

**OTOKAR OTOMOTİV VE SAVUNMA  
SANAYİ ANONİM ŞİRKETİ**

CONVENIENCE TRANSLATION INTO ENGLISH  
OF CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIOD 1 JANUARY - 30 JUNE 2022

(ORIGINALLY ISSUED IN TURKISH)



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

**Report on Review of Interim Condensed Consolidated Financial Statements**

To the Board of Directors of Otokar Otomotiv ve Savunma Sanayi Anonim Şirketi;

**Introduction**

We have reviewed the accompanying interim condensed consolidated statement of financial position of Otokar Otomotiv ve Savunma Sanayi Anonim Şirketi (“the Company”) and its subsidiaries (“the Group”) as of June 30, 2022 and the interim condensed consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and the consolidated statement of cash flows for the six-month period then ended, and explanatory notes. Group management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with Turkish Accounting Standard 34, Interim Financial Reporting (TAS 34). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

**Scope of Review**

We conducted our review in accordance with the Standard on Review Engagements (SRE) 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review of interim financial information is substantially less in scope than an audit conducted in accordance with Independent Auditing Standards and the objective of which is to express an opinion on the financial statements. Consequently, a review of the interim financial information does not provide assurance that the audit firm will be aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

**Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with TAS 34.

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

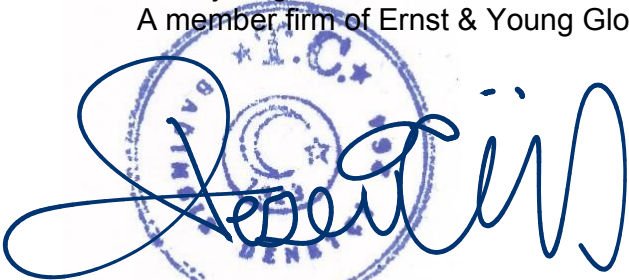
**Other matter**

The consolidated financial statements of the Group prepared in accordance with the Turkish Accounting Standards (“TAS”) published by the Public Oversight Accounting and Auditing Standards Authority of Turkey (“POA”) as of December 31, 2021, were audited by another audit firm whose independent auditor’s report thereon dated February 4, 2022 expressed an unqualified opinion. The interim condensed consolidated financial statements of the Group prepared in accordance with TAS 34 were also reviewed by the same audit firm whose independent auditor’s review report thereon dated July 30, 2021 expressed that nothing had come to their attention that caused them to believe that the interim condensed consolidated financial statements were not prepared in accordance with TAS 34.

**Additional paragraph for convenience translation to English**

In the accompanying consolidated financial statements, the accounting principles described in Note 2 (defined as Turkish Accounting Standards/Turkish Financial Reporting Standards) differ from International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board with respect to the application of inflation accounting. Accordingly, the accompanying interim condensed consolidated financial statements are not intended to present the financial position and results of operations in accordance with IFRS.

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



Ferzan Ülgen, CPA  
Partner

29 July 2022  
Istanbul, Turkey

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

**OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ**

**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF  
FINANCIAL POSITION AS OF 30 JUNE 2022 AND 31 DECEMBER 2021**

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

		(Reviewed)	(Audited)
		30 June	31 December
	Notes	2022	2021
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	4	568,227	644,857
Trade receivables	9	1,935,251	1,761,233
<i>Due from related parties</i>	22	733,785	533,242
<i>Due from other parties</i>	9	1,201,466	1,227,991
Other receivables		1,624	1,212
Inventories	10	2,548,642	1,426,393
Derivative instruments	8	-	51
Prepaid expenses	14	56,134	20,045
Other current assets	14	217,985	106,634
<b>Total current assets</b>		<b>5,327,863</b>	<b>3,960,425</b>
<b>Non-current assets</b>			
Trade receivables	9	781,906	421,129
Other receivables		3,801	4,474
Investments accounted for using the equity method	5	222,906	182,456
Financial investments	7	10,147	147
Property, plant and equipment	11	482,647	396,704
Right of use assets	11	30,909	33,946
Intangible assets	12	873,037	739,375
Deferred tax asset	20	391,968	234,424
Prepaid expenses	14	144,158	16,446
Other non-current assets		34,259	-
<b>Total non-current assets</b>		<b>2,975,738</b>	<b>2,029,101</b>
<b>Total assets</b>		<b>8,303,601</b>	<b>5,989,526</b>

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

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

**OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ**

**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF  
FINANCIAL POSITION AS OF 30 JUNE 2022 AND 31 DECEMBER 2021**

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

	Notes	(Reviewed) 30 June 2022	(Audited) 31 December 2021
<b>Liabilities</b>			
<b>Current liabilities</b>			
Short-term borrowings	6	1,044,133	473,279
<i>Bank loans</i>	6	1,020,351	455,503
<i>Short-term lease liabilities</i>	6	23,782	17,776
Short-term portion of long-term borrowings	6	590,548	644,014
<i>Bank loans</i>	6	590,548	644,014
Trade payables	9	1,324,499	554,860
<i>Due to related parties</i>	22	46,360	70,714
<i>Due to other parties</i>	9	1,278,139	484,146
Derivative instruments	8	3,197	-
Employee benefit obligations	14	48,301	67,060
Other payables		98,555	46,547
Current tax liabilities	20	140,827	-
Liabilities from customer contracts	14	468,895	602,791
Government promotion and subsidies		1,925	16,572
Short-term provisions	13	497,567	440,523
<i>Provisions for employee benefits</i>	13	37,354	20,705
<i>Other provisions</i>	13	460,213	419,818
Other current liabilities	14	12,981	6,688
<b>Total current liabilities</b>		<b>4,231,428</b>	<b>2,852,334</b>
<b>Non-current liabilities</b>			
Long-term borrowings	6	1,901,150	1,261,164
<i>Bank loans</i>	6	1,863,953	1,233,360
<i>Long-term lease liabilities</i>	6	37,197	27,804
Government promotion and subsidies		9,413	11,283
Long-term provisions	13	144,705	89,427
<i>Provisions for employee benefits</i>	13	144,705	89,427
Liabilities from customer contracts	14	456,464	278,783
<b>Total non-current liabilities</b>		<b>2,511,732</b>	<b>1,640,657</b>
<b>Total liabilities</b>		<b>6,743,160</b>	<b>4,492,991</b>
<b>Equity</b>			
Paid-in share capital		24,000	24,000
Inflation adjustment on share capital		52,743	52,743
Restricted reserves		183,398	133,530
Accumulated other comprehensive income / (expense) that will not be reclassified to statement of profit or loss		(17,596)	(12,925)
<i>Defined benefit plans remeasurement gain (losses)</i>		(17,596)	(12,925)
Accumulated other comprehensive income and expense that may be reclassified to statement of profit or loss		(184,311)	(210,099)
<i>Currency translation differences</i>		(184,311)	(210,099)
Retained earnings		959,418	467,762
Net profit or loss for the period		542,789	1,041,524
<b>Total equity</b>		<b>1,560,441</b>	<b>1,496,535</b>
<b>Total liabilities and equity</b>		<b>8,303,601</b>	<b>5,989,526</b>

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

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

**OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ**

**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF PROFIT OR LOSS  
AND OTHER COMPREHENSIVE INCOME AS OF 30 JUNE 2022 AND 2021**

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

	Notes	(Reviewed)		(Reviewed)	
		1 January - 30 June 2022	1 April - 30 June 2022	1 January - 30 June 2021	1 April - 30 June 2021
Revenue	15	3,651,120	2,357,122	1,859,889	982,647
Cost of sales (-)	15	(2,446,516)	(1,619,266)	(1,189,570)	(592,831)
<b>GROSS PROFIT (LOSS)</b>		<b>1,204,604</b>	<b>737,856</b>	<b>670,319</b>	<b>389,816</b>
Marketing expenses (-)	16	(438,522)	(259,312)	(229,128)	(112,282)
General administrative expenses (-)	16	(211,840)	(100,681)	(85,678)	(44,265)
Research and development expenses (-)	16	(62,980)	(40,379)	(38,096)	(19,586)
Other operating income	17	594,547	266,751	303,484	148,210
Other operating expenses (-)	17	(340,363)	(163,664)	(217,796)	(103,103)
<b>OPERATING PROFIT (LOSS)</b>		<b>745,446</b>	<b>440,571</b>	<b>403,105</b>	<b>258,790</b>
Income from investing activities		2,070	1,231	462	113
Share of profit (losses) of investments accounted for using the equity method, net	5	(9,863)	(3,993)	53,276	52,658
<b>OPERATING PROFIT (LOSS) BEFORE FINANCIAL INCOME (EXPENSE)</b>		<b>737,653</b>	<b>437,809</b>	<b>456,843</b>	<b>311,561</b>
Financial income	18	136,012	96,192	56,716	15,617
Financial expense (-)	19	(346,425)	(208,850)	(156,096)	(74,181)
<b>PROFIT (LOSS) BEFORE TAX FROM CONTINUED OPERATIONS</b>		<b>527,240</b>	<b>325,151</b>	<b>357,463</b>	<b>252,997</b>
<b>Tax income/(expense) from continued operations</b>					
Current year tax income / (expense)	20	(140,827)	(140,827)	-	-
Deferred tax income/ (expense)	20	156,376	157,933	39,041	36,063
<b>PROFIT (LOSS) FOR THE PERIOD</b>		<b>542,789</b>	<b>342,257</b>	<b>396,504</b>	<b>289,060</b>
<b>Items that will not be reclassified to statement of profit or loss</b>					
Defined benefit plans remeasurement gains/(losses)	13	(5,839)	(515)	(1,558)	345
Deferred tax income/(expense)	20	1,168	103	312	(69)
<b>Items that may be reclassified to statement of profit or loss</b>					
Currency translation differences of investments accounted for using the equity method	5	50,313	27,220	32,431	8,621
Currency translation differences		(24,525)	(4,363)	(74,475)	(21,014)
<b>Other comprehensive income /(expense)</b>		<b>21,117</b>	<b>22,445</b>	<b>(43,290)</b>	<b>(12,117)</b>
<b>TOTAL COMPREHENSIVE INCOME (EXPENSE)</b>		<b>563,906</b>	<b>364,702</b>	<b>353,214</b>	<b>276,943</b>
<b>Earnings per share (Kr)</b>	21	2.262	1.426	1.652	1.204

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

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

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE PERIODS ENDED 30 JUNE 2022 AND 2021

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

					Accumulated other comprehensive income / expense that will not be reclassified to statement of profit or loss	Accumulated other comprehensive income/expense that may be reclassified to statement of profit or loss			
		Paid in share capital	Inflation adjustment on share capital	Restricted reserves	Defined benefit plans remeasurement gain (losses)	Currency translation differences	Retained earnings	Net profit or loss for the period	Total equity
<b>1 January 2021-</b>									
<b>30 June 2021</b>	<b>Beginning of the period</b>	<b>24,000</b>	<b>52,743</b>	<b>93,650</b>	<b>(11,589)</b>	<b>(59,103)</b>	<b>289,374</b>	<b>618,268</b>	<b>1,007,343</b>
	Transfers	-	-	39,880	-	-	578,388	(618,268)	-
	Dividends paid	-	-	-	-	-	(400,000)	-	(400,000)
	Total comprehensive income	-	-	-	(1,246)	(42,044)	-	396,504	353,214
	<b>Closing balances</b>	<b>24,000</b>	<b>52,743</b>	<b>133,530</b>	<b>(12,835)</b>	<b>(101,147)</b>	<b>467,762</b>	<b>396,504</b>	<b>960,557</b>
<b>1 January 2022-</b>									
<b>30 June 2022</b>	<b>Beginning of the period</b>	<b>24,000</b>	<b>52,743</b>	<b>133,530</b>	<b>(12,925)</b>	<b>(210,099)</b>	<b>467,762</b>	<b>1,041,524</b>	<b>1,496,535</b>
	Transfers	-	-	49,868	-	-	991,656	(1,041,524)	-
	Dividends paid	-	-	-	-	-	(500,000)	-	(500,000)
	Total comprehensive income	-	-	-	(4,671)	25,788	-	542,789	563,906
	<b>Closing balances</b>	<b>24,000</b>	<b>52,743</b>	<b>183,398</b>	<b>(17,596)</b>	<b>(184,311)</b>	<b>959,418</b>	<b>542,789</b>	<b>1,560,441</b>

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



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

**OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ**

**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE PERIODS ENDED 30 JUNE 2022 AND 2021**

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

		(Reviewed)	(Reviewed)
	Notes	1 January – 30 June 2022	1 January – 30 June 2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net profit / (loss) for the period		542,789	396,504
<b>Adjustments to reconcile net profit (loss) for the period to cash flows from operating activities</b>		<b>549,358</b>	<b>197,502</b>
<b>Adjustments for depreciation and amortization</b>	11,12	<b>71,919</b>	<b>52,075</b>
<b>Adjustments in relation to impairment:</b>		<b>21,245</b>	<b>11,957</b>
- Provision for doubtful receivables	9	17,212	8,209
- Provision for inventories	10	4,033	3,748
<b>Adjustments in relation to provision</b>		<b>196,609</b>	<b>112,998</b>
- Provision for employee benefits	13	70,007	13,466
- Provision for warranty expenses	13	112,462	68,110
- Adjustments for other provisions		14,140	31,422
<b>Adjustments in relation to interest income and expenses:</b>		<b>147,869</b>	<b>48,987</b>
- Adjustment in relation to interest income	18	(14,215)	(23,017)
- Adjustment in relation to interest expense	19	162,084	72,004
<b>Adjustments in relation to unrealised foreign exchange gains and losses</b>	6	<b>132,425</b>	<b>54,264</b>
<b>Adjustments in relation to fair value gains and losses</b>		<b>(11,786)</b>	<b>10,000</b>
Fair value losses/(gains) on financial derivative instruments		(11,786)	10,000
<b>Adjustments for undistributed profits of investments accounted for using equity method</b>		<b>9,863</b>	<b>(53,276)</b>
- Adjustments for undistributed profits of joint ventures	5	9,863	(53,276)
<b>Adjustment on tax income / (expense)</b>		<b>(16,716)</b>	<b>(39,041)</b>
<b>Adjustments in relation to gains or losses on sales of property, plant and equipment</b>		<b>(2,070)</b>	<b>(462)</b>
- Losses / (gains) on sale of property, plant and equipments		(2,070)	(462)
<b>Changes in net working capital</b>		<b>(1,147,083)</b>	<b>(115,182)</b>
<b>Change in trade receivables</b>		<b>(552,705)</b>	<b>(271,831)</b>
<b>Change in inventories</b>		<b>(1,126,282)</b>	<b>(66,002)</b>
<b>Change in trade payables</b>		<b>769,639</b>	<b>49,797</b>
<b>Other changes</b>		<b>(237,735)</b>	<b>172,854</b>
- (Increase)/ decrease in other assets related to activities		(309,150)	21,790
- Increase/ (decrease) in other liabilities related to activities		71,415	151,064
<b>Cash flows from operations</b>		<b>(54,936)</b>	<b>478,824</b>
<b>Payments in relation to employee benefits</b>	13	<b>(3,919)</b>	<b>(1,847)</b>
<b>Payments in relation to other provisions</b>		<b>(86,207)</b>	<b>(32,067)</b>
<b>Other cash collections (payments)</b>		<b>15,038</b>	<b>5,959</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
<b>Cash outflows for the acquisition of shares of other businesses or funds or debt instruments</b>		<b>(10,000)</b>	<b>-</b>
- Proceeds from sale of property, plant and equipment and intangible assets		2,626	860
<b>Cash outflows due to purchase of property, plant and equipment and intangible assets</b>		<b>(284,149)</b>	<b>(188,889)</b>
- Cash outflows due to purchase of property, plant and equipment	11	(105,701)	(62,637)
- Cash outflows due to purchase of intangible assets	12	(178,448)	(126,252)
<b>Dividends Received</b>		<b>-</b>	<b>61,333</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
<b>Cash inflow from to borrowings</b>		<b>2,589,862</b>	<b>979,482</b>
- Proceeds from bank borrowings	6	2,589,862	979,482
<b>Cash outflow due to repayment of borrowings</b>		<b>(1,624,518)</b>	<b>(979,603)</b>
- Repayments of borrowings	6	(1,624,518)	(979,603)
<b>Cash outflows on debt payments from leasing agreements</b>		<b>(2,842)</b>	<b>(4,936)</b>
<b>Dividends paid</b>		<b>(500,000)</b>	<b>(400,000)</b>
<b>Interest paid</b>		<b>(107,369)</b>	<b>(60,528)</b>
<b>Interest received</b>		<b>14,215</b>	<b>23,017</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS BEFORE THE EFFECT OF CURRENCY TRANSLATION DIFFERENCES</b>			
		<b>(52,199)</b>	<b>(118,395)</b>
<b>Effect of currency translation difference on cash and cash equivalents</b>		<b>(24,431)</b>	<b>(74,474)</b>
<b>NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS</b>			
		<b>(76,630)</b>	<b>(192,869)</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>	4	<b>644,857</b>	<b>517,422</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	4	<b>568,227</b>	<b>324,553</b>

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

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

## OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

### NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE PERIOD ENDED 30 JUNE 2022

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

#### NOTE 1 - GROUP’S ORGANIZATION AND NATURE OF OPERATIONS

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

The Group operates in the automotive industry and off-road vehicles, military vehicles, minibuses, midibuses and autobuses, light truck comprise the majority of its production.

The registered addresses of the Company are as follows:

#### Headquarters:

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

#### Plant:

Atatürk Cad. No: 6 54580 Arifiye / Sakarya

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

<b>Subsidiaries</b>	<b>Country</b>	<b>Main activity</b>	<b>Field of activity</b>
Otokar Europe SAS	France	Sales and marketing	Automotive Automotive and defense industry
Otokar Land Systems Limited	United Arab Emirates	Sales and marketing	Automotive and defense industry
Otokar Europe Filiala Bucuresti SRL	Romania	Sales and marketing	Automotive and defense industry
Otokar Central Asia Limited	Kazakhstan	Sales and marketing	Automotive and defense industry
<b>Joint Ventures</b>	<b>Country</b>	<b>Main activity</b>	<b>Field of activity</b>
Al Jasoor 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 condensed interim consolidated financial statements.

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

	<b>30 June 2022</b>		<b>31 December 2021</b>	
	<b>Period end</b>	<b>Average</b>	<b>Period end</b>	<b>Average</b>
<b>Total personnel number</b>	3,134	2,654	2,286	2,248

The condensed interim consolidated financial statements for the period ended 30 June 2022 were authorized for issue and signed by the Board of Directors of Otokar on 29 July 2022.

Otokar is registered to the Capital Market Board (“CMB”) and its shares are listed on the Borsa Istanbul A.Ş. (“BIST”) since 1995. As of 30 June 2022, 27.85% of the shares are quoted on the BIST.

**CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED  
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**OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ**

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL  
STATEMENTS AS OF AND FOR THE PERIOD ENDED 30 JUNE 2022**

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

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

As of 30 June 2022, the principal shareholders and their respective shareholding percentages are as follows:

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

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

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

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

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

**NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS**

**2.1 Basis of presentation of consolidated financial statements**

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

For the period ended 30 June 2022, the Group prepared its condensed interim consolidated financial statements in accordance with the Turkish Accounting Standard No.34 Interim Financial Reporting. Condensed interim consolidated financial statements of the Group do not include all the information and disclosures required in the annual financial statements, therefore should be read in conjunction with the Group’s annual financial statements as of 31 December 2021.

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

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

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

## OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

### NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE PERIOD ENDED 30 JUNE 2022

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

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

##### 2.1 Basis of presentation of consolidated financial statements (Continued)

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

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

##### Functional and presentation currency

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

##### Financial statements of foreign subsidiaries, joint ventures and associates

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

##### 2.2 Accounting errors and changes in accounting estimates

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

If changes in accounting estimates are related to only one period, they are recognised in the period when changes are applied; if changes in estimates are related to future periods, they are recognized both in the period where the change is applied and future periods prospectively. The accounting policies used in the preparation of these condensed interim consolidated financial statements for the period ended 30 June 2022 are consistent with those used in the preparation of consolidated financial statements for the year ended 31 December 2021.

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

##### 2.3 Changes in accounting policies

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

##### 2.3.1 New and amended standards and interpretations

The accounting policies adopted in preparation of the consolidated financial statements as of June 30, 2022 are consistent with those of the previous financial year, except for the adoption of new and amended TFRS and TFRS interpretations effective as of January 1, 2022 and thereafter. The effects of these standards and interpretations on the Group's financial position and performance have been disclosed in the related paragraphs.

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

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

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

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

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

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

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

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

##### 2.3 Changes in accounting policies (Continued)

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

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

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

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

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

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

The Group is in the process of assessing the impact of the amendments / improvements on 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.

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

**2.3 Changes in accounting policies (Continued)**

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

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

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

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

The 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. Certain changes in the estimates of future cash flows and the risk adjustment are also recognised over the period that services are provided. Entities will have an option to present the effect of changes in discount rates either in profit and loss or in OCI. The standard includes specific guidance on measurement and presentation for insurance contracts with participation features. TFRS 17 will become effective for annual reporting periods beginning on or after 1 January 2023; early application is permitted. In accordance with amendments issued by POA in December 2021, entities have transition option for a “classification overlay” to avoid possible accounting mismatches between financial assets and insurance contract liabilities in the comparative information presented on initial application of TFRS 17.

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

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

On January 15, 2021, the POA issued amendments to TAS 1 Presentation of Financial Statements. The amendments issued to TAS 1 which are effective for periods beginning on or after 1 January 2023, clarify the criteria for the classification of a liability as either current or non-current. Amendments must be applied retrospectively in accordance with TAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. Early application is permitted.

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

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

**2.3 Changes in accounting policies (Continued)**

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

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

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

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

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

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



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

##### 2.3 Changes in accounting policies (Continued)

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

In August 2021, the POA issued amendments to TAS 12, which narrow the scope of the initial recognition exception under TAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences. The amendments issued to TAS 12 are effective for annual periods beginning on or after 1 January 2023. The amendments clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognised in the financial statements (and interest expense) or to the related asset component (and interest expense). This judgement is important in determining whether any temporary differences exist on initial recognition of the asset and liability. The amendments apply to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period presented, a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for all deductible and taxable temporary differences associated with leases and decommissioning obligations should be recognized.

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

##### 2.4 Significant accounting judgments and estimates

##### Group accounting

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

The table below sets out the subsidiaries of the Company and shows the total interest of the Company in these companies at 30 June 2022 and 31 December 2021:

Subsidiaries	2022		2021	
	Direct and indirect ownership (%)	Proportion of effective interest (%)	Direct and indirect ownership (%)	Proportion of effective interest (%)
Otokar Europe SAS	100.00	100.00	100.00	100.00
Otokar Land Systems Limited	100.00	100.00	100.00	100.00
Otokar Europe Filiala Bucuresti SRL	100.00	100.00	100.00	100.00
Otokar Central Asia Limited	100.00	100.00	100.00	100.00
Join Ventures	Direct and indirect ownership (%)	Proportion of effective interest (%)	Direct and indirect ownership (%)	Proportion of effective interest (%)
Al Jasoor Heavy Vehicle Industry LLC	49.00	49.00	49.00	49.00

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

##### 2.5 Convenience translation into english of financial statements

The accounting principles described in Note 2 (defined as Turkish Accounting Standards/Turkish Financial Reporting Standards) to the accompanying financial statements differ from International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board with respect to the mainly application of inflation accounting and certain classification differences.

#### NOTE 3 - SEGMENT REPORTING

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

The Group's operations are considered as a single operating segment, Chief Executive Decision Makers (composed of key management, board members, general manager and assistant general managers) follow the activities and the results of these activities holistically in a single segment, therefore segment reporting is not performed.

##### Seasonality in operations

Operations of the Companies within the consolidation may show increase or decrease as of periods. Thus, the results of the six months period ended June 30, 2022 may not be an indicator for the whole year.

#### NOTE 4 - CASH AND CASH EQUIVALENTS

	30 June 2022	31 December 2021
<b>Banks</b>		
- Time deposits	464,076	545,213
- Demand deposits	104,077	99,593
Other	74	51
	<b>568,227</b>	<b>644,857</b>

As of 30 June 2022, time deposit accounts with a total amount of TRY 464,076 thousand, corresponding to TRY 54,424 thousand, are in foreign currency, the effective interest rate is 1.9% per annum, and the average maturity is 1 day. The remaining amount of TRY 409,652 thousand The effective interest rate is 17.68% per annum with an average maturity of 1 day.

(As of 31 December 2021, time deposit accounts with a total amount of TRY 545,213 thousand, corresponding to TRY 209,292 thousand, are in foreign currency, the effective interest rate is 0.77% per annum, and the average maturity is 1 day. The remaining amount of TRY 335,921 thousand The effective interest rate is 25% per annum with an average maturity of 1 day).

As of 30 June 2022, the Group has restricted bank deposit amounting to TRY 1,265 thousand (31 December 2021: TRY 0.2 thousand).

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

As of 30 June 2022 and 31 December 2021, the details of carrying value and ownership rate subject to equity accounting of the joint venture is as follows:

<b>Joint ventures</b>	<b>30 June 2022</b>		<b>31 December 2021</b>	
	<b>(%)</b>	<b>Amount</b>	<b>(%)</b>	<b>Amount</b>
Al Jasoor	49	222,906	49	182,456
		<b>222,906</b>		<b>182,456</b>

The movements of joint ventures for the periods ended on 30 June 2022 and 2021 are as follows:

	<b>2022</b>	<b>2021</b>
<b>Beginning- 1 January</b>	182,456	169,689
Shares of profit /(loss)	(9,863)	53,276
Currency translation differences	50,313	32,431
Dividend paid	-	(61,333)
<b>Closing- 30 June</b>	<b>222,906</b>	<b>194,063</b>

The summary of the financial statements of Al Jasoor Heavy Vehicle Industry LLC as of 30 June 2022 and 31 December 2021 is as follows:

	<b>30 June 2022</b>	<b>31 December 2021</b>
Total assets	910,624	1,081,715
Total liabilities	(455,714)	(709,350)
<b>Net assets</b>	<b>454,910</b>	<b>372,365</b>
Ownership of the Group	49%	49%
<b>Net asset share of the Group</b>	<b>222,906</b>	<b>182,456</b>

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**NOTE 6 - BORROWINGS**

**Short-term financial borrowings**

<b>30 June 2022</b>	<b>Maturities</b>	<b>Annual average effective interest rate (%)</b>	<b>TRY equivalent</b>
<b>Bank loans</b>			
TRY loans	1 July 2022- 30 September 2022	27.63	1,020,351
			<b>1,020,351</b>
<b>Borrowings from lease liabilities</b>			
TRY lease liabilities	-	30.00	7,403
EUR lease liabilities	-	2.00	16,379
			<b>23,782</b>
<b>Total short-term financial liabilities</b>			<b>1,044,133</b>

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

<b>30 June 2022</b>	<b>Maturities</b>	<b>Annual average effective interest rate (%)</b>	<b>TRY equivalent</b>
<b>Bank loans</b>			
EUR loans	9 January 2023 – 2 February 2023	3.15	414,871
TRY loans	7 April 2024 – 30 June 2023	18.21	175,677
			<b>590,548</b>

(\*) Bearing fixed interest rate

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NOTE 6 - BORROWINGS (Continued)

30 June 2022	Maturities	Annual average effective interest rate (%)	TRY equivalent
<b>Long-term bank loans (*)</b>			
<b>Bank loans</b>			
TRY loans	18 September 2023 - 5 August 2025	16.62	1,513,511
EUR loans	14 September 2023 - 15 September 2023	2.70	350,442
			<b>1,863,953</b>
<b>Borrowings from lease liabilities</b>			
TRY lease liabilities	-	30.00	11,579
EUR lease liabilities	-	2.00	25,618
			<b>37,197</b>
<b>Total long-term financial borrowings</b>			<b>1,901,150</b>
(*) Bearing fixed interest rate			
<b>Short-term bank loans</b>			
31 December 2021	Maturities	Annual effective interest rate (%)	TRY equivalent
<b>Bank loans</b>			
RON loans	28 January 2022	5.16	454,573
TRY loans	3 June 2022	8.75	930
			<b>455,503</b>
<b>Short-term lease liabilities</b>			
EUR lease liabilities	-	2.00	12,242
TRY lease liabilities	-	25.00	5,534
			<b>17,776</b>
<b>Total short-term borrowings</b>			<b>473,279</b>

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**NOTE 6 - BORROWINGS (Continued)**

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

**Long-term borrowings (\*)**

<b>31 December 2021</b>	<b>Maturities</b>	<b>Annual effective interest rate (%)</b>	<b>TRY equivalent</b>
<b>Bank loans</b>			
TRY loans	5 August 2025	18.85	641,406
EUR loans	15 August 2023	3.15	591,954
			<b>1,233,360</b>

(\*) Bearing fixed interest rate

As of 30 June 2022, the Group has not provided any guarantees for the borrowings (31 December 2021: None).

The movements of borrowings over the periods ended on 30 June 2022 and 2021 are as follows:

	<b>2022</b>	<b>2021</b>
<b>1 January</b>	<b>2,378,457</b>	<b>1,854,064</b>
Borrowing received during the period	2,589,862	979,482
Cash outflows related to debt payments from leasing agreements	(2,842)	(4,936)
Changes in lease obligations under TFRS 16	7,732	9,458
Principal payments (-)	(1,624,518)	(979,603)
Change in interest accruals	54,715	11,477
Change in exchange rates	132,425	54,264
<b>30 June</b>	<b>3,535,831</b>	<b>1,924,206</b>

**NOTE 7 - FINANCIAL INVESTMENT**

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

Financial investments include Otokar's investments in Private Venture Capital Investment Fund amounting to TRY 10.000.

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**NOTE 8 - DERIVATIVE INSTRUMENTS**

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

<b>30 June 2022</b>	<b>Contract amount</b>	<b>Current period contract maturity</b>	<b>Fair value liabilities</b>
Forward transactions	1,372,547	7 July 2022- 29 July 2022	(3,197)
Short-term derivative instruments	1,372,547		(3,197)
<b>Total derivative instruments</b>	<b>1,372,547</b>		<b>(3,197)</b>
	<b>Contract amount</b>	<b>Current period contract maturity</b>	<b>Fair value assets</b>
<b>31 December 2021</b>			
Forward transactions	132,090	6 January 2022	51
Short-term derivative instruments	132,090		51
<b>Total derivative instruments</b>	<b>132,090</b>		<b>51</b>

**NOTE 9 - TRADE RECEIVABLES AND PAYABLES**

**Trade receivables**

	<b>30 June 2022</b>	<b>31 December 2021</b>
Trade receivables, net	1,047,371	1,073,224
Notes receivables, net	268,279	252,151
<b>Subtotal</b>	<b>1,315,650</b>	<b>1,325,375</b>
Less: provision for doubtful receivables	(114,184)	(97,384)
<b>Trade receivables from third parties</b>	<b>1,201,466</b>	<b>1,227,991</b>
Trade receivables from related parties (Note 22)	733,785	533,242
<b>Short-term trade receivables</b>	<b>1,935,251</b>	<b>1,761,233</b>
Long-term trade receivable, net	781,906	421,129
<b>Long-term trade receivables</b>	<b>781,906</b>	<b>421,129</b>

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**NOTE 9 - TRADE RECEIVABLES AND PAYABLES (Continued)**

As of 30 June 2022, the average maturity of short-term trade receivables is between 60-90 days (excluding notes receivables) (31 December 2021: 60-90 days).

As of 30 June 2022 and 31 December 2021 the fair values of trade receivables approximate to their carrying values due to short-term maturity of those receivables.

Guarantees received for trade receivables

Receivables of the Group are mainly composed of minibuses and bus sales to dealers and defense vehicle sales. As of 30 June 2022, the total trade receivable from dealers amounting to TRY 586,431 thousand (31 December 2021: TRY 268,134 thousand), after provision provided for doubtful receivables, has been secured by mortgages and guarantees at the amount of TRY 599,514 thousand (31 December 2021: TRY 268,479 thousand).

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

<b>30 June 2022</b>	<b>Trade receivables</b>
1- 30 days past due	-
1- 3 months past due	-
3- 12 months past due	-
1- 5 years past due	-
Over 5 years past due	320
	<b>320</b>
<b>Amount secured with guarantees</b>	<b>320</b>
<b>31 December 2021</b>	<b>Trade receivables</b>
1- 30 days past due	-
1- 3 months past due	-
3- 12 months past due	-
1- 5 years past due	-
Over 5 years past due	395
	<b>395</b>
<b>Amount secured with guarantees</b>	<b>395</b>

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



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**NOTE 9 - TRADE RECEIVABLES AND PAYABLES (Continued)**

The movement of the provision for doubtful receivables for the periods ended 30 June 2022 and 2021 are as follows:

	<b>2022</b>	<b>2021</b>
<b>1 January</b>	<b>97,384</b>	<b>61,524</b>
Collections	(1,110)	-
Currency translation differences	698	311
Current year charge	17,212	8,209
<b>30 June</b>	<b>114,184</b>	<b>70,044</b>

**Trade payables**

	<b>30 June 2022</b>	<b>31 December 2021</b>
Trade payables, net	1,278,139	484,146
<b>Short-term other trade payables</b>	<b>1,278,139</b>	<b>484,146</b>
Trade payables to related parties (Note 22)	46,360	70,714
<b>Short-term trade payables</b>	<b>1,324,499</b>	<b>554,860</b>

As of 30 June 2022, average payment term for trade payables is 45-60 days (31 December 2021: 45-60 days).

As of 30 June 2022 and 31 December 2021, the fair values of trade payables approximate to their carrying values due to short-term maturity of those payables.

**NOTE 10 - INVENTORIES**

	<b>30 June 2022</b>	<b>31 December 2021</b>
Raw material	1,130,424	576,526
Semi-finished goods	306,530	73,797
Finished goods	406,627	276,878
Merchandise goods	228,420	164,392
Goods in transit	509,271	363,397
Less: Impairment for inventories (*)	(32,630)	(28,597)
	<b>2,548,642</b>	<b>1,426,393</b>

(\*) TRY 812 thousand of impairment is related to finished goods (31 December 2021: TRY 110 thousand) and TRY 3,357 thousand is related to merchandises (31 December 2021: TRY 4,026 thousand). TRY 28,461 thousand of impairment (31 December 2021: TRY 24,461 thousand) is related to raw materials. The impairment has been accounted for under cost of sales.

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**NOTE 11 - PROPERTY, PLANT AND EQUIPMENT**

Movements of property, plant and equipment and related accumulated depreciation for the periods ended 30 June 2022 and 2021 is as follows:

	1 January 2022	Additions	Disposal	Transfers	Currency translation differences	30 June 2022
<b>Cost</b>						
Land	37,437	-	-	-	-	37,437
Land improvements	18,112	449	-	-	-	18,561
Buildings	108,514	1,184	-	-	-	109,698
Machinery and equipment	246,086	7,064	(900)	-	1,256	253,506
Motor vehicles	19,869	7,650	(563)	-	-	26,956
Furniture and fixtures	131,673	30,060	(9)	-	753	162,477
Leasehold improvements	1,715	288	-	-	-	2,003
Construction in progress	36,526	59,006	-	-	-	95,532
	<b>599,932</b>	<b>105,701</b>	<b>(1,472)</b>	<b>-</b>	<b>2,009</b>	<b>706,170</b>
<b>Accumulated depreciation</b>						
Land improvements	(5,351)	(308)	-	-	-	(5,659)
Buildings	(50,692)	(1,955)	-	-	-	(52,647)
Machinery and equipment	(104,958)	(9,762)	693	-	(836)	(114,863)
Motor vehicles	(8,062)	(1,212)	216	-	-	(9,058)
Furniture and fixtures	(33,090)	(6,463)	7	-	(568)	(40,114)
Leasehold improvements	(1,075)	(107)	-	-	-	(1,182)
	<b>(203,228)</b>	<b>(19,807)</b>	<b>916</b>	<b>-</b>	<b>(1,404)</b>	<b>(223,523)</b>
<b>Net book value</b>	<b>396,704</b>					<b>482,647</b>

There is no mortgage on property, plant and equipment as of 30 June 2022 (31 December 2021: None).

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

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**NOTE 11 - PROPERTY, PLANT AND EQUIPMENT (Continued)**

The allocation of accumulated depreciation and amortisation for the periods ended 30 June 2022 and 2021 is as follows:

	<b>30 June 2022</b>	<b>30 June 2021</b>
Research and development expenses	41,753	36,685
Cost of goods sold	10,666	3,768
Right of use of assets	7,275	4,936
Developments projects in progress	4,713	1,954
Depreciation on inventories	3,849	1,979
General administrative expenses	2,895	2,196
Selling and marketing expenses	768	557
Currency translation differences	1,405	518
	<b>73,324</b>	<b>52,593</b>

**Right of use assets**

The allocation of right of use assets for the periods ended 30 June 2022 and 2021 is as follows:

<b>30 June 2022</b>	<b>Buildings</b>	<b>Motor vehicles</b>	<b>Furniture and fixture</b>	<b>Total</b>
Cost	22,696	46,138	595	69,429
Accumulated depreciation	(12,998)	(25,058)	(464)	(38,520)
	<b>9,698</b>	<b>21,080</b>	<b>131</b>	<b>30,909</b>
<b>30 June 2021</b>	<b>Buildings</b>	<b>Motor vehicles</b>	<b>Furniture and fixture</b>	<b>Total</b>
Cost	21,369	23,911	665	45,945
Accumulated depreciation	(9,269)	(13,994)	(517)	(23,780)
	<b>12,100</b>	<b>9,917</b>	<b>148</b>	<b>22,165</b>

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**NOTE 12 - INTANGIBLE ASSETS**

Movements of intangible assets and related accumulated amortisation for the periods ended 30 June 2022 and 2021 are as follows:

	<b>1 January 2022</b>	<b>Additions</b>	<b>Currency translation differences</b>	<b>Disposals</b>	<b>Transfers</b>	<b>30 June 2022</b>
<b>Cost</b>						
Other intangible assets	36,066	11,822	51	-	-	47,939
Development costs	731,479	-	-	-	-	731,479
Developments projects in progress	427,413	166,626	-	-	-	594,039
	<b>1,194,958</b>	<b>178,448</b>	<b>51</b>	<b>-</b>	<b>-</b>	<b>1,373,457</b>
<b>Accumulated amortization</b>						
Other intangible assets	(20,010)	(3,077)	-	-	-	(23,087)
Development costs	(435,573)	(41,760)	-	-	-	(477,333)
	<b>(455,583)</b>	<b>(44,837)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(500,420)</b>
<b>Net book value</b>	<b>739,375</b>					<b>873,037</b>
	<b>1 January 2021</b>	<b>Additions</b>	<b>Currency translation differences</b>	<b>Disposals</b>	<b>Transfers</b>	<b>30 June 2021</b>
<b>Cost</b>						
Other intangible assets	26,463	1,542	-	-	-	28,005
Development costs	574,432	-	-	-	6,716	581,148
Developments projects in progress	286,464	124,710	-	-	(6,716)	404,458
	<b>887,359</b>	<b>126,252</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,013,611</b>
<b>Accumulated amortization</b>						
Other intangible assets	(17,142)	(929)	-	-	-	(18,071)
Development costs	(369,490)	(36,679)	-	-	-	(406,169)
	<b>(386,632)</b>	<b>(37,608)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(424,240)</b>
<b>Net book value</b>	<b>500,727</b>					<b>589,371</b>

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**NOTE 13 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES**

**Short-term provisions**

	<b>30 June 2022</b>	<b>31 December 2021</b>
Provision for warranty expenses	281,074	254,819
Provision for purchase costs	77,036	41,890
Provision for employee benefists	37,354	20,705
Litigation provisions	4,696	3,667
Other	97,407	119,442
	<b>497,567</b>	<b>440,523</b>

**Provision for warranty expenses**

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

As of 30 June 2022 and 2021, the movement of provision for warranty expenses is follows:u

	<b>2022</b>	<b>2021</b>
<b>1 January</b>	<b>254,819</b>	<b>134,240</b>
Additional provision	112,462	68,110
Claim payments	(86,207)	(32,067)
<b>30 June</b>	<b>281,074</b>	<b>170,283</b>

**Provision for employment termination benefits**

	<b>30 June 2022</b>	<b>31 December 2021</b>
Provision for employment termination benefits	144,705	89,427
Provision for unused vacation	37,354	20,705
	<b>182,059</b>	<b>110,132</b>

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

**Provision for employment termination benefits**

The amount payable consists of one month's salary limited to a maximum of TRY 10,848.59 in full for each year of service as of 30 June 2022 (31 December 2021: TRY 8,284.51 in full).

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

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

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

	<b>30 June 2022</b>	<b>31 December 2021</b>
Net discount rate (%)	4.45	4.45
Turnover rate to estimate the probability of retirement (%)	97.91	97.61

The principal assumption is that the maximum liability for each year of service will increase in line with inflation. Thus, the discount rate applied represents the real rate free of expected effects of inflation. The termination indemnity ceiling is revised semi-annually and the ceiling amounting to TRY 15,371.40 in full which is effective from 1 July 2022, has been taken into consideration in calculation of retirement benefit provision in the consulate.

As of 30 June 2022 and 2021, the movements of provision for employment termination benefits are as follows:

	<b>2022</b>	<b>2021</b>
<b>1 January</b>	<b>89,427</b>	<b>63,725</b>
Interest expense	4,047	2,884
Charge for the period	49,311	5,108
Actuarial loss	5,839	1,558
Payments	(3,919)	(1,847)
<b>30 June</b>	<b>144,705</b>	<b>71,428</b>

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

**Provision for unused vacation**

As of 30 June 2022 and 2021, the movements of provision for unused vacation are as follows:

	<b>2022</b>	<b>2021</b>
<b>1 January</b>	<b>20,705</b>	<b>15,880</b>
Charge for the period, net	16,649	5,474
<b>30 June</b>	<b>37,354</b>	<b>21,354</b>

**Commitments and contingencies**

As of 30 June 2022 and 31 December 2021, the tables which represent the position of guarantees, pledges and mortgages are as follows:

	<b>30 June 2022</b>	<b>31 December 2021</b>
a, Total amount of guarantees, pledges and mortgages given the name of legal entity	3,927,693	1,856,622
b, Total amount of guarantees, pledges and mortgages given in favour of the parties which are included in the scope of full consolidation	45,559	567,653
c, Total amount of guarantees, pledges and mortgages given to third parties for their liabilities in the purpose of conducting the ordinary operations	-	-
d, Total amount of other guarantees, pledges and mortgages	-	-
	<b>3,973,252</b>	<b>2,424,275</b>

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

	<b>30 June 2022</b>		<b>31 December 2021</b>	
	<b>Original currency</b>	<b>TRY equivalent</b>	<b>Original currency</b>	<b>TRY equivalent</b>
USD	88,030	1,467,351	85,823	1,113,770
EUR	22,732	398,316	58,640	860,970
TRY	1,927,164	1,927,164	308,493	308,493
RON	49,303	173,750	47,814	141,042
CNY	150,000	6,671	-	-
		<b>3,973,252</b>		<b>2,424,275</b>

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

**Guarantee letters**

a) Guarantees given as of 30 June 2022 and 31 December 2021 are as follows:

	<b>30 June 2022</b>	<b>31 December 2021</b>
Bank letters of guarantee	3,973,252	1,888,371
Surety	-	535,904
	<b>3,973,252</b>	<b>2,424,275</b>

b) Guarantees received as of 30 June 2022 and 31 December 2021 are as follows:

	<b>30 June 2022</b>	<b>31 December 2021</b>
Bank letters of guarantee	1,221,361	700,650
Guarantee notes	6,333	6,191
Mortgages received	20	20
	<b>1,227,714</b>	<b>706,861</b>

**Contingent assets**

The legal case related to tax deduction for the research and development activities in 2011-2012-2013 and 2014 was concluded in favor of the Group. Within the scope of the 2015 R&D discount, the case, which was at the stage of appeal, where tax reduction could not be benefited, was concluded in favor of the Company on 16/03/2022.

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

a) **Prepaid expenses**

**Prepaid expenses – short-term**

	<b>30 June 2022</b>	<b>31 December 2021</b>
Prepaid expenses	56,134	20,045
	<b>56,134</b>	<b>20,045</b>



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

**Prepaid expenses – long-term**

	<b>30 June 2022</b>	<b>31 December 2021</b>
Prepaid expenses	137,862	-
Advances given	6,296	16,446
	<b>144,158</b>	<b>16,446</b>

**b) Other current assets**

	<b>30 June 2022</b>	<b>31 December 2021</b>
Value added tax receivables	200,861	97,129
Other	17,124	9,505
	<b>217,985</b>	<b>106,634</b>

**c) Liabilities arising from customer contracts**

**Liabilities arising from customer contracts - short-term**

	<b>30 June 2022</b>	<b>31 December 2021</b>
Advances received	334,160	552,711
Deferred maintenance revenues	134,735	50,080
	<b>468,895</b>	<b>602,791</b>

**Liabilities arising from customer contracts - long- term**

	<b>30 June 2022</b>	<b>31 December 2021</b>
Deferred maintenance revenues	456,464	278,783
	<b>456,464</b>	<b>278,783</b>

**d) Employee benefits obligation**

	<b>30 June 2022</b>	<b>31 December 2021</b>
Social security payables	24,099	22,002
Payables to employees	16,805	23,330
Taxes and funds payable	7,397	21,728
	<b>48,301</b>	<b>67,060</b>

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

**e) Other current liabilities**

	30 June 2022	31 December 2021
Taxes and funds payable	10,341	3,985
Deferred special consumption tax	628	1,101
Other	2,012	1,602
	<b>12,981</b>	<b>6,688</b>

**NOTE 15 - REVENUE AND COST OF SALES**

Net sales	1 January - 30 June 2022	1 April - 30 June 2022	1 January - 30 June 2021	1 April - 30 June 2021
Domestic sales	1,415,871	952,370	671,878	292,254
Export sales	2,258,123	1,415,632	1,199,133	695,972
<b>Gross sales</b>	<b>3,673,994</b>	<b>2,368,002</b>	<b>1,871,011</b>	<b>988,226</b>
Less: sales discounts and returns	(22,874)	(10,880)	(11,122)	(5,579)
<b>Net sales</b>	<b>3,651,120</b>	<b>2,357,122</b>	<b>1,859,889</b>	<b>982,647</b>

Sales of the Group for the periods ended 30 June 2022 and 2021 in terms of the products are as follows:

	1 January - 30 June 2022	1 April - 30 June 2022	1 January - 30 June 2021	1 April - 30 June 2021
Commercial vehicle	1,780,728	1,105,104	789,420	339,440
Military vehicle	1,416,644	988,042	830,024	507,518
Other sales (*)	453,748	263,976	240,445	135,689
	<b>3,651,120</b>	<b>2,357,122</b>	<b>1,859,889</b>	<b>982,647</b>

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

**Cost of sales**

	1 January - 30 June 2022	1 April - 30 January 2022	1 January 30 June 2021	1 April - 30 June 2021
Cost of finished goods sold	(2,321,914)	(1,533,091)	(1,143,354)	(553,434)
Cost of merchandise goods sold	(124,602)	(86,175)	(46,216)	(39,397)
<b>Cost of sales</b>	<b>(2,446,516)</b>	<b>(1,619,266)</b>	<b>(1,189,570)</b>	<b>(592,831)</b>

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

	<b>1 January - 30 June 2022</b>	<b>1 April - 30 January 2022</b>	<b>1 January - 30 June 2021</b>	<b>1 April - 30 June 2021</b>
Marketing expenses	(438,522)	(259,312)	(229,128)	(112,282)
General administrative expenses	(211,840)	(100,681)	(85,678)	(44,265)
Research and development expenses	(62,980)	(40,379)	(38,096)	(19,586)
	<b>(713,342)</b>	<b>(400,372)</b>	<b>(352,902)</b>	<b>(176,133)</b>

**NOTE 17 - OTHER OPERATING INCOME AND EXPENSES**

	<b>1 January 30 June 2022</b>	<b>1 April 30 June 2022</b>	<b>1 January 30 June 2021</b>	<b>1 April 30 June 2021</b>
<b>Other operating income</b>				
Foreign exchange gains on operating activities	330,557	115,573	241,320	119,740
Gain on forward transactions	187,301	96,973	23,203	14,691
Revenue from charge of due date receivables	50,480	43,130	29,059	9,312
Incentives income	968	484	239	120
Other income	25,241	10,591	9,663	4,347
	<b>594,547</b>	<b>266,751</b>	<b>303,484</b>	<b>148,210</b>

	<b>1 January 30 June 2022</b>	<b>1 April 30 June 2022</b>	<b>1 January 30 June 2021</b>	<b>1 April 30 June 2021</b>
<b>Other operating expenses</b>				
Foreign exchange loss on operating activities	(284,460)	(125,632)	(168,660)	(93,961)
Loss on forward transactions	(38,691)	(30,732)	(39,059)	(4,312)
Provision for doubtful receivables	(17,212)	(7,300)	(8,209)	(3,573)
Expected credit losses related to trade receivables	-	-	(869)	(701)
Other expense	-	-	(999)	(556)
	<b>(340,363)</b>	<b>(163,664)</b>	<b>(217,796)</b>	<b>(103,103)</b>

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**NOTE 18 - FINANCIAL INCOME**

	<b>1 January - 30 June 2022</b>	<b>1 April - 30 June 2022</b>	<b>1 January - 30 June 2021</b>	<b>1 April - 30 June 2021</b>
Foreign exchange gains on bank deposits	87,359	59,968	26,247	10,217
Interest income from bank deposits	14,215	2,921	23,017	3,392
Interest income from bank loans	34,438	33,303	7,452	2,008
	<b>136,012</b>	<b>96,192</b>	<b>56,716</b>	<b>15,617</b>

**NOTE 19 - FINANCIAL EXPENSES**

	<b>1 January - 30 June 2022</b>	<b>1 April - 30 June 2022</b>	<b>1 January - 30 June 2021</b>	<b>1 April - 30 June 2021</b>
Interest expense on bank borrowings	(162,084)	(106,951)	(72,004)	(36,722)
Foreign exchange losses on bank borrowings	(159,562)	(85,484)	(61,716)	(25,132)
Foreign exchange losses on bank deposits	(21,571)	(14,928)	(20,683)	(11,103)
Other	(3,208)	(1,487)	(1,693)	(1,224)
	<b>(346,425)</b>	<b>(208,850)</b>	<b>(156,096)</b>	<b>(74,181)</b>

**NOTE 20 - TAX ASSETS AND LIABILITIES**

In Turkey, the corporation tax rate is 23% (2021: 25%). Corporate tax returns are required to be filed by the twenty-fifth day of the fourth month following the balance sheet date and taxes must be paid in one installment by the end of the fourth month. The tax legislation provides for a temporary tax of 23% to be calculated and paid based on earnings generated for each quarter. The amounts thus calculated and paid are offset against the final corporate tax liability for the year.

As of 30 June 2022 and 31 December 2021, income tax payables are presented net of prepaid taxes in the balance sheet as follows:

	<b>30 June 2022</b>	<b>31 December 2021</b>
Income tax payable	(140,827)	827
Prepaid taxes (-)	-	(827)
<b>Current tax liabilities / (assets)</b>	<b>(140,827)</b>	<b>-</b>

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**NOTE 20 - TAX ASSETS AND LIABILITIES (Continued)**

The allocation of total tax expense for the periods ended 30 June 2022 and 2021 are as follows:

	<b>1 January - 30 June 2022</b>	<b>1 January - 30 June 2021</b>
Current tax charge	(140,827)	-
<b>Deferred tax income / (expense) reflected in profit or loss</b>		
Charged to profit for the period	156,376	39,041
Charged to other comprehensive income /(expense)	1,168	312
	<b>16,717</b>	<b>39,353</b>

As of 30 June 2022 and 31 December 2021, the allocation of deferred tax bases and deferred tax liability computed using the current effective tax rates are as follows:

	<b>Cumulative temporary differences</b>		<b>Deferred tax assets</b>	
	<b>30 June 2022</b>	<b>31 December 2021</b>	<b>30 June 2022</b>	<b>31 December 2021</b>
Property, plant and equipment	(108,177)	(94,471)	(18,154)	(15,413)
Intangible assets	(109,879)	(123,144)	(21,976)	(24,629)
Deferred financial expenses	(1,497)	(3,144)	(344)	(786)
Inventories	34,584	40,541	7,954	9,538
Provision for warranty expenses	281,074	254,819	64,647	63,705
Provision for employment termination benefits	144,705	89,427	33,282	22,357
Deferred financial income	296,935	49,520	68,295	12,380
Other provisions and accrued expenses	638,034	55,663	146,748	13,916
Deferred maintenance income	573,107	196,887	80,522	60,225
Investment incentives (*)	-	86,238	-	86,238
Other	148,138	23,019	30,994	6,893
<b>Deferred tax assets, net</b>			<b>391,968</b>	<b>234,424</b>

(\*) The application of Investment Incentive Certificate made by the Group to T.C. Ministry of Industry and Technology, General Directorate of Incentive Implementation and Foreign Capital has been approved and an Investment Incentive Certificate numbered 512845 with a total amount of TRY 656,725 thousand was issued for the modernization investment envisaged to be made in the next 4 years.

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**NOTE 20 - TAX ASSETS AND LIABILITIES (Continued)**

The movement of deferred tax asset for the periods ended 30 June 2022 and 2021 are as follows:

	<b>1 January - 30 June 2022</b>	<b>1 January - 30 June 2021</b>
<b>1 January</b>	<b>234,424</b>	<b>96,285</b>
<b>Deferred tax income charged to profit or loss and other comprehensive income/expense for the period</b>		
- Charged to profit for the period	156,376	39,041
- Charged to other comprehensive income / (expense)	1,168	312
<b>30 June</b>	<b>391,968</b>	<b>135,638</b>

**NOTE 21 - EARNINGS PER SHARE**

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

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

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

	<b>30 June 2022</b>	<b>30 June 2021</b>
Net profit/(loss) for the period	542,789	396,504
Weighted average number of issued shares	24,000,000,000	24,000,000,000
Earnings/(Loss) per share (KR)	2.262	1.652

**NOTE 22 - RELATED PARTY DISCLOSURES**

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

i) Due from and due to related party balances as of 30 June 2022 and 31 December 2021

<b>Due from related parties</b>	<b>30 June 2022</b>	<b>31 December 2021</b>
Ram Dış Ticaret A.Ş. (1) (**)	700,568	229,946
Al Jasoor Heavy Vehicles Industry LLC (3) (*)	32,876	303,111
Other (1)	341	185
	<b>733,785</b>	<b>533,242</b>

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

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

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

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**NOTE 22 - RELATED PARTY DISCLOSURES (Continued)**

<b>Due to related parties</b>	<b>30 June 2022</b>	<b>31 December 2021</b>
Ram Dış Ticaret A.Ş. (1)	17,242	14,020
Zer Merkezi Hizmetler A.Ş. (1)	12,590	16,530
Otokoç Otomotiv Tic. ve San. A.Ş. (1)	5,130	2,916
Setur Servis Turistik A.Ş. (1)	3,234	5,312
Ram Sigorta Aracılık Hz. A.Ş. (1)	2,537	62
Opet Fuchs Madeni Yağ A.Ş. (1)	2,238	1,798
Akpa Dayanımlı Tük.Paz. A.Ş. (1)	1,775	525
Ford Otosan A.Ş. (2)	1,151	456
Koç Holding A.Ş. (2)	-	19,066
Ingage Dijital Pazarlama Hizmetleri A.Ş. (1)	-	318
Other (1)	463	9,711
	<b>46,360</b>	<b>70,714</b>

<b>Advances received from related parties</b>	<b>30 June 2022</b>	<b>31 December 2021</b>
Ram Dış Ticaret A.Ş. (1)	190,017	421,792
Al Jasoor Heavy Vehicles Industry LLC (3) (*)	5,369	6,271
	<b>195,386</b>	<b>428,063</b>

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

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

	<b>1 January 30 June 2022</b>	<b>1 April 30 June 2022</b>	<b>1 January 30 June 2021</b>	<b>1 April 30 June 2021</b>
<b>Sales of products and services</b>				
Ram Dış Ticaret A.Ş. (1) (*)	1,416,300	986,485	137,725	20,262
Al Jasoor Heavy Vehicle Industry LLC (3)	53,874	3,442	770,504	535,899
Other (1)	150	1	139	2
	<b>1,470,324</b>	<b>989,928</b>	<b>908,368</b>	<b>556,163</b>

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

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**NOTE 22 - RELATED PARTY DISCLOSURES (Continued)**

	<b>1 January 30 June 2022</b>	<b>1 April 30 June 2022</b>	<b>1 January 30 June 2021</b>	<b>1 April 30 June 2021</b>
<b>Fixed asset purchases</b>				
Koç Sistem Bilgi ve İletişim Hiz. A.Ş. (1)	12,079	8,242	4,319	4,105
Otokoç Otomotiv Tic. Ve San. A.Ş. (1)	1,831	1,150	285	-
Zer Merkezi Hizmetler A.Ş. (1)	1,008	935	-	-
Other (1)	219	90	5,787	2,634
	<b>15,137</b>	<b>10,417</b>	<b>10,391</b>	<b>6,739</b>

	<b>1 January 30 June 2022</b>	<b>1 April 30 June 2022</b>	<b>1 January 30 June 2021</b>	<b>1 April 30 June 2021</b>
<b>Inventory purchases</b>				
Zer Merkezi Hizmetler ve Ticaret A.Ş. (1)	60,792	43,357	26,694	15,844
Ram Dış Ticaret A.Ş. (1)	20,852	12,924	3,367	2,334
Opet Fuchs Madeni Yağ A.Ş. (1)	5,787	2,791	2,585	1,814
Opet Petrolcülük A.Ş. (1)	5,377	3,807	1,492	857
Akpa Dayanıklı Tük. Paz. A.Ş. (1)	4,777	3,592	1,310	634
Ford Otosan A.Ş. (2)	1,989	1,267	17,168	3,390
Other (1)	1,221	704	425	188
	<b>100,795</b>	<b>68,442</b>	<b>53,041</b>	<b>25,061</b>

	<b>1 January 30 June 2022</b>	<b>1 April 30 June 2022</b>	<b>1 January 30 June 2021</b>	<b>1 April 30 June 2021</b>
<b>Service purchases</b>				
Ram Dış Ticaret A.Ş. (1)	34,721	26,578	7,653	2,361
Ram Sigorta Aracılık Hz. A.Ş. (1) (**)	16,414	5,533	8,528	749
Setur Servis Turistik A.Ş.(1)	15,742	9,356	2,533	1,585
Eltek Elektrik Enerji İth. İhr.Top.Tic. A.Ş. (1)	15,526	10,297	4,124	1,559
Koç Holding A.Ş. (2)( *)	10,738	3,013	2,593	1,403
Otokoç Otomotiv Tic. ve San. A.Ş. (1)	10,173	6,151	5,747	3,114
Koç Sistem Bilgi ve İletişim Hiz. A.Ş. (1)	7,155	286	3,951	1,457
Ingage Dijital (1)	2,994	970	1,233	-
Other (1)	3,104	2,249	4,682	1,593
	<b>116,567</b>	<b>64,433</b>	<b>41,044</b>	<b>13,821</b>

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

(\*\*) It includes paid and accrued premium as of 30 June 2022 and 30 June 2021 in accordance with insurance policies signed between insurance companies via Ram Sigorta Aracılık Hizmetleri A.Ş. which is an insurance agency.

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**NOTE 22 - RELATED PARTY DISCLOSURES (Continued)**

<b>Bank deposits</b>	<b>30 June 2022</b>	<b>31 December 2021</b>
Yapı ve Kredi Bankası A.Ş. (1)		
- Time deposits	372,325	365,436
- Demand deposits	1,417	2
	<b>373,742</b>	<b>365,438</b>
<b>Loans</b>	<b>30 June 2022</b>	<b>31 December 2021</b>
Yapı ve Kredi Bankası A.Ş. (1)	99,907	141,828
	<b>99,907</b>	<b>141,828</b>

For the periods ended 30 June 2022 and 2021, financial income and expense with related parties are as follows:

	<b>1 January 30 June 2022</b>	<b>1 April 30 June 2022</b>	<b>1 January 30 June 2021</b>	<b>1 April 30 June 2021</b>
<b>Trade receivables and payables foreign exchange gains</b>				
Ram Dış Ticaret A.Ş. (1)	155,619	147,292	88,242	70,214
Zer Merkezi Hizmetler ve Ticaret A.Ş. (1)	283	74	219	3
Other (1)	320	2	117	39
	<b>156,222</b>	<b>147,368</b>	<b>88,578</b>	<b>70,256</b>
<b>Trade receivables and payables foreign exchange expenses</b>				
Ram Dış Ticaret A.Ş. (1)	8,613	3,140	102,410	79,025
Zer Merkezi Hizmetler ve Ticaret A.Ş. (1)	1,359	984	613	385
Other (1)	283	69	110	104
	<b>10,255</b>	<b>4,193</b>	<b>103,133</b>	<b>79,514</b>

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**NOTE 22 - RELATED PARTY DISCLOSURES (Continued)**

For the periods ended 30 June 2022 and 2021, financial income and expense with related parties are as follows:

	<b>1 January 30 June 2022</b>	<b>1 April 30 June 2022</b>	<b>1 January 30 June 2021</b>	<b>1 April 30 June 2021</b>
<b>Interest income</b>				
Yapı ve Kredi Bankası A.Ş. (1)	9,794	756	1,420	8
	<b>9,794</b>	<b>756</b>	<b>1,420</b>	<b>8</b>

	<b>1 January 30 June 2022</b>	<b>1 April 30 June 2022</b>	<b>1 January 30 June 2021</b>	<b>1 April 30 June 2021</b>
<b>Interest expense</b>				
Yapı ve Kredi Bankası A.Ş. (1)	2,781	65	6,511	4,389
	<b>2,781</b>	<b>65</b>	<b>6,511</b>	<b>4,389</b>

For the periods ended 30 June 2022 and 2021, financial income and expense with related parties are as follows:

	<b>1 January 30 June 2022</b>	<b>1 April 30 June 2022</b>	<b>1 January 30 June 2021</b>	<b>1 April 30 June 2021</b>
<b>Foreign exchange income</b>				
Yapı ve Kredi Bankası A.Ş. (1)	19,742	7,793	9,918	7,189
	<b>19,742</b>	<b>7,793</b>	<b>9,918</b>	<b>7,189</b>

	<b>1 January 30 June 2022</b>	<b>1 April 30 June 2022</b>	<b>1 January 30 June 2021</b>	<b>1 April 30 June 2021</b>
<b>Foreign exchange expenses</b>				
Yapı ve Kredi Bankası A.Ş. (1)	8,668	8,251	7,541	5,004
	<b>8,668</b>	<b>8,251</b>	<b>7,541</b>	<b>5,004</b>

**Benefits provided to senior executives**

For the period ended 30 June 2022, the total amount of benefits provided to senior management is TRY 9,643 thousand (30 June 2021: TRY 5,583 thousand). It consists of senior managers, members of the board of directors, general manager and assistant general managers.

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

**a) Foreign currency risk and related sensitivity analysis**

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

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

<b>30 June 2022</b>		<b>TRY equivalent (functional currency)</b>	<b>USD</b>	<b>EUR</b>	<b>GBP</b>
1.	Trade receivables	1,405,386	44,237	38,114	8
2a.	Monetary financial assets (including cash, bank accounts)	184,260	11,012	40	-
2b.	Non-monetary financial assets	-	-	-	-
3.	Other	33	2	-	-
4.	<b>Current assets (1+2+3)</b>	<b>1,589,679</b>	<b>55,251</b>	<b>38,154</b>	<b>8</b>
5.	Trade receivables	-	-	-	-
6a.	Monetary financial assets	-	-	-	-
6b.	Non-monetary financial assets	-	-	-	-
7.	Other	-	-	-	-
8.	<b>Non-current assets (5+6+7)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
9.	<b>Total assets (4+8)</b>	<b>1,589,679</b>	<b>55,251</b>	<b>38,154</b>	<b>8</b>
10.	Trade payables	(954,763)	(44,268)	(12,307)	(60)
11.	Financial liabilities	(414,870)	-	(23,677)	-
12a.	Monetary other liabilities	(336,770)	(18,512)	(1,609)	-
12b.	Non-monetary other liabilities	-	-	-	-
13.	<b>Current liabilities (10+11+12)</b>	<b>(1,706,403)</b>	<b>(62,780)</b>	<b>(37,593)</b>	<b>(60)</b>
14.	Trade payables	-	-	-	-
15.	Financial liabilities	(350,442)	-	(20,000)	-
16a.	Monetary other liabilities	-	-	-	-
16b.	Non-monetary other liabilities	-	-	-	-
17.	<b>Non-current liabilities (14+15+16)</b>	<b>(350,442)</b>	<b>-</b>	<b>(20,000)</b>	<b>-</b>
18.	<b>Total liabilities (13+17)</b>	<b>(2,056,845)</b>	<b>(62,780)</b>	<b>(57,593)</b>	<b>(60)</b>
	<b>Net balance sheet position (9+18)</b>	<b>(467,166)</b>	<b>(7,529)</b>	<b>(19,439)</b>	<b>(52)</b>
19.	Net asset/(liability) position of off-balance sheet derivative instruments (19a-19b)	476,246	6,496	21,000	-
19a.	Hedged total assets amount	684,675	19,000	21,000	-
19b.	Hedged total liabilities amount	(208,429)	(12,504)	-	-
20.	<b>Net foreign currency asset/(liability) position (9+18+19)</b>	<b>9,080</b>	<b>(1,033)</b>	<b>1,561</b>	<b>(52)</b>
21.	<b>Net foreign currency asset/(liability) position of monetary items (=1+2a+5+6a-10-11-12a-14-15-16a)</b>	<b>(467,199)</b>	<b>(7,531)</b>	<b>(19,439)</b>	<b>(52)</b>
22.	Total fair value of financial instruments used for foreign currency hedging	3,197	(1,836)	-	5,033
23.	Export (as of 30 June 2022)	2,237,517	98,020	41,670	10
24.	Import (as of 30 June 2022)	1,435,591	29,547	60,431	182

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

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

31 December 2021	TRY equivalent (functional currency)	USD	EUR	GBP
1. Trade receivables	1,171,588	35,458	48,442	11
2a. Monetary financial assets (including cash, bank accounts)	319,360	21,648	2,617	-
2b. Non-monetary financial assets	-	-	-	-
3. Other	26	2	-	-
<b>4. Current assets (1+2+3)</b>	<b>1,490,974</b>	<b>57,108</b>	<b>51,059</b>	<b>11</b>
5. Trade receivables	-	-	-	-
6a. Monetary financial assets	-	-	-	-
6b. Non-monetary financial assets	-	-	-	-
7. Other	-	-	-	-
<b>8. Non-current assets (5+6+7)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>9. Total assets (4+8)</b>	<b>1,490,974</b>	<b>57,108</b>	<b>51,059</b>	<b>11</b>
10. Trade payables	(357,876)	(16,798)	(9,495)	(27)
11. Financial liabilities	(2,173)	-	(148)	-
12a. Monetary other liabilities	(544,449)	(35,147)	(6,016)	-
12b. Non-monetary other liabilities	-	-	-	-
<b>13. Current liabilities (10+11+12)</b>	<b>(904,498)</b>	<b>(51,945)</b>	<b>(15,659)</b>	<b>(27)</b>
14. Trade payables	-	-	-	-
15. Financial liabilities	(591,961)	-	(40,318)	-
16a. Monetary other liabilities	-	-	-	-
16b. Non-monetary other liabilities	-	-	-	-
<b>17. Non-current liabilities (14+15+16)</b>	<b>(591,961)</b>	<b>-</b>	<b>(40,318)</b>	<b>-</b>
<b>18. Total liabilities (13+17)</b>	<b>(1,496,459)</b>	<b>(51,945)</b>	<b>(55,977)</b>	<b>(27)</b>
<b>Net balance sheet position (9+18)</b>	<b>(5,485)</b>	<b>5,163</b>	<b>(4,918)</b>	<b>(16)</b>
Net asset/(liability) position of off-balance sheet				
19. derivative instruments(19a-19b)	51	(5,087)	4,500	-
19a. Hedged total assets amount	66,071	-	4,500	-
19b. Hedged total liabilities amount	(66,020)	(5,087)	-	-
<b>Net foreign currency asset/(liability) position (9+18+19)</b>	<b>(5,434)</b>	<b>76</b>	<b>(418)</b>	<b>(16)</b>
<b>Net foreign currency asset/(liability) position of monetary items (=1+2a+5+6a-10-11-12a-14-15-16a)</b>	<b>(5,511)</b>	<b>5,161</b>	<b>(4,918)</b>	<b>(16)</b>
Total fair value of financial instruments used for				
22. foreign currency hedging	(51)	(51)	-	-
23. Export (as of 30 June 2021)	1,189,539	116,301	27,463	20
24. Import (as of 30 June 2021)	434,265	20,018	28,540	349

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

The following table demonstrates the sensitivity to a possible change of 10% in the USD, Euro and GBP exchange rates, with all other variables held constant, on the Group's income before tax as of 30 June 2022 and 31 December 2021:

<b>30 June 2022</b>	<u>Profit before tax Appreciation Foreign currency</u>	<u>Profit before tax Depreciation Foreign currency</u>
<i>In case 10% appreciation of USD against TRY:</i>		
1- USD net asset/liability	(1,722)	1,722
2- Amount hedged for USD risk (-)	-	-
<b>3- USD net effect (1+2)</b>	<b>(1,722)</b>	<b>1,722</b>
<i>In case 10% appreciation of EUR against TRY:</i>		
4- EUR net asset/liability	2,735	(2,735)
5- Amount hedged for EUR risk (-)	-	-
<b>6- EUR net effect (4+5)</b>	<b>2,735</b>	<b>(2,735)</b>
<i>In case 10% appreciation of GBP against TRY</i>		
7- GBP net asset/liability	(105)	105
8- Amount hedged for GBP risk (-)	-	-
<b>9- GBP net effect (7+8)</b>	<b>(105)</b>	<b>105</b>
<b>Total (3+6+9)</b>	<b>908</b>	<b>(908)</b>
<b>31 December 2021</b>	<u>Profit before tax Appreciation of foreign currency</u>	<u>Profit before tax Depreciation of foreign foreign currency</u>
<i>In case 10% appreciation of USD against TRY:</i>		
1- USD net asset/liability	99	(99)
2- Amount hedged for USD risk (-)	-	-
<b>3- USD net effect (1+2)</b>	<b>99</b>	<b>(99)</b>
<i>In case 10% appreciation of EUR against TRY:</i>		
4- EUR net asset/liability	(614)	614
5- Amount hedged for EUR risk (-)	-	-
<b>6- EUR net effect (4+5)</b>	<b>(614)</b>	<b>614</b>
<i>In case 10% appreciation of GBP against TRY</i>		
7- GBP net asset/liability	(28)	28
8- Amount hedged for GBP risk (-)	-	-
<b>9- GBP net effect (7+8)</b>	<b>(28)</b>	<b>28</b>
<b>Total (3+6+9)</b>	<b>(543)</b>	<b>543</b>

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

## OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

### NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE PERIOD ENDED 30 JUNE 2022

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

#### NOTE 24 - FAIR VALUE DISCLOSURES OF FINANCIAL INSTRUMENTS

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

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

The following table presents the Group’s assets that are measured at fair value at 30 June 2022 and 31 December 2021:

#### 30 June 2022

Liabilities	Level 1	Level 2	Level 3	Total
Derivative financial instruments	-	3,197	-	3,197
	-	3,197	-	3,197

#### 31 December 2021

Assets	Level 1	Level 2	Level 3	Total
Derivative financial instruments	-	51	-	51
	-	51	-	51

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

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

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

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

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**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL  
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**NOTE 24 - FAIR VALUE DISCLOSURES OF FINANCIAL INSTRUMENTS (Continued)**

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

**NOTE 25 - SUBSEQUENT EVENTS**

None.

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