financial assets		(26,725)	1,763
- Fair value losses/(gains) on financial derivative instruments		10,867	44,541
Adjustments for undistributed profits of investments accounted for using equity method		49,222	11,144
Adjustments for undistributed profits of joint ventures	5	49,222	11,144
Adjustments for tax income/(expenses)		69,136	463,545
Adjustments in relation to gains or losses on sales of property, plant and equipment		(1,582)	(730)
- Losses / (gains) on sale of property, plant and equipment		(1,582)	(730)
Monetary gain/ (loss)		(2,191,479)	(2,882,373)
Changes in net working capital		(2,468,527)	(1,954,375)
Adjustments for increase/decrease in trade receivables		(1,291,554)	(2,188,798)
Adjustments for increase/decrease in inventories		(3,062,154)	(2,374,627)
Adjustments for increase/decrease in trade payables		(268,767)	1,504,866
Adjustments for other increase (decrease) in working capital		2,153,948	1,104,184
- Increase/(decrease) in other assets related to activities		172,610	46,227
- Increase/(decrease) in other liabilities related to activities		1,981,338	1,057,957
Cash flows from operations		(406,453)	811,932
Payments in relation to employee benefits	13	(69,216)	(200,296)
Payments in relation to other provisions	13	(591,758)	(491,202)
Deductions/(payments) in relation to income tax		(28,624)	-
Other cash collections/(payments)		(34,781)	(41,733)
CASH FLOWS FROM INVESTMENT ACTIVITIES		(1,474,620)	276,117
Cash outflows for the acquisition of shares of other businesses or funds or debt instruments		(5,299)	(68,529)
Cash outflows for the acquisition of shares of other businesses or funds or debt instruments		3,344	1,215
- Proceeds from sale of property, plant and equipment		3,344	1,215
Cash outflows due to purchase of property, plant and equipment and intangible assets		(2,298,467)	(903,739)
- Purchase of property, plant and equipment	11	(741,053)	(678,681)
- Purchase of intangible assets	12	(1,557,414)	(225,058)
Dividends received		-	340,617
Interest received		825,802	906,553
CASH FLOWS FROM FINANCING ACTIVITIES		(2,089,064)	3,095,558
Cash inflow from due to borrowings		15,493,913	33,453,232
- Proceeds from bank borrowings	6	15,493,913	33,453,232
Cash outflow due to repayment of borrowings		(13,216,156)	(26,755,081)
- Repayments of borrowings	6	(13,216,156)	(26,755,081)
Cash outflows related to loan payments arising from lease agreements	6	(66,581)	(50,653)
Dividends paid		(850,134)	-
Interest paid		(3,450,106)	(3,551,940)
NET DECREASE IN CASH AND CASH EQUIVALENTS BEFORE THE EFFECT OF CURRENCY TRANSLATION DIFFERENCES		(4,694,516)	3,450,376
Currency translation difference on cash and cash equivalents		401,370	(78,033)
Effect of monetary loss on cash and cash equivalents		(2,451,338)	(1,244,837)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(4,293,146)	3,372,343
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	4	9,200,662	2,863,306
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	4	2,456,178	4,990,812

The accompanying explanatory notes are supplementary parts of these interim condensed consolidated financial statements.

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

FOR THE INTERIM PERIOD ENDING SEPTEMBER 30, 2024 EXPLANATORY NOTES ON CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unless otherwise stated, the amounts are expressed as one thousand TL on the basis of purchasing power of the Turkish Lira ("TL") as of September 30, 2024.)

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: Taşdelen Mahallesi, Sırrı Çelik Bulvarı No: 5 Çekmeköy/İstanbul

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

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

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

	30 September 2024		31 December 2023	
	Period end	Average	Period end	Average
Total Personnel Number	3,840	3,711	3,580	3,069

The consolidated financial statements for the year ended September 30, 2024 were authorized for issue and signed by the Board of Directors of Otokar on November 1, 2024. 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 September 30, 2024, 27,85% of the shares are quoted on the BIST.

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

FOR THE INTERIM PERIOD ENDING SEPTEMBER 30, 2024 EXPLANATORY NOTES ON CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unless otherwise stated, the amounts are expressed as one thousand TL on the basis of purchasing power of the Turkish Lira ("TL") as of September 30, 2024.)

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

As of September 30, 2024, the shareholders holding Otokar's shares and their share ratios are as follows:

	(%)
Koç Holding A.Ş.	47.38
Ünver Holding A.Ş.	24.81
Other	27.81
	100.00

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

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

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

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

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

2.1 Principles of preparation of consolidated financial statements

The accompanying interim condensed consolidated financial statements have been prepared in accordance with the Turkish Financial Reporting Standards ("IFRS") and the annexes and interpretations there to put into effect by the Public Oversight Accounting and Auditing Standards Authority ("KGGK") pursuant to the provisions of the Capital Markets Board's ("CMB") "Communiqué on Financial Reporting in the Capital Market" ("Communiqué") No. 14.1 of Series II, published in the Official Gazette dated June 13, 2013 and numbered 28676 ("Communiqué").

The interim condensed consolidated financial statements for the period ended September 30, 2024 have been prepared in accordance with IFRS's IAS 34 standard for the preparation of interim financial statements. Therefore, these interim condensed consolidated financial statements should be evaluated together with the consolidated financial statements for the year ended December 31, 2023.

The consolidated financial statements are presented in accordance with the formats set out in the "Announcement on IAS Taxonomy" and the "Financial Statement Examples User Guide" published by the UPS on July 3, 2024.

The Company and its Subsidiaries registered in Turkey comply with the principles and conditions issued by the CMB, the Turkish Commercial Code ("TCC"), the tax legislation and the Uniform Chart of Accounts issued by the Ministry of Finance in keeping accounting records and preparing legal financial statements. The consolidated financial statements have been prepared on a historical cost basis, except for derivative instruments shown with their fair values, and have been prepared by reflecting the necessary corrections and classifications in order to make the correct presentation in accordance with the IAS in the statutory records.

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

FOR THE INTERIM PERIOD ENDING SEPTEMBER 30, 2024 EXPLANATORY NOTES ON CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unless otherwise stated, the amounts are expressed as one thousand TL on the basis of purchasing power of the Turkish Lira ("TL") as of September 30, 2024.)

NOTE 2 - PRINCIPLES FOR THE PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.1 Principles of preparation of consolidated financial statements (Continued)

Functional and presentation currency

Each item in the financial statements of subsidiaries and joint ventures is recognized using the currency applicable in the underlying economic environment in which they operate ("functional currency"). The interim condensed consolidated financial statements are presented using TL, the Company's functional and presenting currency.

Financial statements of subsidiaries, joint ventures and affiliates operating in foreign countries

Included in the financial statements of subsidiaries and business partnerships operating in foreign countries, prepared in accordance with the Group's accounting policies; Its assets and liabilities were converted into TL using the exchange rate on the balance sheet date, and its revenues and expenses were converted into TL using the average exchange rates. Exchange rate differences arising as a result of closing and average exchange rate usage are tracked under the item of foreign currency conversion differences in equity and are adjusted according to the changes in the purchasing power of the TL in order to comply with IFRS.

Financial reporting in high-inflation economies

With the announcement made by the Public Oversight Accounting and Auditing Standards Authority (KGK) on November 23, 2023, enterprises implementing IFRSs have started to implement inflation accounting in accordance with IAS 29 Financial Reporting Standard in High Inflation Economies as of their financial statements for the annual reporting period ending on or after December 31, 2023. IAS 29 is applied to the financial statements, including consolidated financial statements, of enterprises whose current currency is the currency of a high-inflation economy.

In accordance with this standard, financial statements prepared on the basis of the currency of a high-inflation economy are prepared in the purchasing power of this currency on the balance sheet date. For comparison purposes in the financial statements of the previous period, comparative information is expressed in terms of the current unit of measurement at the end of the reporting period. Therefore, the Group has submitted its consolidated financial statements for September 30, 2023 and December 31, 2023 on a purchasing power basis as of September 30, 2024.

Pursuant to the CMB's decision dated 28 December 2023 and numbered 81/1820, it has been decided that issuers and capital market institutions subject to financial reporting regulations applying Turkish Accounting/Financial Reporting Standards will implement inflation accounting by applying the provisions of IAS 29, starting from their annual financial reports for the accounting periods ended as of 31 December 2023.

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

FOR THE INTERIM PERIOD ENDING SEPTEMBER 30, 2024 EXPLANATORY NOTES ON CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unless otherwise stated, the amounts are expressed as one thousand TL on the basis of purchasing power of the Turkish Lira ("TL") as of September 30, 2024.)

NOTE 2 -PRINCIPLES FOR THE PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.1 Principles of preparation of consolidated financial statements (Continued)

Financial reporting in high-inflation economies (continued)

The revisions made pursuant to IAS 29 were made using the correction coefficient obtained from the Consumer Price Index ("CPI") in Turkey published by the Turkish Statistical Institute ("TurkStat"). As of September 30, 2024, the indices and correction coefficients used in the adjustment of the consolidated financial statements are as follows:

History	Index	Correction coefficient	Three-year cumulative inflation rates
30 September 2024	2,526.16	1.00000	%343
31 December 2023	1,859.38	1.35860	%268
30 September 2023	1,691.04	1.49385	%254

The Group's adjustment for financial reporting purposes in high-inflation economies is the main Its elements are as follows:

- The consolidated financial statements for the current period, prepared in TL, are expressed in terms of the purchasing power on the balance sheet date, and the amounts of the previous reporting periods are also expressed by adjusting according to the purchasing power at the end of the reporting period.
- Monetary assets and liabilities are not currently adjusted because they are expressed in terms of current purchasing power on the balance sheet date. In cases where the inflation-adjusted value of non-monetary items exceeds the recoverable amount or the net realizable value, the provisions of IAS 36 Impairment of Assets and IAS 2 Inventories are applied, respectively.
- Non-monetary assets and liabilities and equity items that were not expressed in terms of current purchasing power on the date of the statement of financial position were adjusted using the relevant adjustment coefficients.
- All items in the comprehensive income statement, except for those that have an effect on the comprehensive income statement of non-monetary items in the statement of financial position, are indexed with the coefficients calculated over the periods in which the income and expense accounts are first reflected in the financial statements.
- The impact of inflation on the Group's net monetary asset position in the current period, consolidated profit or net monetary position gains/(losses) are recorded in the net monetary position gains/(losses) account in the loss statement.

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

FOR THE INTERIM PERIOD ENDING SEPTEMBER 30, 2024 EXPLANATORY NOTES ON CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unless otherwise stated, the amounts are expressed as one thousand TL on the basis of purchasing power of the Turkish Lira ("TL") as of September 30, 2024.)

NOTE 2 - PRINCIPLES FOR THE PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.2 Changes and Errors in Accounting Policies and Estimates

The Group receives, values and presents transactions, events and situations of a similar nature in its interim condensed consolidated financial statements on a consistent basis. Significant accounting errors detected are applied retrospectively and the financial statements of the previous period are reissued. The Group implemented its accounting policies consistently with the previous year.

Changes in accounting estimates are applied prospectively in the current period in which the change is made if they relate to only one period, and in the future periods, both in the period in which the change is made and in future significance. The material estimates used during the preparation of the interim condensed consolidated financial statements for the period ended September 30, 2024 are consistent with the estimates applied during the preparation of the consolidated financial statements for the period ended December 31, 2023.

2.3 Changes in accounting policies

Changes are made to the accounting policies if the effects of transactions and events on the Group's consolidated financial position, performance or cash flows are of such a nature as to result in a more appropriate and reliable presentation in the consolidated financial statements. Optionally, if changes in accounting policies affect previous periods, the policy is applied retrospectively in the consolidated financial statements as if it had always been in use. Changes in accounting policy resulting from the implementation of a new standard shall be applied retrospectively or prospectively in accordance with the transitional provisions, if any, of that standard. Changes that do not include any transitional provisions are applied retroactively.

2.3.1 Newly revised standards and interpretations

The accounting policies used in the preparation of the consolidated financial statements for the accounting period ended September 30, 2024 have been applied consistently with those used in the previous year, except for the new and amended IFRS and IFRS interpretations effective as of January 1, 2024, summarized below. The impact of these standards and interpretations on the Group's financial condition and performance is described in the relevant paragraphs.

i) New standards, amendments and interpretations effective January 1, 2024

Amendments to TAS 1- Classification of Liabilities as Current and Non-Current Liabilities

In January 2020 and October 2022, IASB issued amendments to IAS 1 to specify the requirements for classifying liabilities as current or non-current. According to the amendments made in October 2022 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, October 2022 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 clarify that the requirement for the right to exist at the end of the reporting period applies to covenants which the entity is required to comply with on or before the reporting date regardless of whether the lender tests for compliance at that date or at a later date. The amendments also 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 must be applied retrospectively in accordance with IAS 8. The amendments did not have a significant impact on the financial position or performance of the Group.

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

FOR THE INTERIM PERIOD ENDING SEPTEMBER 30, 2024 EXPLANATORY NOTES ON CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unless otherwise stated, the amounts are expressed as one thousand TL on the basis of purchasing power of the Turkish Lira ("TL") as of September 30, 2024.)

NOTE 2 - PRINCIPLES FOR THE PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.3.1 Newly revised standards and interpretations (continued)

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

In September 2022, the Board issued amendments to IFRS 16. The amendments specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognize any amount of the gain or loss that relates to the right of use it retains. In applying requirements of IFRS 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 recognize 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 IFRS 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 IAS 8. A seller-lessee applies the amendments retrospectively in accordance with IAS 8 to sale and leaseback transactions entered into after the date of initial application of IFRS 16. The amendments did not have a significant impact on the financial position or performance of the Group.

Amendments to TAS 7 and TFRS 7 - Disclosures: Supplier Finance Arrangements

The amendments issued in May 2023 specify disclosure requirements to enhance the current requirements, which are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. Supplier finance arrangements are characterized by one or more finance providers offering to pay amounts an entity owes its suppliers and the entity agreeing to pay according to the terms and conditions of the arrangements at the same date as, or a date later than, suppliers are paid. The amendments require an entity to provide information about terms and conditions of those arrangements, quantitative information on liabilities related to those arrangements as at the beginning and end of the reporting period and the type and effect of non-cash changes in the carrying amounts of those liabilities. In the context of quantitative liquidity risk disclosures required by IFRS 7, supplier finance arrangements are also included as an example of other factors that might be relevant to disclose. The amendments did not have a significant impact on the financial position or performance of the Group.

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

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

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

FOR THE INTERIM PERIOD ENDING SEPTEMBER 30, 2024 EXPLANATORY NOTES ON CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unless otherwise stated, the amounts are expressed as one thousand TL on the basis of purchasing power of the Turkish Lira ("TL") as of September 30, 2024.)

NOTE 2 - PRINCIPLES FOR THE PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.3.1 Newly revised standards and interpretations (continued)

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

Amendments to IFRS 10 and IAS 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

In December 2015, IASB 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. The mandatory effective date of the Standard postponed to accounting periods beginning on or after January 1, 2025 with the announcement made by the POA. The standard is not applicable for the Group and will not have an impact on the financial position or performance of the Group.

Amendments to IAS 21 - Lack of exchangeability

In August 2023, the Board issued amendments to IAS 21. The amendments specify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking. When an entity estimates a spot exchange rate because a currency is not exchangeable into another currency, it discloses information that enables users of its financial statements to understand how the currency not being exchangeable into the other currency affects, or is expected to affect, the entity's financial performance, financial position and cash flows. The amendments will be effective for annual reporting periods beginning on or after January 1, 2025. Early adoption is permitted but will need to be disclosed. When applying the amendments, an entity cannot restate comparative information. The Group is in the process of assessing the impact of the amendments on financial position or performance of the Group.

iii) The amendments which are effective immediately upon issuance

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

In September 2023, POA issued amendments to TAS 12, which introduce a mandatory exception in TAS 12 from recognizing and disclosing deferred tax assets and liabilities related to Pillar Two income taxes. The amendments clarify that TAS 12 applies to income taxes arising from tax laws enacted or substantively enacted to implement the Pillar Two Model Rules published by the Organization for Economic Cooperation and Development (OECD). The amendments also introduced targeted disclosure requirements for entities affected by the tax laws. The temporary exception from recognition and disclosure of information about deferred taxes and the requirement to disclose the application of the exception apply immediately and retrospectively upon issue of the amendments. The amendments did not have a significant impact on the financial position or performance of the Company / the Group.

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

FOR THE INTERIM PERIOD ENDING SEPTEMBER 30, 2024 EXPLANATORY NOTES ON CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unless otherwise stated, the amounts are expressed as one thousand TL on the basis of purchasing power of the Turkish Lira ("TL") as of September 30, 2024.)

NOTE 2 - PRINCIPLES FOR THE PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.3.1 Newly revised standards and interpretations (continued)

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

The following amendments to IFRS 9 and IFRS 7, Annual Improvements to IFRS Accounting Standards as well as IFRS 18 and IFRS 19 are issued by IASB but not yet adapted/issued by POA. Therefore, they do not constitute part of TFRS. The Group will make the necessary changes to its consolidated financial statements after the amendments and new Standard are issued and become effective under TFRS.

Amendments to IFRS 9 and IFRS 7 – Classification and measurement of financial instruments

In May 2024, IASB issued amendments to the classification and measurement of financial instruments (amendments to IFRS 9 and IFRS 7). The amendment clarifies that a financial liability is derecognised on the 'settlement date'. It also introduces an accounting policy option to derecognise financial liabilities that are settled through an electronic payment system before settlement date if certain conditions are met. The amendment also clarified how to assess the contractual cash flow characteristics of financial assets that include environmental, social and governance (ESG)-linked features and other similar contingent features as well as the treatment of non-recourse assets and contractually linked instruments. Additional disclosures in IFRS 7 for financial assets and liabilities with contractual terms that reference a contingent event (including those that are ESG-linked), and equity instruments classified at fair value through other comprehensive income are added with the amendment. The Group is in the process of assessing the impact of the amendments on financial position or performance of the Group.

Annual Improvements to IFRS Accounting Standards – Volume 11

In July 2024, the IASB issued Annual Improvements to IFRS Accounting Standards – Volume 11, amending the followings:

- IFRS 1 First-time Adoption of International Financial Reporting Standards – Hedge Accounting by a First-time Adopter: These amendments are intended to address potential confusion arising from an inconsistency between the wording in IFRS 1 and the requirements for hedge accounting in IFRS 9.
- IFRS 7 Financial Instruments: Disclosures – Gain or Loss on Derecognition: The amendments update the language on unobservable inputs in the Standard and include a cross reference to IFRS 13.
- IFRS 9 Financial Instruments – Lessee Derecognition of Lease Liabilities and Transaction Price: IFRS 9 has been amended to clarify that, when a lessee has determined that a lease liability has been extinguished in accordance with IFRS 9, the lessee is required to apply derecognition requirement of IFRS 9 and recognise any resulting gain or loss in profit or loss. IFRS 9 has been also amended to remove the reference to 'transaction price'.
- IFRS 10 Consolidated Financial Statements – Determination of a 'De Facto Agent': The amendments are intended to remove the inconsistencies between IFRS 10 paragraphs.
- IAS 7 Statement of Cash Flows – Cost Method: The amendments remove the term of "cost method" following the prior deletion of the definition of 'cost method'.

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

FOR THE INTERIM PERIOD ENDING SEPTEMBER 30, 2024 EXPLANATORY NOTES ON CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unless otherwise stated, the amounts are expressed as one thousand TL on the basis of purchasing power of the Turkish Lira ("TL") as of September 30, 2024.)

NOTE 2 - PRINCIPLES FOR THE PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.3.1 Newly revised standards and interpretations (continued)

IFRS 18 – The new Standard for Presentation and Disclosure in Financial Statements

In April 2024, IASB issued IFRS 18 which replaces IAS 1. IFRS 18 introduces new requirements on presentation within the statement of profit or loss, including specified totals and subtotals. IFRS 18 requires an entity to classify all income and expenses within its statement of profit or loss into one of five categories: operating; investing; financing; income taxes; and discontinued operations. It also requires disclosure of management-defined performance measures and includes new requirements for aggregation and disaggregation of financial information based on the identified 'roles' of the primary financial statements and the notes. In addition, there are consequential amendments to other accounting standards, such as IAS 7, IAS 8 and IAS 34. The Group is in the process of assessing the impact of the amendments on financial position or performance of the Group.

IFRS 19 – Subsidiaries without Public Accountability: Disclosures

In May 2024, IASB issued IFRS 19, which allows eligible entities to elect to apply reduced disclosure requirements while still applying the recognition, measurement and presentation requirements in other IFRS accounting standards. Unless otherwise specified, eligible entities that elect to apply IFRS 19 will not need to apply the disclosure requirements in other IFRS accounting standards. An entity that is a subsidiary, does not have public accountability and has a parent (either ultimate or intermediate) which prepares consolidated financial statements, available for public use, which comply with IFRS accounting standards may elect to apply IFRS 19. The Group is in the process of assessing the impact of the amendments on financial position or performance of the Group.

2.4 Summary of key accounting policies

Group accounting

The interim condensed consolidated financial statements contain the financial statements of the parent company Otokar and its subsidiaries within the scope of the matters in the following paragraph. The financial statements of the companies included in the consolidation have been prepared in accordance with IFRS as of the dates of the interim condensed consolidated financial statements and in accordance with uniform accounting policies and practices.

The table below shows subsidiaries, joint ventures, shares owned, and shareholding ratios as of September 30, 2024 and December 31, 2023:

Subsidiaries	2024		2023	
	Owned Total Share (%)	Effective partnership rate (%)	Owned Total Share (%)	Effective partnership rate (%)
Otokar Europe SAS	100.00	100.00	100.00	100.00
Otokar Land Systems Limited	100.00	100.00	100.00	100.00
Otokar Europe Filiala Bucuresti S.R.L	100.00	100.00	100.00	100.00
Otokar Central Asia Limited	100.00	100.00	100.00	100.00
Otokar Italia S.R.L	100.00	100.00	100.00	100.00

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

FOR THE INTERIM PERIOD ENDING SEPTEMBER 30, 2024 EXPLANATORY NOTES ON CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unless otherwise stated, the amounts are expressed as one thousand TL on the basis of purchasing power of the Turkish Lira ("TL") as of September 30, 2024.)

NOTE 2 - PRINCIPLES FOR THE PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.4 Summary of important accounting policies (continued)

Partnerships

Business Partnerships are formed under a contract for the undertaking of an economic activity to be jointly managed by one or more entrepreneurial partners of Otokar and its subsidiaries. Otokar provides this joint control by making use of the shares it owns directly or indirectly.

According to the equity method, the joint venture investment is accounted for with the initial cost of acquisition. After the acquisition date, the investor's share in the profit or loss of the invested enterprise is reflected in the financial statements by increasing or decreasing the book value of the investment. The investor's share of the profit or loss of the invested entity is recognized as the investor's profit or loss. Distributions received from an invested business (dividend, etc.) reduce the book value of the investment. The book value of the invested entity must be adjusted in proportion to the investor's share of the changes in the other comprehensive profit of the enterprise. In the application of the equity method for Business Partnerships, Otokar's direct and indirect voting rights ratio were taken into account.

The table below shows the voting rights and effective partnership ratios of Business Partnerships as of September 30, 2024 and December 31, 2023:

	2024		2023	
	Owned Total Share (%)	Effective partnership rate (%)	Owned Total Share (%)	Effective partnership rate (%)
Partnerships				
Al Jasoor Heavy Vehicle Industry LLC (*)	49.00	49.00	49.00	49.00

(*) Al Jasoor Heavy Vehicle Industry LLC, a 49% owned subsidiary of the Group, Otokar Land Sytems Limited, was established on May 28, 2017 in the United Arab Emirates (UAE) to sell and market the automotive and defense industries.

NOTE 3 - SEGMENT REPORTING

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

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

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

FOR THE INTERIM PERIOD ENDING SEPTEMBER 30, 2024 EXPLANATORY NOTES ON CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unless otherwise stated, the amounts are expressed as one thousand TL on the basis of purchasing power of the Turkish Lira ("TL") as of September 30, 2024.)

NOTE 4 - CASH AND CASH EQUIVALENTS

	30 September 2024	31 December 2023
Banks		
- Time deposits	1,571,807	8,039,612
- Demand deposits	884,256	1,160,910
Other	115	140
Cash and cash equivalents in the cash flow statement	2,456,178	9,200,662
Interest accrual	1,169	86,451
	2,457,347	9,287,113

As of September 30, 2024, the total amount of time deposit accounts is TL 1,571,807 thousand, and the equivalent amount of TL 726,976 thousand is in foreign currency, and the effective interest rate is 1,92% per year and the maturity is 1 day. The effective interest rate of the remaining TL 844,830 thousand is 49.00% per year and the maturity is 1 day.

(As of December 31, 2023, the total amount of time deposit accounts is TL 8,039,612 thousand, the amount corresponding to TL 505,436 thousand is in foreign currency, the effective interest rate is 0.01% per year and the maturity is 1 day. The effective interest rate of the remaining amount of TL 7,534,176 thousand is 44.93% per year and the maturity is 30 days.)

As of September 30, 2024, the Group has blocked deposits of TL 3,101 thousand (December 31, 2023: TL 4,161 thousand).

NOTE 5 - INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

As of 30 September 2024, and 31 December 2023, the details of carrying value and consolidation rate subject to equity accounting of joint venture is as follows:

	2024		2023	
Joint ventures	(%)	Amount	(%)	Amount
Al Jasoor	49	53,243	49	115,967
		53,243		115,967

The summary of the financial statements of Al Jasoor as of 30 September 2024 and 2023 is as follows:

	2024	2023
Beginning of the period 1 January	115,967	539,628
Shares of profit/(loss)	(49,222)	(11,144)
Dividends paid	-	(340,617)
Foreign currency exchange differences	(13,502)	(75,831)
30 September	53,243	112,036

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

FOR THE INTERIM PERIOD ENDING SEPTEMBER 30, 2024 EXPLANATORY NOTES ON CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unless otherwise stated, the amounts are expressed as one thousand TL on the basis of purchasing power of the Turkish Lira ("TL") as of September 30, 2024.)

NOTE 5 - INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (Continued)

The financial information regarding Al Jasoor Heavy Vehicle Industry LLC, which is valued using the equity method as of September 30, 2024 and December 31, 2023, is as follows:

	30 September 2024	31 December 2023
Total assets	435,186	754,634
Total liabilities	(326,529)	(517,968)
Net assets	108,657	236,666
Ownership of the Group	%49	%49
Net asset share of the Group	53,243	115,967

NOTE 6 - BORROWINGS

Short term borrowings

30 September 2024	Maturities	Annual effective interest rate (%)	TRY equivalent
Bank loans			
TRY borrowings	18 October 2024 - 22 May 2025	44.84	3,377,531
EUR borrowings	27 November 2024- 7 March, 2025	6.68	4,258,085
USD borrowings	1 November 2024 - 25 February 2025	5.54	379,414
			8,015,030
Short-term lease liabilities			
EUR lease liabilities	-	2.00	14,464
TRY lease liabilities	-	30.00	50,563
			65,027
Total short-term borrowings			8,080,057

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

FOR THE INTERIM PERIOD ENDING SEPTEMBER 30, 2024 EXPLANATORY NOTES ON CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unless otherwise stated, the amounts are expressed as one thousand TL on the basis of purchasing power of the Turkish Lira ("TL") as of September 30, 2024.)

NOTE 6 - BORROWINGS(Continued)

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

30 September 2024	Maturities	Annual effective interest rate (%)	TRY equivalent
Bank loans			
	4 November 2024		
TRY borrowings	5 May 2025	39.38	669,915
			669,915
Issued debt securities (**)			
Short-term portion of issued bonds		37.25	1,094,833
			1,094,833
Short-term portion of long-term borrowings			1,764,748

(*) Fixed interest rate.

(**) The Group issued bonds amounting to TL 500,000,000 on March 3, 2023, with a maturity of 740 days, an annual fixed interest rate of 33%, and semi-annual coupon payments, maturing on March 12, 2025, to be sold to qualified investors without a public offering in Turkey. The Group issued bonds amounting to TL 500,000,000 on June 9, 2023, with a maturity of 752 days, an annual fixed interest rate of 41.5%, and semi-annual coupon payments, maturing on June 30, 2025, to be sold to qualified investors without a public offering in Turkey.

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

FOR THE INTERIM PERIOD ENDING SEPTEMBER 30, 2024 EXPLANATORY NOTES ON CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unless otherwise stated, the amounts are expressed as one thousand TL on the basis of purchasing power of the Turkish Lira ("TL") as of September 30, 2024.)

NOTE 6 – BORROWINGS(Continued)

Long term borrowings (*)

30 September 2024	Maturities	Annual effective interest rate (%)	TRY equivalent
Bank loans			
	25 December 2025 -		
TRY Borrowings	26 June 2026	46.53	9,577,694
EUR Borrowings	14 April 2026	6.00	192,132
			9,769,826
Borrowings from lease liabilities			
EUR Borrowings	-	2.00	4,165
TRY Borrowings	-	30.00	97,544
			101,709
Issued debt instruments (**)			
Long-term portion of issued bonds		47.00	500,000
			500,000
Total long-term financial liabilities			10,371,535

(*) Bearing fixed interest rate.

(**) The Group issued a bond with a maturity of 752 days, a coupon payment every 6 months at a fixed interest rate of 47,0%, and a redemption date of October 20, 2025, to be sold to qualified investors in the amount of TL 500,000,000, all of which is in TL, to be sold to qualified investors without a domestic public offering, the clearing transaction of which took place on October 18, 2023.

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

FOR THE INTERIM PERIOD ENDING SEPTEMBER 30, 2024 EXPLANATORY NOTES ON CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unless otherwise stated, the amounts are expressed as one thousand TL on the basis of purchasing power of the Turkish Lira ("TL") as of September 30, 2024.)

NOTE 6 – BORROWINGS(Continued)

Short term borrowings

31 December 2023	Maturities	Annual effective interest rate (%)	TRY equivalent
Bank Credits			
EUR borrowings	13 December 2024	6.75	4,054,084
USD borrowings	19 February 2024 – 1 November 2024	5.58	306,945
TRY borrowings	5 January 2024 – 17 December 2024	39.47	13,218,208
			17,579,237
Borrowings from lease liabilities			
EUR borrowings	-	2.00	54,839
TRY borrowings	-	30.00	24,786
			79,625
Total short-term financial borrowings			17,658,862

31 December 2023	Maturities	Annual effective interest rate (%)	TRY equivalent
Short-term portion of long-term borrowings (*)			
Bank Loans			
TRY borrowings	11 January 2024 - 18 November 2024	20.45	1,016,867
			1,016,867

Issued debt instruments (**)

Short-term portion of issued bonds	40.50	106,156
		106,156
Short-term portion of total long-term borrowings		1,123,023

(*) Bearing fixed interest rate.

(**) The Group issued bonds with a maturity of 740 days, a coupon payment every 6 months at a fixed interest rate of 33%, and a redemption date of March 12, 2025, to be sold to qualified investors in the amount of TL 500,000,000, all of which are in TL, to be sold to qualified investors without a domestic public offering, the clearing transaction of which took place on March 3, 2023.

The Group issued a bond with a maturity of 752 days, a coupon payment every 6 months at a fixed interest rate of 41,5%, and a redemption date of June 30, 2025, to be sold to qualified investors without a domestic public offering in the amount of TL 500,000,000, all of which was TL 2023, the clearing transaction of which took place on June 9, 2023.

The Group issued a bond with a maturity of 752 days, a coupon payment every 6 months at a fixed interest rate of 47,0%, and a redemption date of October 20, 2025, to be sold to qualified investors in the amount of TL 500,000,000, all of which is in TL, to be sold to qualified investors without a domestic public offering, the clearing transaction of which took place on October 18, 2023.

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

FOR THE INTERIM PERIOD ENDING SEPTEMBER 30, 2024 EXPLANATORY NOTES ON CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unless otherwise stated, the amounts are expressed as one thousand TL on the basis of purchasing power of the Turkish Lira ("TL") as of September 30, 2024.)

NOTE 6 – BORROWINGS(Continued)

Long-term borrowings (*)

31 December 2023	Maturities	Annual effective interest rate (%)	TRY equivalent
Bank Loans			
TRY borrowings	4 November 2024 - 5 August 2025	14.00	973,340
			973,340
Borrowings from lease liabilities			
EUR borrowings	-	2.00	85,773
TRY borrowings	-	30.00	38,769
			124,542
Issued debt instruments (**)			
Long-term portion of issued bonds		40.50	2,037,906
			2,037,906
Total long-term financial liabilities			3,135,788

(*) Bearing fixed interest rate.

(**) The Group issued bonds with a maturity of 740 days, a coupon payment every 6 months at a fixed interest rate of 33%, and a redemption date of March 12, 2025, to be sold to qualified investors in the amount of TL 500,000,000, all of which are in TL, to be sold to qualified investors without a domestic public offering, the clearing transaction of which took place on March 3, 2023.

The Group issued a bond with a maturity of 752 days, a coupon payment every 6 months at a fixed interest rate of 41,5%, and a redemption date of June 30, 2025, to be sold to qualified investors without a domestic public offering in the amount of TL 500,000,000, all of which was TL 2023, the clearing transaction of which took place on June 9, 2023.

The Group issued a bond with a maturity of 752 days, a coupon payment every 6 months at a fixed interest rate of 47,0%, with a redemption date of October 20, 2025, in the amount of TL 500,000,000, all of which is in TL, to be sold to qualified investors without a domestic public offering, the clearing transaction of which took place on October 18, 2023

As of September 30, 2024, the Group does not have any collateral for the loans it has used.
(December 31, 2023: None)

The Group has no financial commitments arising from its borrowings.

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

FOR THE INTERIM PERIOD ENDING SEPTEMBER 30, 2024 EXPLANATORY NOTES ON CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unless otherwise stated, the amounts are expressed as one thousand TL on the basis of purchasing power of the Turkish Lira ("TL") as of September 30, 2024.)

NOTE 6 – BORROWINGS(Continued)

The movements of borrowings in the years ending September 30, 2024 and 2023 are as follows:

	2024	2023
1 January	21,917,673	16,895,751
Monetary gain/(loss)	(6,096,427)	(7,498,182)
Borrowings received during the period	15,493,913	33,453,232
Cash outflows related to debt payments from leasing agreements	(66,581)	(50,653)
Changes in lease obligations under TFRS 16	83,040	230,626
Principal payments (-)	(13,216,156)	(26,755,081)
Change in interest accruals	1,398,083	938,135
Change in exchange rates	702,795	797,800
30 September	20,216,340	18,011,628

NOTE 7 - FINANCIAL INVESTMENTS

Otokar Central Asia Limited was established on November 5, 2019 in the Astana International Financial Center (AIFC), a special status region that accepts the principles of English Law in Nur-Sultan, Kazakhstan, with the aim of increasing its overseas sales and following up on export activities.

Financial investments include Otokar Central Asia Limited capital participation amount of 832 thousand TL and investments of 64,867 thousand TL in the Private Venture Capital Investment Fund.

NOTE 8 - DERIVATIVE FINANCIAL INSTRUMENTS

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

30 September 2024	Contract amount	Current period contract maturity	Fair value Liabilities
Forward transactions	697,558	8 October 2024 - 4 November 2024	(1,939)
Short-term derivative financial instruments	697,558		(1,939)
Total derivative financial instruments	697,558		(1,939)

31 December 2023	Contract amount	Current period contract maturity	Fair value assets
Forward transactions	5,739,838	4 January 2024 - 4 November 2024	(35,124)
Short-term derivative financial instruments	5,739,838		(35,124)
Total derivative financial instruments	5,739,838		(35,124)

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

FOR THE INTERIM PERIOD ENDING SEPTEMBER 30, 2024 EXPLANATORY NOTES ON CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unless otherwise stated, the amounts are expressed as one thousand TL on the basis of purchasing power of the Turkish Lira ("TL") as of September 30, 2024.)

NOTE 9 - TRADE RECEIVABLES AND PAYABLES

Trade receivables

	30 September 2024	31 December 2023
Trade receivables, net	6,502,226	7,433,654
Notes receivables, net	-	4,945
Subtotal	6,502,226	7,438,599
Less: provision for doubtful receivables	(262,287)	(311,391)
Short-term trade receivables	6,239,939	7,127,208
Trade receivables from related parties (Note 22)	3,396,584	4,503,413
Short-term trade receivables	9,636,523	11,630,621
Long-term notes receivable, net	793,550	668,558
Long-term trade receivables	793,550	668,558

As of September 30, 2024, the average maturity of short-term trade receivables (excluding promissory notes) is between 60-90 days (December 31, 2023: 60-90 days).

As of September 30, 2024 and December 31, 2023, the fair value of trade receivables converges to the book value due to the short-term average collection period of the Group's receivables.

Guarantees received for trade receivables

The Group's receivables mainly arise from sales to midibus and bus dealers and sales of defense vehicles. As of September 30, a total of 1,627,963 thousand TL (December 31, 2023: 945,662 thousand TL) receivables remaining after the provision for doubtful receivables from the receivables originating from the Group's dealers were secured with a total of 1,627,963 thousand TL (December 31, 2023: 945,662 thousand TL) with collateral and mortgage. With respect to the collection of its remaining receivables, the Group manages its credit risk through the methods described in the Credit Risk section of Note 23 of the consolidated financial statement.

Legal proceedings have been initiated for trade receivables balances that are 1-5 years past due.

The movements of the provision for doubtful trade receivables in the interim accounting periods ending on September 30, 2024 and 2023 are as follows:

	2024	2023
1 January	311,391	299,649
Monetary gain/ (loss)	(85,126)	(119,058)
Currency translation differences	(591)	8,463
Exchange differences	36,613	100,762
30 September	262,287	289,816

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

FOR THE INTERIM PERIOD ENDING SEPTEMBER 30, 2024 EXPLANATORY NOTES ON CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unless otherwise stated, the amounts are expressed as one thousand TL on the basis of purchasing power of the Turkish Lira ("TL") as of September 30, 2024.)

NOTE 9 - TRADE RECEIVABLES AND PAYABLES (Continued)

Trade payables

	30 September 2024	31 December 2023
Trade payables, net	3,705,909	4,812,467
Short-term other trade payables	3,705,909	4,812,467
Trade payables to related parties (Note 22)	124,186	756,266
Short-term trade payables	3,830,095	5,568,733

As of September 30, 2024, the average maturity of commercial debts is between 45-60 days (December 31, 2023: between 45-60 days).

As of September 30, 2024 and December 31, 2023, the fair value of commercial liabilities converges to the book value due to the short-term average collection period of the Group's debts.

NOTE 10 - INVENTORIES

	30 September 2024	31 December 2023
Raw material	6,340,875	5,343,731
Finished goods	2,236,616	2,069,570
Goods in transit	1,897,660	1,537,497
Merchandise goods	1,445,926	1,210,323
Semi-finished goods	1,525,491	223,293
Impairment for inventories (*)	(432,668)	(289,581)
	13,013,900	10,094,833

(*) 39,307 thousand TL of the stock depreciation is related to finished products (December 31, 2023: 11,786 thousand TL), 8,041 thousand TL is related to commercial goods (December 31, 2023: 10,925 thousand TL), and 385,320 thousand TL is related to raw materials (December 31, 2023: 266,871 thousand TL). The inventory impairment provision is recognized in the cost of goods sold account.

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

FOR THE INTERIM PERIOD ENDING SEPTEMBER 30, 2024 EXPLANATORY NOTES ON CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unless otherwise stated, the amounts are expressed as one thousand TL on the basis of purchasing power of the Turkish Lira ("TL") as of September 30, 2024.)

NOTE 11 - PROPERTY, PLANT AND EQUIPMENT

The interim accounting periods ending September 30, 2024 and September 30, 2023, the movements in tangible fixed assets and their related accumulated depreciation are as follows:

	1 January 2024	Additions	Currency translation differences	Disposals	Transfers	30 September 2024
Cost						
Land	651,998	-	-	-	-	651,998
Land improvements	211,661	17,919	-	-	-	229,580
Buildings	1,964,572	5,473	-	-	-	1,970,045
Machinery and equipment	2,738,007	181,699	3,031	(9,129)	-	2,913,608
Motor vehicles	223,162	15,538	-	(1,651)	-	237,049
Furniture and fixtures	1,637,273	274,726	3,176	(1,013)	51	1,914,213
Leasehold improvements	31,040	5,703	-	-	-	36,743
Construction in process	155,169	239,995	-	-	(51)	395,113
	7,612,882	741,053	6,207	(11,793)	-	8,348,349
Accumulated depreciation						
Land improvements	(116,109)	(5,370)	-	-	-	(121,479)
Buildings	(1,012,077)	(40,422)	-	-	-	(1,052,499)
Machinery and equipment	(1,727,589)	(130,803)	(2,558)	9,129	-	(1,851,821)
Motor vehicles	(137,345)	(11,742)	-	214	-	(148,873)
Furniture and fixtures	(527,758)	(107,934)	(2,218)	688	-	(637,222)
Leasehold improvements	(20,401)	(2,985)	-	-	-	(23,386)
	(3,541,279)	(299,256)	(4,776)	10,031	-	(3,835,280)
Net book value	4,071,603					4,513,069

As of September 30, 2024, there are no mortgages on tangible assets (December 31, 2023: No mortgages)

	1 January 2023	Additions	Currency translation differences	Disposals	Acquisitions	Transfers	30 September 2023
Cost							
Land	635,368	16,631	-	-	-	-	651,999
Land improvements	209,450	439	-	-	-	-	209,889
Buildings	1,660,075	13,352	-	-	-	57,243	1,730,670
Machinery and equipment	2,496,668	109,974	6,159	(1,509)	4,343	136	2,615,771
Motor vehicles	204,208	14,377	-	-	-	-	218,585
Furniture and fixtures	1,154,974	251,892	4,722	(5,750)	7,181	35,011	1,448,030
Leasehold improvements	25,216	-	-	(609)	-	-	24,607
Construction in process	104,939	260,492	-	-	-	(92,390)	273,041
	6,490,898	667,157	10,881	(7,868)	11,524	-	7,172,592
Accumulated depreciation							
Land improvements	(109,106)	(5,308)	-	-	-	-	(114,414)
Buildings	(968,160)	(32,437)	-	-	-	-	(1,000,597)
Machinery and equipment	(1,634,419)	(100,246)	(4,806)	1,500	(2,973)	-	(1,740,944)
Motor vehicles	(122,812)	(10,748)	-	-	-	-	(133,560)
Furniture and fixtures	(416,441)	(76,497)	(3,425)	5,275	(4,122)	-	(495,210)
Leasehold improvements	(17,598)	(2,012)	-	609	-	-	(19,001)
	(3,268,536)	(227,248)	(8,231)	7,384	(7,095)	-	(3,503,726)
Net book value	3,222,362						3,668,866

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

FOR THE INTERIM PERIOD ENDING SEPTEMBER 30, 2024 EXPLANATORY NOTES ON CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unless otherwise stated, the amounts are expressed as one thousand TL on the basis of purchasing power of the Turkish Lira ("TL") as of September 30, 2024.)

NOTE 11 - PROPERTY, PLANT AND EQUIPMENT (Continued)

September 30, 2024 and for the interim accounting periods ending in 2023, the distribution of depreciation and amortization expenses for the current period, consisting of tangible and intangible assets, is as follows:

	30 September 2024	30 September 2023
Research and development expenses	650,315	598,314
Cost of goods sold	179,002	143,773
Right of use assets	95,316	59,992
Development projects in process	60,359	54,123
Depreciation on inventories	45,703	24,621
General administrative expenses	32,312	37,735
Selling and marketing expenses	12,659	9,484
Currency translation differences	4,777	8,231
	1,080,443	936,273

Right-of-use entities

The balances of the right-of-use assets as of September 30, 2024 and 2023 and the accumulated depreciation amounts for the relevant period are as follows:

As of 30 September 2024	Buildings	Motor vehicles	Furniture and fixtures	Total
Cost	144,899	218,247	6,313	369,459
Accumulated depreciation	(110,339)	(170,269)	(3,520)	(284,128)
	34,560	47,978	2,793	85,331

As of 30 September 2023	Buildings	Motor vehicles	Furniture and fixtures	Total
Cost	139,561	272,434	9,889	421,884
Accumulated depreciation	(74,869)	(138,663)	(1,945)	(215,477)
	64,692	133,771	7,944	206,407

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

FOR THE INTERIM PERIOD ENDING SEPTEMBER 30, 2024 EXPLANATORY NOTES ON CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unless otherwise stated, the amounts are expressed as one thousand TL on the basis of purchasing power of the Turkish Lira ("TL") as of September 30, 2024.)

NOTE 12 – INTANGIBLE ASSETS

Movements of intangible assets and related accumulated amortisation for the periods ended September 31, 2024 and 2023 are as follows:

	1 January 2024	Addition	Currency Translation Differences	Disposals	Transfers	31 December 2024
Cost						
Other intangible assets	401,184	7,511	36	-	-	408,731
Development costs	8,694,287	13,407	-	-	-	8,707,694
Developments projects in progress	2,196,295	1,536,496	-	-	-	3,732,791
	11,291,766	1,557,414	36	-	-	12,849,216
Accumulated amortization						
Other intangible assets	(300,807)	(30,701)	(1)	-	-	(331,509)
Development costs	(5,789,602)	(650,393)	-	-	-	(6,439,995)
	(6,090,409)	(681,094)	(1)	-	-	(6,771,504)
Net book value	5,201,357					6,077,712

	1 January 2023	Additions	Foreign currency conversion differences	Disposals	Acquisitions	Transfers	30 September 2023
Cost							
Other intangible assets	375,320	14,405	-	-	287	-	390,012
Development costs	7,718,137	-	-	-	-	21,576	7,739,713
Developments projects in progress	2,592,639	210,366	-	-	-	(21,576)	2,781,429
	10,686,096	224,771	-	-	287	-	10,911,154
Accumulated amortization							
Other intangible assets	(260,619)	(42,488)	-	-	-	-	(303,107)
Development costs	(4,994,536)	(598,314)	-	-	-	-	(5,592,850)
	(5,255,155)	(640,802)	-	-	-	-	(5,895,957)
Net book value	5,430,941						5,015,197

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

FOR THE INTERIM PERIOD ENDING SEPTEMBER 30, 2024 EXPLANATORY NOTES ON CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unless otherwise stated, the amounts are expressed as one thousand TL on the basis of purchasing power of the Turkish Lira ("TL") as of September 30, 2024.)

NOTE 13 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

Short-term provisions

	30 September 2024	31 December 2023
Provision for warranty expenses	818,205	938,817
Provision for collective labor agreement	165,039	148,274
Employee benefits short-term provisions (Note 16)		
Provision for purchase costs	61,143	45,672
Litigation provisions	20,299	26,722
Collective labor agreement accrual provision	-	483,651
Other cost allowance	706,813	601,919
	1,771,499	2,245,055

Provision for warranty costs

The Group covers the vehicles it sells under warranty for 2 years. Accordingly, provisions have been set aside for the warranty expenses that are expected to occur in the future for the vehicles covered by the warranty as of the balance sheet date.

The movements of the provision for guarantee expenses in the interim accounting periods ending September 30, 2024 and 2023 are as follows:

	2024	2023
1 January	938,817	774,515
Monetary gain/ (loss)	(257,261)	(305,296)
Additional provisions	728,407	738,971
Disposals/payments (-)	(591,758)	(491,202)
As of 30 September	818,205	716,988

Provisions regarding employee benefits

	30 September 2024	30 December 2023
Severance pay provision	499,212	455,136
Unused leave provision	165,039	148,274
	664,251	603,410

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

FOR THE INTERIM PERIOD ENDING SEPTEMBER 30, 2024 EXPLANATORY NOTES ON CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unless otherwise stated, the amounts are expressed as one thousand TL on the basis of purchasing power of the Turkish Lira ("TL") as of September 30, 2024.)

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

Provision for severance pay

The compensation to be paid is equal to one month's gross salary for each year of service, and this amount is limited to 41,428,42 full TL (December 31 2023: 23,489,83 full TL) as of September 30, 2024.

Severance pay is not legally subject to any funding and there is no funding requirement.

It is calculated by estimating the present value of the possible obligation that will have to be paid in the event of the retirement of the employees against severance pay.

The Turkish Accounting Standards published by the CGK provide for the development of actuarial valuation methods to estimate the Group's severance pay provision. Accordingly, the following actuary projections were used in calculating the total liability:

	30 September 2024	31 December 2023
Net discount rate (%)	2.90	2.90
Turnover rate to estimate the probability of retirement (%)	97.99	98.00

Employment termination benefits

The basic assumption is that the ceiling provision set for each year of service increases in proportion to inflation. Thus, the applied discount rate shows the real rate adjusted for the expected effects of inflation. The severance pay ceiling is revised every six months, and the ceiling amount of TL 41,428,42, which is effective as of July 1, 2024, is taken into account in the calculation of the consolidated severance pay provision.

The movements of the severance pay provision in the interim accounting periods ending on September 30, 2024 and 2023 are as follows:

	2024	2023
1 January	455,136	703,096
Monetary gain/ (loss)	(149,812)	(242,588)
Interest expense and charge for the period	96,169	140,645
Remeasurement differences	166,935	124,719
Acquisition	-	9,628
Payments	(69,216)	(200,296)
30 September	499,212	535,204

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

FOR THE INTERIM PERIOD ENDING SEPTEMBER 30, 2024 EXPLANATORY NOTES ON CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unless otherwise stated, the amounts are expressed as one thousand TL on the basis of purchasing power of the Turkish Lira ("TL") as of September 30, 2024.)

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

Provision for unused vacation

The movements of the provision for unused leave days in the interim accounting periods ending on September 30, 2024 and 2023 are as follows:

	2024	2023
1 January	148,274	110,337
Monetary gain/ (loss)	(51,701)	(51,671)
Increase in the period, net	68,466	77,845
30 September	165,039	136,511

Commitments and obligations

As of September 30, 2024 and December 31, 2023, the Group's tables for its guarantee, pledge, mortgage and surety (TRIC) position are as follows:

	30 September 2024	31 December 2023
a. Total amount of guarantees, pledges and mortgages given the name of legal entity	6,223,291	7,772,157
b. Total amount of guarantees, pledges and mortgages given in favour of the parties which are included in the scope of full consolidation	346,015	360,709
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	-	-
	6,569,306	8,132,866

The details of the guarantees, pledges and mortgages in terms of currency are as follows:

	30 September 2024		31 December 2023	
	Original currency	TRY equivalent	Original currency	TRY equivalent
TRY	2,897,531	2,897,531	2,570,017	2,570,017
USD	33,895	1,155,490	59,927	2,396,778
EUR	55,592	2,113,481	58,292	2,579,700
RON	39,791	302,295	52,885	467,831
AED	5,200	47,992	5,200	56,309
CZK	34,690	52,517	34,690	62,231
		6,569,306		8,132,866

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

FOR THE INTERIM PERIOD ENDING SEPTEMBER 30, 2024 EXPLANATORY NOTES ON CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unless otherwise stated, the amounts are expressed as one thousand TL on the basis of purchasing power of the Turkish Lira ("TL") as of September 30, 2024.)

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

Letters of Guarantee

a) As of September 30, 2024 and December 31, 2023, the guarantees are as follows:

	30 September 2024	31 December 2023
Bank letters of guarantee	6,569,306	8,132,866
	6,569,306	8,132,866

b) As of September 30, 2024 and December 31, 2023, the guarantees received are as follows:

	30 September 2024	31 December 2023
Bank letters of guarantee	3,489,276	2,510,677
Guarantee notes	7,015	8,726
Mortgages received	20	27
	3,496,311	2,519,430

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

a) Prepaid expenses

Short-term prepaid expenses

	30 September 2024	31 December 2023
Prepaid expenses	223,370	229,152
	223,370	229,152

Long-term prepaid expenses

	30 September 2024	31 December 2023
Advances given	25,026	29,517
Prepaid expenses	7,704	6,500
	32,730	36,017

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

FOR THE INTERIM PERIOD ENDING SEPTEMBER 30, 2024 EXPLANATORY NOTES ON CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unless otherwise stated, the amounts are expressed as one thousand TL on the basis of purchasing power of the Turkish Lira ("TL") as of September 30, 2024.)

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

b) Other non-current assets

	30 September 2024	31 December 2023
Other current assets - short-term		
Value added tax receivables	788,013	1,428,060
Other	117,583	56,460
	905,596	1,484,520

c) Liabilities from customer contracts

	30 September 2024	31 December 2023
Liabilities from customer contracts - short term		
Advances received	2,823,283	608,954
Deferred maintenance income	336,589	440,163
	3,159,872	1,049,117

	30 September 2024	31 December 2023
Liabilities from customer contracts - long term		
Deferred maintenance income	551,746	829,334
	551,746	829,334

d) Employee benefits obligation

	30 September 2024	31 December 2023
Social security payables	146,295	189,413
Payables to employees	98,207	232,460
Taxes and funds payable	58,249	135,431
	302,751	557,304

e) Other current liabilities

	30 September 2024	31 December 2023
Taxes and funds payable	46,961	70,963
Deferred special consumption tax	10,779	8,502
Other	4,553	6,845
	62,293	86,310

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

FOR THE INTERIM PERIOD ENDING SEPTEMBER 30, 2024 EXPLANATORY NOTES ON CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unless otherwise stated, the amounts are expressed as one thousand TL on the basis of purchasing power of the Turkish Lira ("TL") as of September 30, 2024.)

NOTE 15 - REVENUE AND COST OF SALES

Net sales

	1 January - 30 September 2024	1 July - 30 September 2024	1 January - 30 September 2023	1 July - 30 September 2023
Domestic sales	7,836,342	2,875,184	8,045,918	2,781,600
Export sales	13,774,885	4,495,605	15,066,779	7,691,991
Gross Sales	21,611,227	7,370,789	23,112,697	10,473,591
Less: sales discount and returns	(190,072)	(77,783)	(111,871)	(37,115)
Net sales	21,421,155	7,293,006	23,000,826	10,436,476

In the periods ending September 30, 2024 and 2023, the distribution of the Group's sales on the basis of product group is as follows:

	1 January - 30 September 2024	1 July - 30 September 2024	1 January - 30 September 2023	1 July - 30 September 2023
Commercial vehicle	16,047,105	5,391,506	16,425,680	6,938,254
Military vehicle	2,049,782	362,773	2,285,197	1,697,892
Other sales (*)	3,324,268	1,538,727	4,289,949	1,800,330
	21,421,155	7,293,006	23,000,826	10,436,476

(*) It consists of spare parts, service and other sales revenues.

Cost of sales

	1 January - 30 September 2024	1 July - 30 September 2024	1 January - 30 September 2023	1 July - 30 September 2023
Cost of finished goods sold	(16,907,130)	(5,792,258)	(15,790,962)	(6,391,414)
Cost of merchandise goods sold	(1,302,025)	(412,363)	(3,028,602)	(1,525,469)
	(18,209,155)	(6,204,621)	(18,819,564)	(7,916,883)

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

FOR THE INTERIM PERIOD ENDING SEPTEMBER 30, 2024 EXPLANATORY NOTES ON CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unless otherwise stated, the amounts are expressed as one thousand TL on the basis of purchasing power of the Turkish Lira ("TL") as of September 30, 2024.)

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

	1 January - 30 September 2024	1 July - 30 September 2024	1 January - 30 September 2023	1 July - 30 September 2023
Sales and marketing expenses	(2,993,609)	(921,194)	(2,870,422)	(1,138,875)
General administrative expenses	(1,338,070)	(370,488)	(1,087,204)	(400,932)
Research and development expenses	(800,750)	(264,123)	(768,927)	(244,915)
	(5,132,429)	(1,555,805)	(4,726,553)	(1,784,722)

NOTE 17 - OTHER INCOME AND EXPENSES FROM MAIN OPERATIONS

	1 January - 30 September 2024	1 July - 30 September 2024	1 January - 30 September 2023	1 July - 30 September 2023
Other operating income				
Foreign exchange gains on operating activities	2,220,437	930,760	3,463,220	746,293
Revenue from charge of due date receivables	657,109	191,749	595,860	235,525
Gain on forward transactions	262,600	148,927	210,785	94,018
Incentive income	2,306	699	3,678	1,023
Other income	90,681	24,416	144,851	60,248
	3,233,133	1,296,551	4,418,394	1,137,107
Other operating expenses				
Foreign exchange difference expense from trade receivables and payables	(1,566,534)	(738,537)	(2,539,233)	(750,675)
Forward transaction expense	(277,785)	(118,332)	(278,363)	(125,321)
Doubtful receivables provision expense	(194)	-	-	-
	(1,844,513)	(856,869)	(2,817,596)	(875,996)

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

FOR THE INTERIM PERIOD ENDING SEPTEMBER 30, 2024 EXPLANATORY NOTES ON CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unless otherwise stated, the amounts are expressed as one thousand TL on the basis of purchasing power of the Turkish Lira ("TL") as of September 30, 2024.)

NOTE 18 - FINANCIAL INCOME

	1 January - 30 September 2024	1 July - 30 September 2024	1 January - 30 September 2023	1 July - 30 September 2023
Interest income from bank deposits	740,520	191,965	919,382	255,673
Foreign exchange gains on bank deposits	137,244	84,476	355,856	84,051
Foreign exchange gains on bank borrowings	23,999	128	144,884	71,889
	901,763	276,569	1,420,122	411,613

NOTE 19 - FINANCIAL EXPENSES

	1 January - 30 September 2024	1 July - 30 September 2024	1 January - 30 September 2023	1 July - 30 September 2023
Interest expense on bank borrowings	(4,848,190)	(1,833,123)	(3,551,940)	(1,387,722)
Foreign exchange losses on bank borrowings	(726,792)	(362,428)	(1,271,732)	(204,688)
Foreign exchange losses on bank deposits	(47,302)	(16,170)	(141,849)	(49,495)
	(5,622,284)	(2,211,721)	(4,965,521)	(1,641,905)

NOTE 20 - TAX ASSETS AND LIABILITIES

The general corporate tax rate in Turkey is 25% (31.12.2023: 25%). Article 15 of Law No. 7351 published in the Official Gazette No. 31727 and dated January 22, 2022. Article 32 of the Corporate Tax Law No. 5520. The article has been amended, and the corporate tax rate has started to be applied with a discount of 1 point to the earnings of the exporting institutions exclusively from exports and the earnings of the institutions that have an industrial registration certificate and are actually engaged in production activities. Article 21 of Law No. 7456 published in the Official Gazette No. 32249 and dated July 15, 2023. With the article, the corporate tax discount rate to be applied to the earnings of institutions exclusively from exports has been increased to 5 points.

Corporate tax is declared until the evening of the last day of the fourth month following the end of the accounting period to which it relates and paid in a single installment. In accordance with the tax legislation, the earnings incurred as of quarterly periods are separated, and a provisional tax of 20% is calculated and paid on export earnings, 24% on manufacturing earnings arising from actual productions with an industrial registration certificate, and 25% on external earnings, and the amounts paid in this way are deducted from the tax calculated on annual earnings.

In the balance sheets dated September 30, 2024 and December 31, 2023, the tax amounts payable are netted with the taxes paid in advance and shown as follows:

	30 September 2024	31 December 2023
Corporate and income tax	-	304,971
Prepaid taxes (-)	-	(276,347)
Current period tax liability/(asset)	-	28,624

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

FOR THE INTERIM PERIOD ENDING SEPTEMBER 30, 2024 EXPLANATORY NOTES ON CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unless otherwise stated, the amounts are expressed as one thousand TL on the basis of purchasing power of the Turkish Lira ("TL") as of September 30, 2024.)

NOTE 20 - TAX ASSETS AND LIABILITIES (continued)

The distribution of the total tax expense for the interim accounting periods ending September 30, 2024 and 2023 is as follows:

	1 January - 30 September 2024	1 January - 30 September 2023
Current period corporate expenses	-	(244,361)
Deferred tax income/(expense) reflected in the profit or loss statement		
Charged to profit for the period	(69,136)	(219,184)
Charged to other comprehensive income (expense)	41,734	24,945
	(27,402)	(438,600)

As of September 30, 2024 and December 31, 2023, the distribution of the net deferred tax asset, calculated using the temporary differences subject to deferred tax and the effective tax rates, is summarized below:

	Cumulative Temporary Differences		Deferred Tax Asset/Liability	
	30 September 2024	31 December 2023	30 September 2024	31 December 2023
Property, plant and equipment and Intangible assets	2,588,337	(86,572)	(647,084)	20,533
Deferred maintenance income	(908,580)	(1,182,539)	200,562	276,143
Provision for warranty expenses	(818,205)	(938,817)	204,551	234,771
Other provisions	(185,338)	(771,629)	46,335	192,907
Severance pay liability	(493,673)	(446,295)	123,418	111,574
Provision for employment termination benefits	(2,030,829)	-	507,707	-
Deferred maintenance income	(219,464)	(395,010)	62,808	98,753
Deferred financial expenses	(15,882)	(34,693)	(3,971)	(8,673)
Investment incentives (*)	-	-	137,952	-
Inventories	(450,176)	(288,061)	112,544	72,016
Other	(1,150,107)	(261,541)	285,284	59,484
Deferred tax asset			1,030,106	1,057,508

(*) The Group's application for Investment Incentive Certificate to the General Directorate of Incentive Implementation and Foreign Capital of the Ministry of Industry and Technology of the Republic of Turkey was approved and an Investment Incentive Certificate No. 512845 was issued for the modernization investment envisaged to be made in a 4-year period with a total amount of 1,335,630 thousand TL. In addition, following the Group's decision to continue to increase its investment activities and the Ministry's approval based on the application made in July 2024, the duration of the relevant incentive certificate has been extended for another 2 years.

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

FOR THE INTERIM PERIOD ENDING SEPTEMBER 30, 2024 EXPLANATORY NOTES ON CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unless otherwise stated, the amounts are expressed as one thousand TL on the basis of purchasing power of the Turkish Lira ("TL") as of September 30, 2024.)

NOTE 20 - TAX ASSETS AND LIABILITIES (continued)

The movement of the deferred tax asset in the interim accounting periods ending on September 30, 2024 and 2023 is as follows:

	1 January - 30 September 2024	1 January - 30 September 2023
1 January	1,057,508	45,775
Deferred tax income/(expense) reflected in profit or loss and other comprehensive income statement:		
- Charged to profit for the period	(69,136)	(219,184)
-Charged to other comprehensive income/(expense)	41,734	24,945
As of 30 September	1,030,106	(148,464)

NOTE 21 - EARNINGS PER SHARE

Earnings per share are determined by dividing net profit by the weighted average number of shares available in the corresponding year.

Companies can increase their capital by distributing shares to existing shareholders in proportion to their shares from the accumulated profits. When calculating earnings per share, this issue of bonus shares is counted as issued shares. Therefore, the average of the weighted number of shares used in the calculation of earnings per share is obtained by retrospectively applying the issuance of shares free of charge.

Fundamental profit per share is calculated by dividing the net profit of shareholders by the weighted average number of ordinary shares issued.

	30 September 2024	30 September 2023
Net profit/(loss) for the period	(2,399,916)	(134,760)
Weighted average number of issued shares	12,000,000,000	6,725,274,725
Earnings per share (Kr)	(19.999)	(2.004)

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

FOR THE INTERIM PERIOD ENDING SEPTEMBER 30, 2024 EXPLANATORY NOTES ON CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unless otherwise stated, the amounts are expressed as one thousand TL on the basis of purchasing power of the Turkish Lira ("TL") as of September 30, 2024.)

NOTE 22 - RELATED PARTY DISCLOSURES

The balance of receivables from related parties and payables to related parties as of the end of the period, as well as the summary of transactions with related parties during the accounting period, are presented below:

- i) As of September 30, 2024 and December 31, 2023, the receivables and payables from related parties are as follows:

Due from related parties	30 September 2024	31 December 2023
Ram Dış Ticaret A.Ş. (1) (**)	3,174,176	4,100,376
Al Jasoore Heavy Vehicle Industry LLC (3) (*)	206,448	377,044
Other (1)	15,960	25,993
	3,396,584	4,503,413

(*) Trade receivables arising from sales to Al Jasoore Heavy Vehicle Industry LLC, a joint venture of the Group.

(**) Some of the overseas sales are carried out through Ram Dış Ticaret A.Ş. with export registration, and the balance consists of trade receivables arising from these transactions.

- (1) Related parties of the group parent partner
(2) Shareholder of the Group
(3) Joint venture

Due to related parties	30 September 2024	31 December 2023
Ram Dış Ticaret A.Ş. (1)	60,875	441,329
Zer Merkezi Hizmetler A.Ş. (1)	21,749	81,280
Wat Motor San.veTic.A.Ş.(1)	11,369	-
Setur Servis Turistik A.Ş. (1)	8,041	22,818
Otokoç Otomotiv Tic. ve San. A.Ş. (1)	6,848	11,537
Ram Sigorta Aracılık Hizmet A.Ş. (1)	2,126	3,778
Koç Sistem Bilgi ve İletişim Hiz. A.Ş. (1)	3,048	22,580
Opet Fuchs Madeni Yağ A.Ş. (1)	2,405	6,877
Ford Otosan A.Ş.(2)	3,488	3,583
Koç Holding A.Ş. (2)	-	88,301
Koç Digital Çözümler A.Ş. (1)	-	26,960
Ark İnşaat (1)	-	7,752
Other (1)	4,237	39,471
	124,186	756,266

Advances received from related parties	30 September 2024	31 December 2023
Ram Dış Ticaret A.Ş. (1)	2,388,999	77,097
Al Jasoore Heavy Vehicle Industry LLC (3) (*)	-	33,157
	2,388,999	110,254

(*) It consists of an advance received in relation to the sales to be made to Al Jasoore Heavy Vehicle Industry LLC, a Joint Venture of the Group.

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

FOR THE INTERIM PERIOD ENDING SEPTEMBER 30, 2024 EXPLANATORY NOTES ON CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unless otherwise stated, the amounts are expressed as one thousand TL on the basis of purchasing power of the Turkish Lira ("TL") as of September 30, 2024.)

NOTE 22 - RELATED PARTY DISCLOSURES (continued)

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

	1 January - 30 September 2024	1 July - 30 September 2024	1 January - 30 September 2023	1 July - 30 September 2023
Sales of products and services				
Ram Dış Ticaret A.Ş. (1) (*)	2,393,778	708,871	2,226,881	1,674,410
Al Jasoor Heavy Vehicle Industry (3)	182,263	9,272	1,063,796	8,625
Other (1)	209	194	164	164
	2,576,250	718,337	3,290,841	1,683,199

(*) Sales made to Ram Dış Ticaret A.Ş. consist of export registered sales made to unrelated third parties.

	1 January - 30 September 2024	1 July - 30 September 2024	1 January - 30 September 2023	1 July - 30 September 2023
Fixed asset purchases				
Koç Sistem Bilgi ve İletişim Hiz. A.Ş. (1)	73,793	51,337	58,993	14,158
Zer Merkezi Hizmetler A.Ş. (1)	7,861	3,533	7,926	1,739
Arçelik Pazarlama A.Ş. (1)	1,206	824	136	39
Wat Mobilite Çözümleri Tek. Ve Tic. A.Ş.	1,220	1,220	432	432
Other (1)	97	98	1,813	-
	84,177	57,012	69,300	16,368

- (1) Related parties of the group parent partner
(2) Group shareholder
(3) Partnership

	1 January - 30 September 2024	1 July - 30 September 2024	1 January - 30 September 2023	1 July - 30 September 2023
Inventory purchases				
Zer Merkezi Hizmetler ve Ticaret A.Ş. (1)	508,646	196,261	429,454	152,830
Ram Dış Ticaret A.Ş. (1)	102,074	20,380	118,169	66,653
Wat Motor San. ve Tic. A.Ş. (1)	69,686	54,070	965	-
Opet Fuchs Madeni Yağ A.Ş. (1)	33,977	9,812	38,048	11,996
Opet Petrolcülük A.Ş. (1)	27,293	10,520	36,279	14,436
Akpa Dayanıklı Tük.Paz. A.Ş. (1)	19,636	5,061	25,781	10,450
Ford Otosan A.Ş. (2)	10,905	4,037	13,972	7,107
Other (1)	8,155	3,239	7,275	1,901
	780,372	303,380	669,943	265,373

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

FOR THE INTERIM PERIOD ENDING SEPTEMBER 30, 2024 EXPLANATORY NOTES ON CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unless otherwise stated, the amounts are expressed as one thousand TL on the basis of purchasing power of the Turkish Lira ("TL") as of September 30, 2024.)

NOTE 22 - RELATED PARTY DISCLOSURES(continued)

Service purchases	1 January - 30 September 2024	1 July - 30 September 2024	1 January - 30 September 2023	1 July - 30 September 2023
Ram Sigorta Aracılık Hz. A.Ş. (1)(**)	126,863	7,034	109,591	50,722
Ram Dış Ticaret A.Ş. (1)	120,573	10,157	182,347	95,012
Setur Servis Turistik A.Ş. (1)	98,764	34,548	91,809	40,558
Koç Sistem Bilgi ve İletişim Hiz. A.Ş. (1)	74,459	437	145,520	28,759
Eltek Elektrik Enerji İth.İhr.Top.Tic. A.Ş. (1)	68,033	24,391	105,800	33,480
Otokoç Otomotiv Tic. ve San. A.Ş. (1)	49,260	18,207	41,664	16,670
Koç Holding A.Ş. (2) (*)	27,335	8,468	24,776	6,499
Token Finansal Teknolojileri A.Ş. (1)	20,555	5,408	10,162	3,528
Divan Turizm İşletmeleri A.Ş. (1)	18,765	2,424	12,059	2,104
Ingage Dijital (1)	10,648	2,633	9,307	2,444
Koç Topluluğu Spor Kulübü	10,321	3,156	2,221	969
Koçdigital Çözümler A.Ş. (1)	6,730	182	1,337	-
Temel Ticaret A.Ş. (1)	5,954	2,297	1,595	1,595
Other (1)	11,783	3,171	16,062	6,148
	650,043	122,513	754,250	288,488

(*) It includes the service fee invoiced to the Group as a result of the distribution of expenses incurred in relation to the companies for which services are provided by Koç Holding A.Ş., including personnel and senior management expenses, within the framework of the "11- Intra-Group Services" regulation of the General Communiqué No.lu Series 1 on the Distribution of Implicit Earnings Through Transfer Pricing, in return for the services provided by the main shareholder Koç Holding A.Ş. to its companies in matters such as finance, law, planning, tax, and senior management.

(**) It includes the amount of premiums paid and accrued in the accounting periods ending September 30, 2024 and September 30, 2023, within the scope of policies signed between non-related insurance companies through Ram Insurance Brokerage Services Inc., which operates as an insurance agency.

Banks deposits	30 September 2024	31 December 2023
Yapı ve Kredi Bankası A.Ş. (1)		
- Demand deposits	3,170	4,293
- Time deposits	22,659	800,505
	25,829	804,798

- (1) Related parties of the group parent partner
(2) Group shareholder
(3) Partnership

Loans	30 September 2024	31 December 2023
Yapı ve Kredi Bankası A.Ş. (1)	504,456	604,470
	504,456	604,470

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

FOR THE INTERIM PERIOD ENDING SEPTEMBER 30, 2024 EXPLANATORY NOTES ON CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unless otherwise stated, the amounts are expressed as one thousand TL on the basis of purchasing power of the Turkish Lira ("TL") as of September 30, 2024.)

NOTE 22 - RELATED PARTY DISCLOSURES(continued)

Other income and expenses from principal activities related to related parties as of the periods ending September 30, 2024 and 2023:

	1 January - 30 September, 2024	1 July - 30 September, 2024	1 January - 30 September, 2023	1 July - 30 September, 2023
Trade receivables and payables foreign exchange gains				
Ram Dış Ticaret A.Ş. (1)	813,176	440,866	482,867	289,277
Al Jasoor Heavy Vehicle Industry (3)	856	-	2,023	2,006
Zer Merkezi Hizmetler ve Ticaret A.Ş. (1)	225	29	618	433
Other (1)	63	28	11	8
	814,320	440,923	485,519	291,724

	1 January - 30 September, 2024	1 July - 30 September, 2024	1 January - 30 September, 2023	1 July - 30 September, 2023
Trade receivables and payables foreign exchange expenses				
Ram Dış Ticaret A.Ş. (1)	713,764	548,629	44,152	11,393
Zer Merkezi Hizmetler ve Ticaret A.Ş. (1)	4,249	4,184	10,280	4,734
Ram Sigorta Aracılık Hizmet A.Ş. (1)	3,995	3,995	-	-
Other (1)	999	358	932	568
	723,007	557,166	55,364	16,695

- (1) Related parties of the group parent partner
(2) Group shareholder
(3) Partnership

Financing income and expenses related to related parties as of the periods ending September 30, 2024 and 2023:

	1 January - 30 September, 2024	1 July - 30 September, 2024	1 January - 30 September, 2023	1 July - 30 September, 2023
Interest income				
Yapı ve Kredi Bankası A.Ş. (1)	27,342	202	69,896	196
	27,342	202	69,896	196

	1 January - 30 September, 2024	1 July - 30 September, 2024	1 January - 30 September, 2023	1 July - 30 September, 2023
Interest expense				
Yapı ve Kredi Bankası A.Ş. (1)	80,042	61,115	210,135	114,778
	80,042	61,115	210,135	114,778

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

FOR THE INTERIM PERIOD ENDING SEPTEMBER 30, 2024 EXPLANATORY NOTES ON CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unless otherwise stated, the amounts are expressed as one thousand TL on the basis of purchasing power of the Turkish Lira ("TL") as of September 30, 2024.)

NOTE 22 - RELATED PARTY DISCLOSURES(continued)

Financing income and expenses related to related parties as of the periods ending September 30, 2024 and 2023:

	1 January - 30 September 2024	1 July - 30 September 2024	1 January - 30 September 2023	1 July - 30 September 2023
Foreign exchange gains				
Yapı ve Kredi Bankası A.Ş. (1)	25,341	12,772	51,749	18,937
	25,341	12,772	51,749	18,937
	1 January - 30 September 2024	1 July - 30 September 2024	1 January - 30 September 2023	1 July - 30 September 2023
Foreign exchange expenses				
Yapı ve Kredi Bankası A.Ş. (1)	8,067	600	22,460	9,310
	8,067	600	22,460	9,310

(1) Related parties of the group parent partner

Benefits for senior executives

In the six-month accounting period ended September 30, 2024, the Group's short-term benefits to its senior executives totaled TL 182,053 thousand. (September 30, 2023: 86,889 thousand TL) Senior managers consist of members of the board of directors, general manager and deputy general manager

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

FOR THE INTERIM PERIOD ENDING SEPTEMBER 30, 2024 EXPLANATORY NOTES ON CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unless otherwise stated, the amounts are expressed as one thousand TL on the basis of purchasing power of the Turkish Lira ("TL") as of September 30, 2024.)

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

a) Foreign currency risk and related sensitivity analysis

Due to the Group's commercial activities with foreign companies, it is exposed to exchange rate risk arising from exchange rate changes due to the conversion of amounts owed or credited in foreign currency into Turkish Lira. The exchange rate risk in question is monitored and limited by analyzing the foreign exchange position. The Group pursues a policy of diversifying its basket of currencies as much as possible in order to manage the exchange rate risk arising from future trading transactions and recorded assets and liabilities.

The registered amounts of foreign currency assets and liabilities held by the Group are as follows, according to foreign currency types:

30 September 2024	Functional currency equivalent to TL)	US Dollar	Euro	British Pound Sterling
1. Trade receivables	8,923,397	101,643	143,573	-
2a. Monetary financial assets (including cash, bank accounts)	674,221	8,168	10,410	-
2d. Non-monetary financial assets	-	-	-	-
3. Other	-	-	-	-
4. Current assets (1+2+3)	9,597,618	109,811	153,983	-
5. Trade receivables	-	-	-	-
6a. Monetary financial assets	-	-	-	-
6b. Non-monetary financial assets	-	-	-	-
7. Other	128	-	3	-
8. Non-current assets (5+6+7)	128	-	3	-
9. Total assets (4+8)	9,597,746	109,811	153,986	-
10. Trade payables	(2,429,284)	(34,757)	(32,235)	(415)
11. Financial liabilities	(4,613,408)	(11,130)	(111,368)	-
12a. Monetary other liabilities	(2,598,406)	(18,572)	(51,694)	-
12b. Non-monetary other liabilities	-	-	-	-
13. Current liabilities (10+11+12)	(9,641,098)	(64,459)	(195,297)	(415)
14. Trade payables	-	-	-	-
15. Financial liabilities	(192,132)	-	(5,054)	-
16a. Monetary other liabilities	-	-	-	-
16b. Non-monetary other liabilities	-	-	-	-
17. Non-current liabilities (14+15+16)	(192,132)	-	(5,054)	-
18. Total liabilities (13+17)	(9,833,230)	(64,459)	(200,351)	(415)
Net balance sheet position (9+18)	(235,484)	45,352	(46,365)	(415)
19. Net asset/(liability) position of off-balance sheet derivative instruments(19a-19b)	756,759	(35,988)	52,175	-
19a. Hedged total assets amount	2,354,837	3,000	59,250	-
19b. Hedged total liabilities amount	(1,598,078)	(38,988)	(7,075)	-
20. Net foreign currency asset/(liability) position (9+18+19)	521,275	9,364	5,810	(415)
21. Net foreign currency asset/(liability) position of monetary items (=1+2a+5+6a-10-11-12a-14-15-16a)	(235,603)	45,352	(46,367)	(415)
22. Total fair value of financial instruments used for foreign currency hedging	1,939	(4,705)	(7,153)	13,797
23. Export	13,696,031	80,159	276,921	28,072
24. Import	7,271,193	72,295	117,288	2,307

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

FOR THE INTERIM PERIOD ENDING SEPTEMBER 30, 2024 EXPLANATORY NOTES ON CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unless otherwise stated, the amounts are expressed as one thousand TL on the basis of purchasing power of the Turkish Lira ("TL") as of September 30, 2024.)

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

31 December 2023	Functional currency equivalent to TL)	US Dollar	Euro	British Pound Sterling
1. Trade receivables	10,328,579	122,801	122,408	-
2a. Monetary financial assets (including cash, bank accounts)	785,405	7,082	11,347	-
2d. Non-monetary financial assets	-	-	-	-
3. Other	-	-	-	-
4. Current assets (1+2+3)	11,113,984	129,883	133,755	-
5. Trade receivables	-	-	-	-
6a. Monetary financial assets	-	-	-	-
6b. Non-monetary financial assets	-	-	-	-
7. Other	133	-	3	-
8. Non-current assets (5+6+7)	133	3	3	-
9. Total assets (4+8)	11,114,117	129,883	133,758	-
10. Trade payables	(2,958,082)	(42,568)	(28,314)	(50)
11. Financial liabilities	(4,361,031)	(7,675)	(91,607)	-
12a. Monetary other liabilities	(505,048)	(5,940)	(6,044)	-
12b. Non-monetary other liabilities	-	-	-	-
13. Current liabilities (10+11+12)	(7,824,161)	(56,183)	(125,965)	(50)
14. Trade payables	-	-	-	-
15. Financial liabilities	-	-	-	-
16a. Monetary other liabilities	-	-	-	-
16b. Non-monetary other liabilities	-	-	-	-
17. Non-current liabilities (14+15+16)	-	-	-	-
18. Total liabilities (13+17)	(7,824,161)	(56,183)	(125,965)	(50)
Net balance sheet position (9+18)	3,289,956	73,700	7,793	(50)
19. Net asset/(liability) position of off-balance sheet derivative instruments(19a-19b)	(2,202,820)	(67,000)	(7,075)	-
19a. Hedged total assets amount	-	-	-	-
19b. Hedged total liabilities amount	(2,202,820)	(67,000)	(7,075)	-
20. Net foreign currency asset/(liability) position (9+18+19)	1,087,136	6,700	718	(50)
21. Net foreign currency asset/(liability) position of monetary items (=1+2a+5+6a-10-11-12a-14-15-16a)	3,289,823	73,700	7,790	(50)
22. Total fair value of financial instruments used for foreign currency hedging	25,853	6,591	19,262	-
23. Export	15,232,886	40,483	124,194	-
24. Import	8,449,616	36,836	88,604	345

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

FOR THE INTERIM PERIOD ENDING SEPTEMBER 30, 2024 EXPLANATORY NOTES ON CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unless otherwise stated, the amounts are expressed as one thousand TL on the basis of purchasing power of the Turkish Lira ("TL") as of September 30, 2024.)

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

The sensitivity analysis of the Group's pre-tax profit as of September 30, 2024 and December 31, 2023 against the 10% change in the US Dollar, Euro and British Pound, keeping other variables constant, is as follows:

	Profit before tax Appreciation of foreign currency	Profit before tax Depreciation of foreign currency
30 September 2024		
<i>In case 10% appreciation of USD against TRY:</i>		
1- USD net asset/liability	31,923	(31,923)
2- Amount hedged for USD risk (-)	-	-
3- USD net effect (1+2)	31,923	(31,923)
<i>In case 10% appreciation of EUR against TRY:</i>		
4- EUR net asset/liability	22,092	(22,092)
5- Amount hedged for EUR risk (-)	-	-
6- EUR net effect (4+5)	22,092	(22,092)
<i>In case 10% appreciation of GBP against TRY</i>		
7- GBP net asset/liability	(1,887)	1,887
8- Amount hedged for GBP risk (-)	-	-
9- GBP net effect (7+8)	(1,887)	1,887
Total (3+6+9)	52,128	(52,128)
	Profit before tax Appreciation of foreign currency	Profit before tax Appreciation of foreign currency
31 December 2023		
<i>In case 10% appreciation of USD against TRY:</i>		
USD net asset/liability		
1- Amount hedged for USD risk (-)	26,797	(26,797)
2- USD net effect (1+2)	-	-
3-	26,797	(26,797)
<i>In case 10% appreciation of EUR against TRY:</i>		
EUR net asset/liability		
4- Amount hedged for EUR risk (-)	3,178	(3,178)
5- EUR net effect (4+5)	-	-
6-	3,178	(3,178)
<i>In case 10% appreciation of GBP against TRY</i>		
GBP net asset/liability		
7- Amount hedged for GBP risk (-)	(254)	254
8- GBP net effect (7+8)	-	-
9- In case 10% appreciation of USD against TRY:	(254)	254
Total (3+6+9)	29,721	(29,721)

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

FOR THE INTERIM PERIOD ENDING SEPTEMBER 30, 2024 EXPLANATORY NOTES ON CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unless otherwise stated, the amounts are expressed as one thousand TL on the basis of purchasing power of the Turkish Lira ("TL") as of September 30, 2024.)

NOTE 24 - FINANCIAL INSTRUMENTS

The fair value of financial instruments that are not traded on active markets is determined through the use of valuation techniques. Determination techniques ensure maximum use of market data that is at least as reliable and, where available, observable as the Group's specific forecasts. If all the inputs required for the fair value of a financial instrument are observable, it is covered by level 2. Fair value calculations require disclosure based on the stages specified in the following calculation hierarchy:

- For certain assets and liabilities, quoted prices in active markets (unadjusted) (Level 1).
- Apart from the quoted prices included in Stage 1, there are either direct (as prices) or indirect (derived from prices) observable inputs for assets and liabilities (Level 2).
- Inputs for assets and liabilities that cannot be determined based on observable market data (unobservable inputs) (Level 3).

Table below. It shows the Group's assets as measured at fair value on September 30, 2024 and December 31, 2023:

30 September 2024

Liabilities	Level 1	Level 2	Level 3	Total
Derivative financial instruments	-	(1,939)	-	(1,939)
	-	(1,939)	-	(1,939)

31 December 2023

Liabilities	Level 1	Level 2	Level 3	Total
Derivative financial instruments	-	(35,124)	-	(35,124)
	-	(35,124)	-	(35,124)

The fair value is the amount at which a financial instrument may change hands in a current transaction between voluntary parties other than a forced sale or liquidation, and is best determined by a market price, if any.

The estimated fair value of financial instruments has been determined by the Group using available market information and appropriate valuation methods. Estimates are used in the estimation of the fair value and in the interpretation of market data. Accordingly, the estimates presented herein may not represent the amounts that the Group may receive in a current market transaction.

The Group considers that the registered value of financial instruments reflects their reasonable value.

Financial assets - Financial assets are considered to be close to their fair value because they are short-term and the loss of credit is negligible.

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

FOR THE INTERIM PERIOD ENDING SEPTEMBER 30, 2024 EXPLANATORY NOTES ON CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unless otherwise stated, the amounts are expressed as one thousand TL on the basis of purchasing power of the Turkish Lira ("TL") as of September 30, 2024.)

NOTE 24 - FINANCIAL INSTRUMENTS (Continued)

Financial liabilities - Commercial liabilities and other monetary liabilities are considered to be close to the carry-on values of fair value due to their short-term nature. When long-term fixed-rate bank loans are valued at the fixed interest rate valid as of the balance sheet date, it is observed that the fair value is close to the value carried. On the other hand, due to the short maturities of short-term loans, it is assumed that the carried values reflect the fair value.

NOTE 25 - SUBSEQUENT EVENTS

None.