Report Number : Independent Audit Report/2023/2/B.D.3

ANKARA
23.02.2023

Convenience Translation of the Report and Financial Statements Originally Issued in Turkish

Tuğçelik Alüminyum ve Metal Mamülleri Sanayi Ticaret Anonim Şirketi
1 January – 31 December 2022 and Independent Auditor's Report

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(Convenience Translation Of The Report Originally Issued In Turkish)

INDEPENDENT AUDITOR'S REPORT

Tuğçelik Alüminyum ve Metal Mamülleri Sanayi Ticaret Anonim Şirketi

Report on Financial Statements

Opinion

We have audited the financial statements of Tuğçelik Alüminyum ve Metal Mamülleri Sanayi Ticaret Anonim Şirketi ("Company"), which comprise the balance sheet as of 31 December 2022 and the statements of income and comprehensive income, changes in equity and cash flow for the years then ended, and a summary of significant accounting policies and financial statements.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as of 31 December 2022 and its financial performance and its cash flows for the years then ended by Turkish Financial Reporting Standards (TFRS).

Basis for Qualified Opinion

We conducted the audit, Public Oversight, Accounting and Auditing Standards Agency (POA) released by Turkey Auditing Standards, which is part of the Independent Audit Standards (IAS) was carried out accordingly. Our responsibilities under these standards are explained in detail in the section entitled Independent Auditors' Responsibility for Independent Audit of Financial Statements. We declare that we are independent of the Group by the Code of Ethics for Independent Auditors (Code of Ethics) published by the POA and the ethical provisions contained in the relevant legislation with independent auditing of consolidated financial statements. Ethical Rules and other ethical responsibilities under the legislation have also been fulfilled. We believe that the independent audit evidence we obtain during the independent audit is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

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Key Audit Matters (cont'd)

Revenue recognition in financial statements	*Audit procedures performed for the key audit matter*
Revenue is the most important measurement criterion in terms of evaluating the results of the strategies implemented during the year and monitoring the performance. The revenues of the company mainly consist of producing and selling aluminum automotive and white goods parts. In our audit work, we have focused on this subject because the Company has a significant effect on more than one account in the Company's financial statements as of December 31, 2022, the application of accounting standards in the recognition of revenue is complex, the types of revenue recognized are different from each other, and it includes some estimates and assumptions made by the management. Explanations of the Company's accounting policies and revenues are given in Notes 2.9 and 17.	During our audit, the following audit procedures were applied for the recognition of revenue: The design and implementation of controls related to the revenue process were evaluated. The company's sales and delivery procedures have been analyzed. The appropriateness of the Company's accounting policy for revenue recognition has been evaluated. In the substantive procedures, the focus is on evaluating the cases where the income is invoiced but not earned. Risky and high-volume customers were determined among the existing customers of the Company, and sales lists of the sales realized in the said date range were obtained from the relevant departments and determined as the population. The completeness and accuracy of these lists were checked. To test whether the sales selected by the sampling method are recorded in the correct period, the shipping conditions of the sales contracts, shipping, and delivery documents and sales invoices were compared on a customer basis. While designing audit procedures to address this key audit matter, whether the accounting policies applied by the Company management regarding revenue recognition comply with TAS and relevant legislation has been taken into consideration. In our risk assessment studies, the effectiveness of the internal control procedures designed by the Company regarding the revenue was evaluated. It has been tested on a selected sample of transactions performed during the accounting period, by comparing it with the relevant supporting documents to verify that the revenue amount related to the transaction has been properly accounted for on a transaction basis. As a result of the procedures we have implemented regarding the revenue process, no material inaccuracies or errors have been encountered in recording the revenue.

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Key Audit Matters (cont'd)

Accounting for property, plant and equipment using the revaluation method	*Audit procedures performed for the key audit matter*
The Company has decided to measure certain tangible assets according to the revaluation model in accordance with TAS 16. In this context, it has chosen the revaluation model in TAS 16 as its accounting policy in order to present the buildings, machinery and equipment and lands at their fair values. The reason why we particularly focus on this issue; The revaluation increases of tangible fixed assets recognized in the financial statements of the Company as of 31 December 2022 are significant and are important for our audit due to the judgments and assumptions applied.	The professional competence and independence of the valuation firm that performs the valuation of the Company's property, plant and equipment has been evaluated. In our audit, the suitability of the valuation methods used by the valuation experts in the valuation reports of tangible assets was evaluated. By comparing the inputs in the valuation reports that have a significant impact on the MDV value, such as the unit sales value, with the market prices whose consistency can be observed, it is tested whether the appraised values are within an acceptable range. In addition, we have questioned the compliance of the information in the financial statements and the explanatory footnotes in accordance with TAS 16 within the scope of the above-mentioned special accountings. As a result of the studies we have carried out regarding the revaluation method of tangible fixed assets, we have not found any significant findings. Detailed explanations about tangible fixed assets can be found in Note 11.

Responsibilities of Management and Those Who Charged with Governance for the Financial Statements

Company management; It is responsible for the internal control that it deems necessary for the preparation of the financial statements by TFRS, their fair presentation, and preparation without material misstatement due to error or fraud.

Management while preparing financial statements; is responsible for evaluating the Company's ability to continue as a going concern, explaining continuity-related issues when necessary, and using the business continuity principle unless there is an intention or obligation to liquidate the Company or terminate the commercial activity.

Those charged with senior management are responsible for overseeing the Company's financial reporting process.

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Independent Auditor's Responsibilities Regarding the Independent Audit of Financial Statements

In an independent audit, we, the independent auditors, have the following responsibilities:

We aim to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatement due to error or fraud and to issue an independent auditor's report containing our opinion. Reasonable assurance as a result of an audit conducted by ISAs; This is a high level of assurance but does not guarantee that a material misstatement will always be detected. Inaccuracies may be caused by error or cheating. Misstatements are considered material if, individually or collectively, they are reasonably expected to affect the economic decisions made by users of financial statements based on those statements.

As a requirement of the independent audit conducted by the BDS, we use our professional judgment and maintain our professional skepticism throughout the independent audit. Also by us:

- The risks of material misstatement due to error or fraud in the financial statements are identified and evaluated; Audit procedures that respond to these risks are designed and performed and sufficient and appropriate audit evidence is obtained to form a basis for our opinion. (Since fraud may include acts of collusion, fraud, willful negligence, misrepresentation, or violation of internal control, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting a material misstatement due to error).

- Internal control related to the audit is evaluated in order to design audit procedures appropriate to the situation, not to express an opinion on the effectiveness of the Company's internal control.

- The appropriateness of accounting policies used by management and the reasonableness of accounting estimates and related disclosures are evaluated.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention to the relevant disclosures in the financial statements in our report or, if these disclosures are insufficient, to express an unqualified opinion. Our conclusions are based on the audit evidence obtained up to the date of the independent auditor's report. However, future events or conditions may terminate the Company's continuity.

- The general presentation, structure and content of the financial statements, including the disclosures, and whether they reflect the underlying transactions and events in a manner that ensures fair presentation.

- In order to express an opinion on the financial statements, sufficient and appropriate audit evidence is obtained about the financial information regarding the businesses or operating segments within the Company. We are responsible for the direction, supervision and conduct of the company audit. We are also solely responsible for the audit opinion we give.

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Independent Auditor's Responsibilities Regarding the Independent Audit of Financial Statements (Cont'd)

Among other things, we report the planned scope and timing of the independent audit and significant audit findings, including significant internal control deficiencies that we have identified during the audit, to those charged with governance.

We have notified those responsible for senior management that we comply with the ethical provisions regarding independence. In addition, we have conveyed all relations and other issues that may be thought to have an impact on independence, and the relevant measures, if any, to those responsible for senior management.

Among the matters communicated to those charged with governance, we identify the most important matters, namely the key audit matters, in the independent audit of the current period's financial statements. In cases where the legislation does not allow the disclosure of the matter to the public, or in exceptional cases where the negative consequences of public disclosure are reasonably expected to exceed the public interest arising from the disclosure, we may decide not to disclose the relevant matter in our independent auditor's report.

Other Responsibilities Arising From Regulatory Requirements

By subparagraph 4 of Article 402 of the Turkish Commercial Code ("TCC") No: 6102; no significant matter has come to the that causes us to believe that the Group's bookkeeping activities for the period 1 January – 31 December 2021 is not by the TCC and provisions of the Company's articles of association about financial reporting.

By subparagraph 4 of Article 402 of the TCC, the Board of Directors submitted us with the necessary explanations and required documents within the context of the audit.

The Auditor's Report on the Early Detection of Risk System and Committee, prepared in accordance with the fourth paragraph of Article 398 of the TCC, was submitted to the Company's Board of Directors on February 23, 2023.

The name of the engagement partner who supervised and concluded this audit is Oğuz Özokutgen.

GÜNCEL BAĞIMSIZ DENETİM DANIŞMANLIK A.Ş.

T.C. 1923

Oğuz ÖZOKUTGEN, SMMM
Auditor
Ankara, 23 February 2023

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Statement of Financial Position
As of 31 December 2022
(Amounts expressed in Turkish lira ("TL") unless otherwise indicated.)

		Current Period Audited	Prior Period Audited
ASSETS	**Notes**	**31 December 2022**	**31 December 2021**
Cash and cash equivalents	3	47,446,922	70,580,326
Trade receivables			
- *Trade receivables from related parties*	4	14,023,725	25,767,282
- *Trade receivables from third parties*	5	331,265,741	159,137,423
Other receivables			
- *Other receivables from related parties*	4	-	15,613,301
- *Other receivables from third parties*	7	4,131,080	4,892,339
Inventories	8	115,732,137	57,225,880
Prepaid expenses	9	85,877,614	35,137,572
Other current assets	15	590,118	4,753,901
Total current assets		**599,067,337**	**373,108,024**
Trade receivables			
- *Trade receivables from related parties*	4	-	23,992,200
Prepaid expenses	9	4,695,559	26,773,549
Property, plant and equipment	11	747,565,206	226,474,681
Intangible assets	12	2,072,077	2,017,208
Investment properties	10	23,685,000	-
Deferred tax asset	23	40,469,601	11,455,929
Total non-current assets		**818,487,443**	**290,713,567**
TOTAL ASSETS		**1,417,554,780**	**663,821,591**

The accompanying notes form an integral part of the financial statements.

Statement of Financial Position
As of 31 December 2022
(Amounts expressed in Turkish lira ("TL") unless otherwise indicated.)

		Current Period Audited	**Prior Period Audited**
LIABILITIES	**Notes**	**31 December 2022**	**31 December 2021**
Financial liabilities	6	39,336,626	59,097,662
Short-term portions of long-term bank loans	6	137,378,059	40,803,537
Current financial lease payables	6	21,949,602	18,675,875
Other financial liabilities	6	564,116	2,626
Trade payables			
- *Trade payables to third parties*	5	299,066,949	169,757,038
Payables related to employee benefits	14	4,763,471	2,142,553
Deferred income	9	2,074,469	1,048,107
Short-term provisions			
- *Other provisions*	14	103,867	137,767
Other current liabilities	15	2,247,190	3,388,005
Total current liabilities		**507,484,349**	**295,053,170**
Financial liabilities	6	367,827,889	79,919,518
Payables from long-term lease transactions	6	44,328,139	30,324,458
Long term provisions			
- *Long-term provisions for employee benefits*	14	5,315,671	2,219,379
Deferred tax liabilities	23	21,495,823	10,312,478
Total non-current liabilities		**438,967,522**	**122,775,833**
Share capital	16	30,000,000	30,000,000
Other reserves	16	62,746,488	62,746,488
Premiums (discounts) on shares	16	13,845,901	13,845,901
Other Comprehensive Income or Expenses that will not be Reclassified Subsequently to Profit or Loss			
- *Accumulated Gain on Revaluation of Non-Current Assets*	16	198,777,725	59,063,376
- *Accumulated (Loss) on Remeasurement of Defined Benefit Plans*	16	(2,242,045)	(890,195)
Restricted profit reserves	16	1,610,806	1,610,806
Prior years profit		79,616,212	3,460,608
Net profit for the period		86,747,822	76,155,604
Total equity		**471,102,909**	**245,992,588**
TOTAL LIABILITIES		**1,417,554,780**	**663,821,591**

The accompanying notes form an integral part of the financial statements.

TUĞÇELİK ALÜMİNYUM VE METAL MAMÜLLERİ SANAYİ VE TİCARET ANONİM ŞİRKETİ

Statement of Profit or Loss and Other Comprehensive Income
For The Year Ended 31 December 2022
(Amounts expressed in Turkish lira ("TL") unless otherwise indicated.)

	Notes	Current Period Audited 1 January - 31 December 2022	Prior Period Audited 1 January - 31 December 2021
Revenue	17	671,735,003	323,933,316
Cost of Sales (-)	17	(533,137,956)	(257,664,268)
Gross profit/ (Loss)		**138,597,047**	**66,269,048**
General and administrative expenses (-)	18	(13,650,737)	(7,286,339)
Marketing, sales and distribution expenses (-)	19	(28,064,063)	(10,899,843)
Other income from operating activities	20	216,150,928	148,808,373
Other expenses from operating activities (-)	20	(172,940,242)	(89,997,837)
Operating profit/ (Loss)		**140,092,933**	**106,893,402**
Income from investing activities	21	20,007,274	60,423,694
Operating profit before finance expense		**160,100,207**	**167,317,096**
Financial income	22	130,447,529	46,897,391
Financial expenses (-)	22	(236,816,095)	(145,196,751)
Profit before taxation		**53,731,641**	**69,017,736**
Deferred tax income	23	33,016,181	7,137,868
Profit for the period		**86,747,822**	**76,155,604**
OTHER COMPREHENSIVE PROFIT/ (EXPENSE)		**138,362,499**	**35,844,982**
Items that will not be reclassified subsequently to profit or loss:			
Property, plant and equipment revaluation increases			
Deferred tax (expense)	11	155,238,166	42,242,128
Deferred tax (expense)	23	(15,523,817)	(6,238,583)
(Loss) on remeasurement of defined benefit plans	14	(1,689,813)	(205,926)
Deferred tax income	23	337,963	47,363
To be reclassified as profit or loss			
TOTAL COMPREHENSIVE PROFIT/ (EXPENSE)		**225,110,321**	**112,000,586**
Earnings/ (loss) per share (TL)		**2.89**	**2.54**

The accompanying notes form an integral part of the financial statements.

Statement of Changes in Equity
For The Year Ended 31 December 2022
(Amounts expressed in Turkish lira ("TL") unless otherwise indicated.)

				Other Accumulated Comprehensive Income or Expenses to be Reclassified to Profit or Loss	Other Accumulated Comprehensive Income or Expenses That Cannot Be Reclassified to Profit or Loss							
	Paid-in capital	**Restricted reserves**	**Premiums on Shares (Discounts)**	**Foreign currency conversion differences**	**Property, plant and equipment revaluation increases/decreases**	**Defined benefit plans revaluation increases / decreases**	**Restricted Reserves Allocated from Profit**	**Merger effect involving undertakings or businesses under common control**	**Previous years Profit/Loss**	**Net Profit/Loss for the Period**	**Equity of the Parent Company**	**Total Equity**
1 January 2021	**30,000,000**	**-**	**13,845,901**	**20,588,393**	**23,059,831**	**(731,632)**	**1,610,806**	**1,408,216**	**11,741,467**	**6,934,832**	**108,457,814**	**108,457,814**
Transfers	-	-	-	-	-	-	-	-	6,934,832	(6,934,832)	-	-
Capital advance	-	62,746,488	-	-	-	-	-	-			62,746,488	62,746,488
Defined benefit plans remeasurement differences	-	-	-	-	-	(158,563)	-	-	-	-	(158,563)	(158,563)
Fixed assets revaluation increases/decreases	-	-	-	-	36,003,545	-	-	-	-		36,003,545	36,003,545
Share Based Transactions (Decrease)	-	-	-	-	-	-	-	(1,408,216)	-	-	(1,408,216)	(1,408,216)
Foreign currency conversion differences	-	-	-	(20,588,393)	-	-	-	-	-		(20,588,393)	(20,588,393)
Net profit for the period	-	-	-	-	-	-	-	-	(15,215,691)	76,155,604	60,939,913	60,939,913
31 December 2021	**30,000,000**	**62,746,488**	**13,845,901**	**-**	**59,063,376**	**(890,195)**	**1,610,806**	**-**	**3,460,608**	**76,155,604**	**245,992,588**	**245,992,588**
1 January 2022	**30,000,000**	**62,746,488**	**13,845,901**	**-**	**59,063,376**	**(890,195)**	**1,610,806**	**-**	**3,460,608**	**76,155,604**	**245,992,588**	**245,992,588**
Transfers	-	-	-	-	-	-	-	-	76,155,604	(76,155,604)	-	-
Other comprehensive income/(expenses)	-	-	-	-	139,714,349	(1,351,850)	-	-	-	-	-	138,362,499
Net profit for the period	-	-	-	-	-	-	-	-	-	86,747,822	-	86,747,822
31 December 2022	**30,000,000**	**62,746,488**	**13,845,901**	**-**	**198,777,725**	**(2,242,045)**	**1,610,806**	**-**	**79,616,212**	**86,747,822**	**-**	**471,102,909**

The accompanying notes form an integral part of the financial statements.

TUĞÇELİK ALÜMİNYUM VE METAL MAMÜLLERİ SANAYİ VE TİCARET ANONİM ŞİRKETİ

Statement of Cash Flows
For The Year Ended 31 December 2022
(Amounts expressed in Turkish lira ("TL") unless otherwise indicated.)

	Notes	Current Period Audited 1 January - 31 December 2022	Prior Period Audited 1 January - 31 December 2021
A, CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the Period		**86,747,822**	**76,155,604**
Adjustments to Reconcile Profit for the Period			
Adjustments related to depreciation and amortization expenses	11,12	14,857,025	11,873,275
Fixes for provisions		-	(5,393,949)
Adjustments related to (gain)/loss on disposal of non-current assets	21	(8,152,004)	(76,528,128)
Adjustments for Losses (Gains) on Disposal of Subsidiaries or Joint Operations		-	(15,215,691)
Adjustments related to litigation provision	14	(33,900)	(146,754)
Adjustments related to interest income		(74,990)	-
Adjustments related to retirement pay provision expenses	14	2,124,922	673,145
Adjustments for impairment of trade and other receivables		1,583,372	(503,259)
Adjustments for Fair Value Loss/Gains		(11,855,270)	-
Adjustments related to tax expense		(33,016,181)	(7,137,868)
Movements in working capital		**52.180.797**	**(16,223,625)**
Adjustments related to increase/decrease in trade receivables		(137,975,933)	(132,802,214)
Adjustments related to increase/decrease in inventories		(58,506,257)	(32,502,649)
Adjustments related to increase/decrease in other receivables		761.259	4,738,901
Adjustments related to increase/decrease in prepaid expenses		(28,662,052)	(37,194,009)
Adjustments related to increase/decrease in other assets		4,163,783	(2,428,530)
Adjustments related to increase/decrease in trade payables		129,309,911	88,749,486
Adjustments related to increase/decrease in other payables		-	(1,624,005)
Adjustments related to increase/decrease in deferred income		1,026,362	963,376
Adjustments related to increase/decrease in other liabilities		(1,140,815)	3,245,779
Adjustments related to increase/decrease in employee benefits		2.620.918	1,575,465
Interest received		74,990	-
Retirement obligation payments		(718,443)	(508,742)
Income taxes paid		-	(13,082)
Cash generated from operations		**(36,865,480)**	**(124,023,849)**
B. CASH FLOWS FROM INVESTING ACTIVITIES			
Cash Used in Capital Increase of Subsidiaries, Investment in Associates			-
Payments for property, plant and equipment and intangible assets		(394.871.538)	(75,609,419)
Proceeds from sale of current and non-current assets		9.969.299	157,952,160
Cash flows from investing activities		**(384,902,239)**	**82,342,741**
C. CASH FLOWS FROM FINANCING ACTIVITIES			
Cash obtained from/used for other receivables from related parties/other payables to related parties		15.613.300	1,884,297
Cash Inflows (Outflows) of Businesses Under Common Control Resulting from the Merger Effect		-	(1,408,216)
Cash obtained from/used for finance leases/repayment of obligations		400,004,117	109,384,513
Interest Paid		(17,443,362)	(16,133,491)
Cash Inflows from Capital Advances		-	62,746,488
Other cash flows/(outflows)		460,260	-
Cash flows from financing activities		**398,634,315**	**156,473,591**
D. THE EFFECT OF FOREIGN CURRENCY CONVERSION DIFFERENCES ON CASH AND CASH EQUIVALENTS		**-**	**(57,813,297)**

The accompanying notes form an integral part of the financial statements.

(Amounts expressed in Turkish Lira (TL), unless otherwise stated.)

NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C)		**(23.133.404)**	**114,792,483**
E, CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		**70,580,326**	**13,601,140**
Balance at the end of the period	**3**	**47,446,922**	**70,580,326**

NOTE 1 - ORGANIZATION AND OPERATIONS OF THE COMPANY

Tuğçelik Alüminyum ve Metal Mamülleri Sanayi ve Ticaret Anonim Şirketi

Tuğçelik Alüminyum ve Metal Mamülleri Sanayi ve Ticaret A.Ş.("Company") was established on 01 March 1988. The company changed its type on 21.12.2012 and became Tuğçelik Alüminyum ve Metal Mamulleri Sanayi ve Ticaret AŞ. The main activity of the company as of the report date is to produce parts from aluminum for automotive and white goods.

The company produces various value-added parts such as engine components, safety and so on for automotive brands in Europe. The company directed its new investments to produce parts for new generation electric vehicles. It produces electric motors and materials and equipment for white goods manufacturers.

The Company's address and main activity center is Emek Mah. It is located in Nato Yolu No: 282 Sancaktepe / Istanbul. There is also a workplace at Taşocakları Mevkii Gebze / Kocaeli.

The average number of personnel of the Company in the period of 31 December 2022 is 451. (31 December 2021: 371)

NOTE 2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS

2.1 Basis of Presentation

The accompanying financial statements have been prepared in accordance with the provisions of the Capital Markets Board ("CMB"), Serial II, No. 14.1 "Communiqué on Principles of Financial Reporting in the Capital Markets" ("Communiqué") published in the Official Gazette dated 13 June 2013 and numbered 28676. is based on the Turkish Financial Reporting Standards ("TFRS"), which was put into effect by the Public Oversight Accounting and Auditing Standards Authority ("KGK"), and its annexes and comments, pursuant to Article 5 of the Communiqué.

In addition, financial The tables are presented in accordance with the formats determined in the "Announcement on TFRS Taxonomy" published by the POA on October 4, 2022 and the Financial Statement Examples and User Guide published by the CMB.

The accompanying financial statements have been prepared in accordance with the provisions of the Capital Markets Board ("CMB") "Communiqué Serial II–14.1 on Financial Reporting Principles in the Capital Markets" published in the Official Gazette dated 13 June 2013 and numbered 28676. Turkish Financial Reporting Standards ("TFRS") put into effect by the Public Oversight Accounting and Auditing Standards Authority ("KGK"), pursuant to Article . With a decision taken by the CMB on March 17, 2005, for companies operating in Turkey and preparing their financial statements in accordance with the financial reporting standards accepted by the CMB ("CMB Financial Reporting Standards"), It has declared that the application of inflation accounting is not required, effective from 1 January 2005. Therefore, starting from January 1, 2005, TAS 29 "Financial Reporting in High Inflation Economies" published by KGK has not been applied in the financial statements. The Company and its Subsidiaries registered in Turkey comply with the principles and conditions issued by the CMB, the Turkish Commercial Code ("TCC"), tax legislation and Uniform Chart of Accounts issued by the Ministry of Finance in keeping the accounting records and preparing the statutory financial statements. The financial statements have been prepared on the historical cost basis, excluding derivative instruments and investment properties that are expressed at fair values.

(Amounts expressed in Turkish Lira (TL), unless otherwise stated.)

NOTE 2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (CONT'D)

2.1 Basis of Presentation (cont'd)

POA made a statement on January 20, 2022, in order to eliminate the hesitations about whether the companies applying Turkish Financial Reporting Standards (TFRS) will apply TAS 29 Financial Reporting in Hyperinflationary Economies in the 2021 financial reporting period. Accordingly, it has been stated that the enterprises applying TFRS do not need to make any adjustments within the scope of TAS 29 Financial Reporting in High Inflation Economies ("TAS 29"), and no new statement has been made by the KGK on the application of TAS 29 afterwards.

Functional Currency and Financial Statement Presentation Currency

The Company is accounted for using the currency that is functional in the basic economic environment in which the companies operate ("functional currency"). Financial statements are represented in Company's current financial statement presentation currency of the Company, Turkish Lira.

	31 December 2022	**31 December 2021**
USD/TR	18.6983	13.3290
EUR/TR	19.9349	15.0867

2.2 Amendments in Turkish Financial Reporting Standards ("TFRS")

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

2.3 Continuity of business

The company has prepared its financial statements in accordance with the going concern principle.

2.4 Netting/Offset

Financial assets and liabilities are shown net if the legal right already exists, there is an intention to settle the said assets and liabilities on a net basis, or there is an intention to realize the assets and the fulfillment of the liabilities simultaneously.

2.5 Comparative Information and Adjustment of Prior Period Financial Statements

The Company's financial statements are prepared comparatively with the previous period in order to enable the determination of the financial situation and performance trends. In order to comply with the presentation of the current period financial statements, comparative information is reclassified when deemed necessary and significant differences are disclosed.

(Amounts expressed in Turkish Lira (TL), unless otherwise stated.)

NOTE 2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (CONT'D)

2.6 Changes in Accounting Policies

Accounting policy changes resulting from the first application of a new standard, if any, are applied retrospectively or prospectively in accordance with the transitional provisions. Changes that do not include any transitional provisions, optional significant changes in accounting policy or accounting errors detected are applied retrospectively and prior period financial statements are restated. Changes in accounting estimates are applied in the current period if the change is made, if it relates to future periods, both in the period in which the change is made and prospectively.

2.7 Changes and Errors in Accounting Estimates

Changes in accounting estimates are applied prospectively in the current period if the change is made, if the change is related to future periods, both in the period in which the change is made and in future periods. There has been no significant change in the accounting estimates of the Company in the current year.

NOTE 2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (CONT'D)

2.8 Amendments in Turkish Financial Reporting Standards ("TFRS")

The accounting policies used in the preparation of the financial statements for the accounting period ending as of 31 December 2022 have been applied consistently with those used in the previous year, except for the new and amended TFRS standards valid as of 1 January 2022 and TFRYK interpretations, which are summarized below. The effects of these standards and interpretations on the financial position and performance of the Company are explained in the relevant paragraphs.

a) Changes and comments effective from 2022

TFRS 3 (Changes)	*References to the Conceptual Framework*
TMS 16 (Changes)	*Tangible Assets – Earnings Before Intended Use*
TMS 37 (Changes)	*Economically Disadvantaged Contracts – Cost of Contract Fulfillment*
Annual Improvements to TFRS	*Amendments to TFRS 1, TFRS 9 and TAS 41* 2018 – 2020
TFRS 16 (Changes)	*Continuing Concessions in Rent Payments Related to COVID-19 After 30 June 2021*

References to TFRS 3 (Amendments) Conceptual Framework

This amendment updates a reference to the Conceptual Framework for Financial Reporting in TFRS 3 without significantly changing the provisions of the standard.

These amendments are effective for annual accounting periods beginning on or after 1 January 2022. Early implementation is permitted by applying it in conjunction with other reference updates to the Conceptual Framework so far.

NOTE 2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (CONT'D)

TAS 16 (Amendments) Tangible Assets – Intended Earnings Before Use

These changes do not allow the revenues from the sale of the produced items to be deducted from the cost of the related asset while the related property, plant and equipment is brought to the required location and condition to operate under the conditions intended by the management, and require such sales revenues and related costs to be recognized in profit or loss.

These changes are applied for annual accounting periods beginning on or after January 1, 2022. Early application is allowed.

2.8 Amendments in Turkish Financial Reporting Standards ("TFRS") (cont'd)

a) <u>Changes and comments effective from 2022 (cont'd)</u>

TAS 37 (Amendments) Economically Disadvantaged Contracts – Cost of Fulfillment

With the amendment made in TAS 37, it is stipulated that the estimated costs of fulfilling the contract in order to determine whether the contract is an economically disadvantageous contract consist of both the variable costs incurred to fulfill the contract and the amounts distributed from other costs directly related to fulfilling the contract.

This amendment is applicable for annual accounting periods beginning on or after January 1, 2022. Early application is allowed.

Annual Improvements to TFRSs 2018 – 2020

Amendment to the Initial Application of TFRS 1 Turkish Financial Reporting Standards

With the amendment made in TFRS 1, in paragraph D16(a) of the standard The application costs of those who start to apply TFRSs for the first time are reduced by including cumulative translation differences in the scope of the exemption for the measurement of assets and liabilities to the subsidiary, which started to apply TFRSs at a later date than its parent company.

Amendment to TFRS 9 Financial Instruments

This amendment clarifies the fees taken into account in the evaluation of derecognition of a financial liability. Debtor, Includes fees paid or received between debtor and creditor, including fees paid or received by the debtor or creditor on behalf of others.

Amendment to TAS 41 Agricultural Activities

With this amendment, the provision in paragraph 22 of TAS 41 requires not to include taxation-related cash flows in the calculation of fair value. has been removed. The amendment brought the relevant provisions of the standard into line with the provisions of TFRS 13.
The amendments to TFRS 1, TFRS 9 and TAS 41 are applied for annual accounting periods beginning on or after 1 January 2022. Early application is allowed.

(Amounts expressed in Turkish Lira (TL), unless otherwise stated.)

NOTE 2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (CONT'D)

2.8 Amendments in Turkish Financial Reporting Standards ("TFRS") (cont'd)

a) Changes and comments effective from 2022 (cont'd)

TFRS 16 (Amendments) Continuing Concessions in Rent Payments Related to COVID-19 After 30 June 2021

Public Oversight Accounting and Auditing Standards Authority ("KGK") published in June 2020, has issued the Continuing Concessions for COVID-19 Related Lease Payments After 30 June 2021 – Amendments to TFRS 16, which extends the exemption for certain concessions granted due to COVID-19 to determine whether there has been a change in the lease for another year.

When the change was first published, the facilitating practice was in effect only if any reduction in lease payments would affect payments that are normally due on or before June 30, 2021. As lessors continue to offer rental concessions related to COVID-19 to tenants and the impact of the COVID-19 pandemic continues and is significant, POA has extended the period of use of the facilitator by one year.

This new change will be applied by the tenants for annual accounting periods starting on or after April 1, 2021, but early application is allowed. evaluated that the comments did not have any effect on the financial statements of the Company.
UPS extended the period of use of the facilitating application by one year.

b) New and revised TFRSs in issue but not yet effective

The Company has not yet adopted the following standards and amendments and interpretations to the existing standards:

TFRS 17	*Insurance Contracts*
Amendments to TAS 1	*Classification of Liabilities as Current or Non-Current*
Amendments to TFRS 4	*Extension of the Temporary Exemption from Applying TFRS 9*
Amendments to TAS 1	*Disclosure of Accounting Policies*
Amendments to TAS 8	*Definition of Accounting Estimates*
Amendments to TAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
Amendments to TFRS 17	*Initial Application of TFRS 17 and TFRS 9 — Comparative Information (Amendment to TFRS 17)*
Amendments to TFRS 16	*Lease Liability in a Sale and Leaseback*
Amendments to TAS 1	*Non-current Liabilities with Covenants*

NOTE 2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (CONT'D)

2.8 Amendments in Turkish Financial Reporting Standards ("TFRS") (cont'd)

b) New and revised TFRSs in issue but not yet effective (cont'd)

TFRS 17 *Insurance Contracts*

TFRS 17 requires insurance liabilities to be measured at a current fulfillment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. TFRS 17 supersedes TFRS 4 *Insurance Contracts* as of 1 January 2023.

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

The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current.

Amendments to TAS 1 are effective for annual reporting periods beginning on or after 1 January 2023 and earlier application is permitted.

Amendments to TFRS 4 *Extension of the Temporary Exemption from Applying TFRS 9*

The amendment changes the fixed expiry date for the temporary exemption in TFRS 4 *Insurance Contracts* from applying TFRS 9, so that entities would be required to apply TFRS 9 for annual periods beginning on or after 1 January 2023 with the deferral of the effective date of TFRS 17.

Amendments to TAS 1 *Disclosure of Accounting Policies*

The amendments require that an entity discloses its material accounting policies, instead of its significant accounting policies.

Amendments to TAS 1 are effective for annual reporting periods beginning on or after 1 January 2023 and earlier application is permitted.

Amendments to TAS 8 *Definition of Accounting Estimates*

With this amendment, the definition of "a change in accounting estimates" has been replaced with the definition of "an accounting estimate", sample and explanatory paragraphs regarding estimates have been added, and the differences between application of an estimate prospectively and correction of errors retrospectively have been clarified.

Amendments to TAS 8 are effective for annual reporting periods beginning on or after 1 January 2023 and earlier application is permitted.

NOTE 2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (CONT'D)

2.9 Amendments in Turkish Financial Reporting Standards ("TFRS") (cont'd)

b) New and revised TFRSs in issue but not yet effective (cont'd)

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

The amendments clarify that the initial recognition exemption does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition.

Amendments to TAS 12 are effective for annual reporting periods beginning on or after 1 January 2023 and earlier application is permitted.

Amendments to TFRS 17 *Insurance Contracts* and *Initial Application of TFRS 17 and TFRS 9 — Comparative Information*

Amendments have been made in TFRS 17 in order to reduce the implementation costs, to explain the results and to facilitate the initial application.

The amendment permits entities that first apply TFRS 17 and TFRS 9 at the same time to present comparative information about a financial asset as if the classification and measurement requirements of TFRS 9 had been applied to that financial asset before.

Amendments are effective with the first application of TFRS 17.

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

Amendments to TFRS 16 clarify how a seller-lessee subsequently measures sale and leaseback transactions that satisfy the requirements in TFRS 15 to be accounted for as a sale.

Amendments are effective from annual reporting periods beginning on or after 1 January 2024.

Amendments to TAS 1 *Non-current Liabilities with Covenants*

Amendments to TAS 1 clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability.

Amendments are effective from annual reporting periods beginning on or after 1 January 2024.

The Company evaluates the effects of these standards, amendments and improvements on the financial statements.

NOTE 2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (CONT'D)

2.9 Summary of significant accounting policies

Related Parties

Related parties are persons or businesses that are related to the entity that prepares its financial statements (the reporting entity).

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

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

(b) An entity is considered related to the reporting entity if any of the following conditions exist:

(i) The entity and the reporting entity are members of the same group (ie each parent, subsidiary and other subsidiary is related to the others).
(ii) The entity is an associate or joint venture of the other entity (or a member of a group of which the other entity is a member).
(iii) If both businesses are joint ventures of the same third party.
(iv) If one of the entities is a joint venture of a third entity and the other entity is an associate of that third entity.
(v) If the entity has post-employment benefit plans for employees of the reporting entity or an entity associated with the reporting entity. If the reporting entity itself has such a plan, sponsoring employers are also associated with the reporting entity.
(vi) If the entity is controlled or jointly controlled by a person identified in (a).
(vii) If a person identified in point (i) of clause (a) has significant influence over the entity or is a member of the key management personnel of that entity (or its parent).

A related party transaction is a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

Revenue

The company records the revenue in its financial statements when it fulfills its performance obligation by transferring a promised good or service to its customer. An asset is transferred when (or when) control of an asset is acquired by the customer.

The company records revenue in its financial statements in accordance with the following basic principles:

(a) Determining contracts with customers
(b) Determining performance obligations in the contract

NOTE 2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (CONT'D)

2.9 Summary of significant accounting policies (cont'd)

Revenue (cont'd)

(c) Determining the transaction price in the contract
(d) Allocating the transaction price to the performance obligations in the contract
(e) Recognizing revenue when each performance obligation is fulfilled

The company will contact its customer if all of the following conditions are met recognizes a contract as revenue:

(a) The parties to the contract have approved the contract (written, verbally or in accordance with other commercial practices) and undertake to perform their own acts,
(b) The Company can define the rights related to the goods or services to be transferred by each party,
(c) The Company can define payment terms for the goods or services to be transferred,
(d) The contract is commercial in nature,
(e) It is likely that the Company will collect a price for the goods or services to be transferred to the customer. When assessing whether a charge is likely to be collectible, the entity considers only the customer's ability to pay the consideration on due date and its intention.

In general, the Company has only one sales channel: wholesale. wholesale,

Inventories

Inventories are valued at the lower of cost or net realizable value. Costs, including some of the fixed and variable general production costs, are valued according to the method appropriate to the class of inventories and mostly according to the first-in-first-out method. Net realizable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and the estimated costs to make the sale. When the net realizable value of inventories falls below its cost, the inventories are reduced to their net realizable value and charged to the profit or loss statement in the year in which the impairment occurred. In cases where it is proven that the conditions that previously caused inventories to be reduced to net realizable value no longer apply or an increase in net realizable value due to changing economic conditions, the reserve for impairment is reversed. The canceled amount is limited to the amount of impairment previously allocated.

NOTE 2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (CONT'D)

2.9 Summary of significant accounting policies (cont'd)

Property, Plant and Equipment

Revaluation Method

Land and buildings held in use for production or the delivery of goods or services or for administrative purposes are expressed at their revalued amount. The revalued amount is determined by deducting the accumulated depreciation and accumulated impairment losses in subsequent periods from the fair value determined at the revaluation date. Revaluations are made at regular intervals so as not to differ materially from the book value of the fair value to be determined at the reporting date. Value increase resulting from revaluation, If there is an impairment of the property, plant and equipment, which was previously shown in the statement of profit or loss, it is first recorded in the statement of profit or loss in proportion to the said impairment. The decrease in the book value resulting from the revaluation of the subject land and buildings is recorded in the statement of profit or loss if the balance in question exceeds the balance in the revaluation fund for the previous revaluation.

For administrative or other purposes not yet determined. Assets under construction are shown at cost less any impairment loss, if any. Legal fees are also included in the cost. Borrowing costs are capitalized for assets that require significant time to be ready for use and sale. When these assets are completed and ready for use, they are classified into the relevant property, plant and equipment. Such assets are depreciated when they are ready for use, as in the depreciation method used for other fixed assets.

Depreciation of revalued buildings is included in the profit or loss statement. When the revalued property is sold or withdrawn from service, the remaining balance in the revaluation fund is transferred directly to retained earnings. Unless the asset is derecognised, there is no transfer from the revaluation fund to retained earnings.

Land and lands are not subject to depreciation. Machinery and equipment are presented at cost less accumulated depreciation and accumulated impairment losses.

Excluding land and construction in progress, tangible fixed assets are depreciated over their expected useful lives using the straight-line method. The expected useful life, residual value and depreciation method are reviewed each year for the possible effects of changes in estimates, and if there is a change in estimates, they are accounted for prospectively.

NOTE 2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (CONT'D)

2.9 Summary of significant accounting policies (cont'd)

Property, Plant and Equipment (cont'd)

Revaluation Method (cont'd)

Assets purchased under finance leases are depreciated over their expected useful lives, just like owned property, plant and equipment. If it is not certain whether ownership will be acquired at the end of the financial lease term, it is depreciated over the shorter of its expected useful life and the lease term in question.

Lease Transactions

Company in case of lessee

The Company evaluates whether a contract is a lease agreement or includes rental conditions at the beginning of the agreement. The Company accounts for the right-of-use asset and the related lease liability for all lease agreements, except for short-term leases (leases with a lease term of 12 months or less) and low-value assets. In the absence of another systematic basis that better reflects the timing structure in which the economic benefits from the leased assets are used, the Company recognizes the lease payments as operating expense on a straight-line basis over the lease term.

In initial recognition, lease liabilities, The lease payments that are not paid at the contract inception date are discounted at the lease rate and accounted for at their present value. If this rate is not specified beforehand, the Company uses the alternative borrowing rate to be determined by itself.

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

• fixed lease payments (substantially fixed payments) less any lease incentives;
• variable lease payments based on an index or rate, initially measured using an index or rate at the commencement date of the lease;
• the amount of debt expected to be paid by the lessee under residual value guarantees;
• the execution price of the payment options where the lessee will reasonably apply the payment options; and
• penalty payment for the cancellation of the lease if there is a lease cancellation right during the lease period.

The lease liability is presented as a separate item in the statements of financial position. . Lease liabilities are measured by increasing the net carrying amount (using the effective interest method) to reflect the interest on the subsequent lease liability and decreasing the carrying amount to reflect the lease payment made. The company remeasures the lease liability (and makes appropriate changes to the related right-of-use asset) if:

NOTE 2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (CONT'D)

2.9 Summary of significant accounting policies (cont'd)

Lease Transactions (cont'd)

Company in case of lessee (cont'd)

- When the lease liability is remeasured by discounting the revised lease payments using the revised discount rate when a change occurs in the assessment of the lease term or exercise of a purchase option.

- When the lease payments change due to changes in the index, rate, or expected payment change in the promised residual value, the adjusted lease payments are discounted using the initial discount rate and the lease liability is remeasured (the revised discount rate is used if the change in lease payments is due to a change in the variable interest rate).

- When a lease is changed and the lease modification is not accounted for as a separate lease, the revised lease payments are discounted using the revised discount rate and the lease liability is restated.

The Company has not made such changes during the periods presented in the financial statements.

Right-of-use assets include the initial measurement of the corresponding lease liability, lease payments made on or before the commencement date of the lease, and other direct initial costs. These assets are measured at cost less accumulated depreciation and impairment losses.

A provision is recognized in accordance with IAS 37 when the company incurs costs to dismantle and dispose of a lease asset, restore the area on which the asset is located, or restore the main asset in accordance with the terms and conditions of the lease. These costs are included in the relevant right-of-use asset unless they are incurred for the production of inventory.

Right-of-use assets are depreciated over the shorter of the lease term and useful life of the main asset. When ownership of the main asset is transferred in a lease or when the Company plans to exercise a purchase option based on the cost of the right-of-use asset, the associated right-of-use asset is depreciated over the useful life of the main asset. Depreciation begins on the date the lease actually begins.

Right-of-use assets are presented in a separate item in the statement of financial position.

The company applies TAS 36 standard to determine whether right-of-use assets are impaired and accounts for all identified impairment losses as specified in the 'Tangible Assets' policy.
Right-of-use assets are depreciated over the shorter of the lease term and useful life of the main asset. When ownership of the main asset is transferred in a lease or when the Company plans to exercise a purchase option based on the cost of the right-of-use asset, the associated right-of-use asset is depreciated over the useful life of the main asset. Depreciation begins on the date the lease actually begins.

NOTE 2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (CONT'D)

2.9 Summary of significant accounting policies (cont'd)

Lease Transactions (cont'd)

Company in case of lessee (cont'd)

Variable leases that are not tied to an index or rate are not included in the measurement of lease liability and right-of-use assets. Related payments are recognized as an expense in the period in which the circumstances or events leading up to these payments occur, and are included in 'Other expenses' in the statement of profit or loss.

As a facilitator, TFRS 16 provides a lessee with items not related to a lease. separately and to account for all leases and non-lease related items as a single lease agreement. The company did not use this facilitating application.

Company in case of lessor

The Company, as lessor, signs lease agreements for some of its investment properties. The Company also leases equipment and equipment manufactured by the Company to retailers for the presentation, customer customization and testing phase of footwear products.

Leases in which the Company is the lessor are classified as finance leases or operating leases. The contract is classified as a finance lease if, according to the terms of the lease, all the ownership risks and rewards are transferred to the lessee to a significant extent. All other leases are classified as operating leases.

If the company is the lessor of the vehicle, it accounts for the main lease and sub-lease as two separate contracts. A sublease is classified as a finance lease or an operating lease with respect to the right-of-use asset arising from the main lease.

The rental income from operating leases is accounted for using the straight-line method over the relevant lease period. The direct initial costs incurred in realizing and negotiating the operating lease are included in the cost of the leased asset and amortized over the lease term using the straight-line method. Finance lease income is allocated to accounting periods to reflect the fixed periodic rate of return on the Company's unpaid net investment in leases.

The Company applies the derecognition and impairment provisions of TFRS 9 to its net lease investment. Company, It regularly reviews the estimated uncommitted residual values used in calculating the gross lease investment and, in case of a decrease in the estimated uncommitted residual value, revises the distribution of income over the lease term and reflects the reductions in the accrued amounts directly in the financial statements.
In case a contract contains lease and non-lease elements, the Company applies the TFRS 15 standard to allocate the price specified in the contract to each element.
If a contract contains lease and non-lease elements, the Company applies TFRS 15 to allocate the contract price to each element.

NOTE 2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (CONT'D)

2.9 Summary of significant accounting policies (cont'd)

Intangible Assets

Trademarks and licenses

Trademarks and licenses purchased are shown at historical cost. Trademarks and licenses have limited useful lives and are presented at cost less accumulated depreciation. Purchased trademarks and licenses are amortized using straight-line depreciation management over their expected useful life (33-50 years).

Computer software

Computer software purchased is at time of purchase. and capitalized over the costs incurred from purchase to ready-to-use. These costs are amortized over their useful life (3 years).

Costs associated with developing and maintaining computer software are recorded in the profit or loss statement in the period in which they are incurred. Expenditures that can be directly associated with identifiable and unique software products controlled by the Company and that will generate economic benefits beyond the cost for more than one year are considered as intangible assets. Costs include the costs of the employees developing the software and some of the manufacturing overheads.

Computer software development costs considered as fixed assets are amortized over their useful lives (not to exceed 3 years).

Contractual customer relationships

Contractual customer relationships acquired through a business combination, It is accounted for at its fair value at the acquisition date. Contractual customer relationships have a definite economic life and are accounted for at cost less accumulated amortization. Amortization is calculated using the straight-line method over the estimated life of the customer relationships.

Intangible assets acquired through a business combination

Intangible assets acquired through a business combination and defined separately from goodwill are accounted for at their fair value at the acquisition date.

After initial recognition, intangible assets acquired through a business combination are reported at cost less accumulated amortization and accumulated impairment losses, such as intangible assets purchased separately.

Intangible assets created internally. assets – research and development expenses

Research expenses are recorded in the profit or loss statement in the period in which they are incurred.

NOTE 2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (CONT'D)

2.9 Summary of significant accounting policies (cont'd)

Intangible Assets (cont'd)

Internally created intangible assets that result from development activities (or the development phase of a Company/Intracompany project) are recognized only when all of the following conditions are met:

- The intangible asset is available for use or it is technically possible to complete it so that it can be made available for sale,
- There is an intention to complete, use or sell the intangible asset,
- The intangible asset is usable or sellable,
- How the asset is it is clear that it will provide a possible future economic benefit,

Internally generated intangible assets – research and development expenses(cont'd)

- The availability of appropriate technical, financial and other resources to complete the development of the intangible asset, use or sell the asset, and
- The development cost of the asset can be measured reliably during the development process.

The amount of intangible assets created internally is the total amount of expenses incurred since the intangible asset meets the above-mentioned recognition conditions. When internally generated intangible assets cannot be recognized, development expenditures are recorded as expense in the period in which they are incurred.

After initial recognition, internally created intangible assets are reported at cost less accumulated amortization and accumulated impairment losses, just like intangible assets purchased separately.

Derecognition of intangible assets

When an intangible asset is disposed of or used or sold, If no future economic benefits are expected, it is excluded from the statement of financial position (balance sheet). The profit or loss resulting from the derecognition of an intangible asset is calculated as the difference between the net proceeds from the disposal of the assets and their carrying amount, if any. This difference is recognized in profit or loss when the related asset is taken out of the balance sheet.

NOTE 2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (CONT'D)

2.9 Summary of significant accounting policies (cont'd)

Intangible Assets (cont'd)

Impairment of Tangible Assets and Intangible Assets Except Goodwill

The company examines the book value of its tangible and intangible assets at each reporting date to determine whether its assets are impaired. In case of impairment of assets, the recoverable amount of assets, if any, is measured in order to determine the amount of impairment. Where the recoverable amount of an asset cannot be measured, the Company measures the recoverable amount of the cash-generating unit associated with the asset. If a reasonable and consistent basis of allocation is determined, company assets are allocated to cash-generating units. Where this is not possible, Company assets are allocated to the smallest cash-generating units to determine a reasonable and consistent basis of allocation.

Intangible assets that have an indefinite useful life and that are not ready for use are tested for impairment at least once a year or if there is an indication of impairment. The recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use. Value in use is the present value of the expected future cash flows from an asset or cash-generating unit. In calculating the value in use, a pre-tax discount rate is used, which reflects the value in use of money according to the market assessment in the current period and the risks specific to the asset that are not taken into account in estimating future cash flows.

When the recoverable amount of an asset (or cash-generating unit) is less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. In cases where the related asset is not measured at the revalued amount, the impairment loss is recognized directly in profit/loss. In this case, the impairment loss is taken into account as a revaluation impairment.

When the impairment loss is reversed in subsequent periods, the carrying value of the asset (or related cash-generating unit) is adjusted to the estimated amount that is re-updated for the recoverable amount. increased accordingly. Increased book value, should not exceed the carrying amount of the asset (or related cash-generating unit) that it would have reached had it not been recognized for an impairment loss for the asset in prior periods. Unless the asset is presented at a revalued amount, the reversal of the impairment loss is recognized directly in profit or loss. The reversal of an impairment loss of a revalued asset is considered as a revaluation increase.

NOTE 2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (CONT'D)

2.9 Summary of significant accounting policies (cont'd)

Borrowing Costs

In the case of assets (qualified assets) that require significant time to be ready for use and sale, borrowing costs directly attributable to their acquisition, construction or production are incurred until the asset is ready for use or sale. included in the cost of the asset.

All other borrowing costs are recorded in the profit or loss statement in the period in which they are incurred.

Financial Instruments

Financial assets and liabilities, the Company's contractual provisions of financial instruments. When it becomes a party, it is accounted in the Company's statement of financial position. Financial assets and liabilities are initially measured at their fair values. Transaction costs directly attributable to the acquisition or issuance of financial assets and liabilities (excluding financial assets and liabilities at fair value through profit or loss) are added to or subtracted from the fair value of those financial assets and liabilities at initial recognition, as appropriate. Transaction costs that are directly related to the acquisition or issuance of financial assets and liabilities are recognized directly in profit or loss.

Financial assets

Financial assets bought and sold in the normal way are recorded on the date of the transaction [delivery date]. is taken or removed.

The company owns its financial assets (a) the business model used by the business for the management of financial assets, (b) classify the financial asset as measured at amortized cost at subsequent recognition, at fair value through other comprehensive income or at fair value through profit or loss, based on the characteristics of the contractual cash flows of the financial asset. Only when the entity changes its business model for the management of financial assets, it reclassifies all affected financial assets. The reclassification of financial assets is applied prospectively from the date of reclassification. In such cases, no adjustments are made for gains, losses (including impairment gains or losses) or interest previously recognized.

NOTE 2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (CONT'D)

2.9 Summary of significant accounting policies (cont'd)

Financial Instruments (cont'd)

Financial assets (cont'd)

Classification of financial assets

Financial assets that meet the following conditions are measured at amortized cost:

• holding the financial asset under a business model aimed at collecting contractual cash flows; and
• the contractual terms of the financial asset lead to cash flows including only the principal and interest payments arising from the principal balance on certain dates. is measured by:
• holding the financial asset under a business model aimed at collecting contractual cash flows and selling the financial asset; and

Interest income on financial assets shown at amortized cost is calculated using the effective interest method. The effective interest method is the method of calculating the amortized cost of a debt instrument and allocating the interest income to the relevant period. . This income is calculated by applying the effective interest rate to the gross carrying amount of the financial asset, except:
(a) Financial assets that are credit-impaired at purchase or origination. For such financial assets, the entity applies a credit-adjusted effective interest rate to the amortized cost of the financial asset from its initial recognition.
(b) financial assets that were not credit-impaired financial assets when purchased or created but subsequently become credit-impaired financial assets. For such financial assets, the entity applies the effective interest rate to the amortized cost of the asset in subsequent reporting periods.

Effective interest for interest income, amortized costs at subsequent recognition and debt instruments at fair value through other comprehensive income. accounted for using the method.

Interest income is recognized in profit or loss and shown under "financial income – interest income".
I
nterest income is accounted for by using the effective interest method for debt instruments whose amortized costs and fair value change in other comprehensive income are reflected in subsequent accounting.

(i) Financial assets at fair value through other comprehensive income

The fair value changes of private sector bonds held by the Company are recognized in other comprehensive income. Private sector bonds are first measured at fair value by adding transaction costs. Changes in foreign exchange gains and losses on these private sector bonds (see below), impairment gains or losses (see below) and interest income calculated using the effective interest method (see (i)) are then recognized in profit or loss. The amounts recognized in profit or loss are the same as those that would be recognized in profit or loss if these private sector bonds were measured at amortized cost. All other changes in the carrying value of these private sector bonds are recognized in other comprehensive income and presented under a revaluation fund. When these private sector bonds are derecognised, the total amount previously recognized in other comprehensive income is reclassified to profit or loss.

NOTE 2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (CONT'D)

2.9 Summary of significant accounting policies (cont'd)

Financial Instruments (cont'd)

Financial assets (cont'd)

(i) Equity instruments at fair value through other comprehensive income

On initial recognition, the Company returns to present any subsequent changes in fair value of its investment in each non-trading equity instrument in other comprehensive income. may make an irrevocable choice.

A financial asset is deemed to be held for trading if:

- Recently acquired for sale; or
- Is part of the portfolio of certain financial instruments that the Company manages together at the time of initial recognition and there has recently been evidence that the Company has a tendency to make short-term profits; or
- Derivative instrument (excluding financial guarantee contracts or derivatives that are defined and effective hedging instruments).

Investments in equity instruments at fair value through other comprehensive income are initially measured at fair value plus transaction costs. Subsequently, gains and losses resulting from changes in fair value are recognized in other comprehensive income and accumulated in the revaluation reserve. In the event of disposal of equity investments, the total retained gains or losses are transferred to retained earnings.

Dividends from equity instruments are recognized in profit or loss in accordance with TFRS 9, unless they are a recovery of part of the investment cost

(i) Financial assets at fair value through profit or loss

Financial assets that do not meet the criteria to be measured at amortized cost or at fair value through other comprehensive income (see (i) – (iii)) are measured at fair value through profit or loss.

Financial assets at fair value through profit or loss are measured at fair value at each period's end and all fair value changes are made unless the relevant financial assets are part of hedge accounting policies (see hedge accounting policy). recognized in profit or loss.

NOTE 2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (CONT'D)

2.9 Summary of significant accounting policies (cont'd)

Financial Instruments (cont'd)

Financial assets (cont'd)

Foreign exchange gains and losses

The book value of financial assets in foreign currency is determined in the relevant foreign currency and translated at the prevailing exchange rate at the end of each reporting period. In particular,
- foreign exchange differences are recognized in profit or loss for financial assets that are shown at amortized cost and are not part of a defined hedge;
- a defined hedge is measured at fair value through other comprehensive income. Exchange differences calculated over the amortized cost of debt instruments that are not a part of debt instruments are recognized in profit or loss for the period. All other exchange differences that occur are recognized in other comprehensive income;
- exchange differences on financial assets that are measured at fair value through profit or loss and that are not part of a defined hedging transaction are recognized in profit or loss for the period; and
- exchange differences on equity instruments measured at fair value through other comprehensive income are recognized in other comprehensive income.

Impairment of financial assets

The Company has investments in debt instruments, lease receivables, trade receivables, contracts with customers, as well as financial guarantee contracts, which are measured at amortized cost or measured at fair value through other comprehensive income. It makes an impairment provision in its financial statements for expected credit losses. The expected credit loss amount is updated in each reporting period to reflect the changes in credit risk since the financial asset was first recognized in the financial statements.

Trade receivables that are not significant financing elements Using the simplified approach for assets arising from contracts with customers and lease receivables, it calculates provisions for impairment at an amount equal to the expected credit loss over the life of the relevant financial assets.

The company recognizes lifetime expected credit losses for all other financial instruments if there has been a significant increase in credit risk since initial recognition. However, if the credit risk of the financial instrument has not increased significantly since initial recognition, the Company recognizes a 12-month expected credit loss provision for that financial instrument.

Measurement and recognition of expected credit losses

Measurement of expected credit losses, probability of default, It is a function of the loss on default (ie the size of the loss if there is a default) and the amount at risk in the event of default. The assessment of the probability of default and loss-on-default is based on historical data adjusted with forward-looking information. In case of default, the amount of financial assets subject to risk is reflected over the gross book value of the related assets at the reporting date.

NOTE 2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (CONT'D)

2.9 Summary of significant accounting policies (cont'd)

Financial Instruments (cont'd)

Financial assets (cont'd)

The expected credit loss of financial assets is the initial effective interest rate (or credit-impairment when purchased or created) of the difference between all of the Company's contractual cash flows and all cash flows that the Company expects to collect (all cash deficits). It is the present value calculated over the loan-adjusted effective interest rate for financial assets.

Derecognition of financial assets

The company derecognises a financial asset only when the contractual rights to the cash flows from the financial asset expire or it transfers the financial asset and any risks and rewards substantially from ownership of the financial asset to another entity.

When derecognising a financial asset measured at amortized cost, the difference between the carrying amount of the asset and the consideration received and receivable is recognized in profit or loss. In addition, when derecognising a debt instrument at fair value through other comprehensive income, the cumulative gain or loss previously accumulated in the revaluation fund for that instrument is reclassified to profit or loss.

Financial liabilities

An entity measures the financial liability at fair value on initial recognition. In the initial measurement of liabilities other than those at fair value through profit or loss, the transaction costs directly attributable to their acquisition or issuance are added to the fair value.

(a) Financial liabilities at fair value through profit or loss: These liabilities are measured at fair value at subsequent recognition, including derivatives.

(b) Financial liabilities arising if the transfer of the financial asset does not meet the requirements for derecognition or if the continuing relationship approach is applied: If the company continues to present an asset in the financial statements to the extent of its continuing relationship, it also reflects a related liability in the financial statements. The transferred asset and the associated liability are measured to reflect the rights and obligations that the entity continues to hold. The liability associated with the transferred asset is measured in the same manner as the net carrying amount of the transferred asset.

(c) Contingent consideration recognized by the acquirer in a business combination to which TFRS 3 applies: After initial recognition, changes in fair value in such contingent consideration are measured through profit or loss.

The entity does not reclassify any financial liabilities.

NOTE 2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (CONT'D)

2.9 Summary of significant accounting policies (cont'd)

Financial Instruments (cont'd)

Financial liabilities (cont'd)

Derecognition of financial liabilities

The Company derecognises financial liabilities only when the Company's liabilities are discharged, canceled or expired. The difference between the carrying amount of the financial liability derecognised and the amount paid or payable, including non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

Derivative financial instruments

In order to keep the risks associated with exchange rate and interest rate under control, the Company uses various derivative financial instruments, including foreign exchange forward contracts, options and interest rate swap contracts.

Derivative instruments are accounted for at their fair value as of the date of the related derivative contract and are remeasured at their fair values in each reporting period on the following dates. The resulting gain or loss is recognized in profit or loss if the derivative has not been designated as a hedging instrument and its effectiveness has not been proven.

A derivative with a positive fair value, A derivative with a negative fair value is accounted for as a financial liability. Derivative instruments are not shown clearly, except that the Company has the legal right and intent to offset these instruments. In cases where the time to maturity of the derivative instrument is longer than 12 months and it is not expected to be realized or finalized within 12 months, it is shown in the financial statements as a non-current asset or a long-term liability. The remaining derivative instruments are presented as current assets or current liabilities.
In cases where the time to maturity of the derivative instrument is longer than 12 months and it is not expected to be realized or finalized within 12 months, it is shown in the financial statements as a non-current asset or a long-term liability. The remaining derivative instruments are presented as current assets or current liabilities.

NOTE 2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (CONT'D)

2.9 Summary of significant accounting policies (cont'd)

Financial Instruments (cont'd)

Goodwill

The amount of goodwill arising from the purchase is valued at the cost value at the date of purchase, after deducting provisions for impairment, if any. For the test for impairment, goodwill is allocated to the cash generating units of the Company that expect to benefit from the synergies brought about by the merger.

The cash generating unit to which the goodwill is allocated is tested for impairment annually. Where there are indications that the unit is impaired, impairment testing is performed more frequently. If the cash-generating unit's recoverable amount is less than its carrying amount, the impairment allowance is first set aside from the goodwill allocated to the unit, then the carrying amount of the assets in the unit is reduced. Provision for impairment for goodwill, are recognized directly in profit or loss. Provision for impairment of goodwill is not canceled in subsequent periods.

At the time of sale of the relevant cash generating unit, the amount determined for goodwill is included in the calculation of profit/loss in the sale transaction.

The policy applied by the Company for the goodwill resulting from the acquisition of associates is explained under the subsidiaries title.

NOTE 2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (CONT'D)

2.9 Summary of significant accounting policies (cont'd)

Financial Instruments (cont'd)

Effects of Changes in Currency

Foreign Currency Transactions and Balances

The financial statements of each business of the Company are presented in the currency of the main economic environment in which they operate (functional currency). Financial status and operating results of each business are expressed in TL, which is the Company's functional currency and presentation unit for financial statements.

During the preparation of the financial statements of each enterprise, transactions in foreign currencies (currencies other than TL) are recorded based on the exchange rates on the date of the transaction.

Monetary assets and liabilities indexed to foreign currency in the balance sheet are translated into Turkish Lira using the exchange rates prevailing at the reporting date. Among the non-monetary items that are followed at fair value, those recorded in foreign currency are translated into TL based on the exchange rates at the date of determination of the fair value. Non-monetary items in foreign currency that are measured at historical cost are not reconverted.

Currency differences are recognized in profit or loss in the period in which they arise, except as follows:

• Exchange differences related to assets under construction for future use and included in the cost of such assets as an adjustment to interest costs on foreign currency liabilities,
• Risks arising from foreign currency (financial hedge against risks) Foreign exchange differences arising from transactions to provide financial hedge against (explained below) the foreign exchange differences that form part of the net investment in a foreign operation, accounted for in translation reserves and associated with profit or loss on the sale of the net investment, with no intention or probability to be paid Exchange differences arising from monetary debts and receivables arising from foreign operations.

NOTE 2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (CONT'D)

2.9 Summary of significant accounting policies (cont'd)

Earnings Per Share

Earnings per share stated in the profit or loss statement is calculated by dividing net income by the weighted average number of shares outstanding during the year. Companies in Turkey can increase their capital through "bonus shares" they distribute to their shareholders from retained earnings. Such "bonus share" distributions are treated as issued shares in earnings per share calculations. Accordingly, the weighted average number of shares used in these calculations has been calculated by taking into account the retrospective effects of the mentioned share distributions.

Events After the Reporting Period

Events after the reporting period; It covers all events between the reporting date and the date the report was authorized for publication, even if they occur after any announcement regarding profit or other selected financial information is disclosed to the public. adjusts the amounts recognized in the financial statements in accordance with this new situation.

Provisions, Contingent Assets and Liabilities

If there is a present obligation as a result of past events, it is probable that the obligation will be settled and the amount of the obligation can be reliably estimated, a provision can be made in the financial statements.

The amount set aside in return, It is calculated by estimating in the most reliable way the expenditure to settle the obligation as of the reporting date, taking into account the risks and uncertainties associated with the obligation. If the provision is measured using the estimated cash flows required to settle the present obligation, the carrying amount of the provision is equal to the present value of the relevant cash flows.

Where it is expected that some or all of the economic benefits required to settle the provision will be met by third parties, the amount to be collected is recognized as an asset if it is almost certain that the amount will be collected and it can be measured reliably.
It is calculated by estimating in the most reliable way the expense that will be incurred to settle the obligation as of the reporting date. If the provision is measured using the estimated cash flows required to settle the present obligation, the carrying amount of the provision is equal to the present value of the relevant cash flows.

NOTE 2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (CONT'D)

2.9 Summary of significant accounting policies (cont'd)

Provisions, Contingent Assets and Liabilities (cont'd)

Contracts that will cause loss

Existing liabilities arising from contracts that will cause loss are calculated and accounted for as provisions. If the Company has a contract that exceeds the unavoidable costs to be incurred in fulfilling its contractual obligations and the economic benefits expected to be obtained in relation to the contract in question, the contract that will cause loss is deemed to exist.

Restructuring

With the Company developing a detailed formal plan for restructuring, implementing the restructuring plan or explaining its key features to those affected, Restructuring provision is accounted for if it creates a valid expectation for those who will be affected by the said plan. The calculation of the restructuring allowance relates only to the direct expenditures arising from the restructuring and includes the amounts required for the restructuring and the amounts not attributable to the continuing operations of the entity.

Warrants

Provisions for warranty costs are recognized at the date of sale of the related products, according to the most appropriate expenditures estimated by the management to meet the liabilities of the Company. It includes amounts required for restructuring and amounts not attributable to the continuing operations of the entity.

Discontinued Operations

Disposal operations are a part of a company that is disposed of or classified as available-for-sale, its operations and cash flows are separable from the Company as a whole. Activities to be disposed of; means a separate business or geographic area of business, is part of a separate plan to sell or dispose, or is a Subsidiary acquired for resale. The company is valued at the lower of the book values of the related assets and liabilities and the current value less the costs to be incurred to dispose of the activities to be disposed of.

Government Incentives and Aids

Government incentive,

Government grants are systematically recognized in profit or loss during the periods in which the costs intended to be covered by these incentives are recognized as an expense. Government incentives, which are a financing instrument, should be associated with the statement of financial position (balance sheet) as unearned income and systematically reflected in profit or loss over the economic life of the related assets, instead of being recognized in profit or loss in order to clarify the expenditure item they finance.

NOTE 2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (CONT'D)

2.9 Summary of significant accounting policies (cont'd)

Government Incentives and Aids (cont'd)

Government grants given to cover previously incurred expenses or losses or to provide emergency financing support to the business without incurring any future cost are recognized in profit or loss when they become collectible. The benefit of the loan is considered as a government incentive. The benefit generated by the lower interest rate is measured as the difference between the initial carrying amount of the loan and the earnings earned.

Investment Properties

Investment properties are properties that are held for the purpose of earning rental income and/or for capital appreciation and are initially measured at their cost values and the transaction costs involved. After initial recognition, investment properties are valued at fair value reflecting market conditions as of the reporting date. Gains or losses arising from changes in the fair value of investment properties are included in the profit or loss statement in the period they occur.

Investment properties are properties held for the purpose of earning rent and/or value increase and are shown at cost less accumulated depreciation and any accumulated impairment losses. If it meets the accepted criteria, the cost of replacing any part of the existing investment property is included in the balance sheet amount. The amount in question does not include daily maintenance to investment properties.

Investment properties are derecognised if they are sold or become unusable and it is determined that no future economic benefits will be derived from their sale. Profit/loss arising from the expiration of the investment property or its sale is included in the profit or loss statement in the period in which they occur.

Transfers are made when there is a change in the use of investment property. For a transfer from an investment property followed on a fair value basis to an owner-occupied property, the estimated cost in post-transfer recognition is the fair value of the property at the date of the change in use. If an owner-occupied property converts to an investment property to be presented on a fair value basis, the entity applies the accounting policy applied to Tangible Assets up to the date of the change in use.

Real estates leased under operating leases are not classified as investment property.

NOTE 2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (CONT'D)

2.9 Summary of significant accounting policies (cont'd)

Taxes Calculated on Corporate Income

As Turkish Tax Legislation does not allow the parent company and its subsidiary to prepare tax returns, tax provisions have been calculated separately for each business, as reflected in the accompanying financial statements.

Income tax expense consists of the sum of current tax and deferred tax expense.

Current tax

Current year tax liability is calculated over the taxable portion of the profit for the period. Taxable profit differs from profit reported in the statement of profit or loss in that it excludes items that are taxable or deductible in other years and items that are not taxable or deductible. The Company's current tax liability has been calculated using the tax rate that has been enacted or substantially enacted as of the reporting date.

Deferred tax

Deferred tax liability or asset is determined by calculating the tax effects of temporary differences between the amounts of assets and liabilities shown in the financial statements and the amounts taken into account in the calculation of legal tax base, according to the balance sheet method, taking into account the enacted tax rates. While deferred tax liabilities are calculated for all taxable temporary differences, deferred tax assets consisting of deductible temporary differences are calculated provided that it is highly probable to benefit from these differences by generating taxable profit in the future. The said assets and liabilities, the temporary difference related to the transaction that does not affect the commercial or financial profit/loss, Goodwill or other assets and liabilities are not recognized if they arise from the initial recognition (other than business combinations).

Deferred tax liabilities are calculated for all taxable temporary differences associated with investments in subsidiaries and associates and interests in joint ventures, unless the Company is able to control the elimination of temporary differences and it is unlikely that this difference will disappear in the near future. Deferred tax assets arising from taxable temporary differences associated with such investments and interests are calculated on the condition that it is highly probable that the said differences will be benefited from by earning sufficient taxable profit in the near future and it is probable that the related differences will disappear in the future.

Deferred tax assets and liabilities are calculated over tax rates (tax regulations) that are expected to be valid in the period when the assets will be realized or the liabilities will be fulfilled and that have been enacted or substantially enacted as of the reporting date. During the calculation of deferred tax assets and liabilities, the tax results of the methods estimated by the Company to recover the book value of its assets or fulfill its liabilities as of the reporting date are taken into account.

NOTE 2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (CONT'D)

2.9 Summary of significant accounting policies (cont'd)

Taxes Calculated on Corporate Income (cont'd)

Deferred tax (cont'd)

Deferred tax assets and liabilities, if there is a legal right to set off current tax assets and current tax liabilities or if such assets and liabilities are associated with income tax collected by the same tax authority or if the Company intends to settle current tax assets and liabilities by netting is deducted.

In the calculation of deferred tax liability and deferred tax asset for investment properties measured using the fair value method, the carrying amount of these assets is assumed to be fully recovered through sale, unless otherwise stated. It is a contrary assumption that the investment property is redeemable and is held under a business model that aims to fully utilize the economic benefits from investment property over time rather than through sale. The Company Management, examining the Company's investment property portfolio, has concluded that none of the investment properties are held according to the business model, which aims to fully utilize the economic benefits to be obtained from investment properties over time, rather than through sales. Therefore, the management stated that the "sales" assumption stated in the amendments to TAS 12 does not imply a contrary assumption. As a result, since the Company is not subject to any income tax from the sale of its investment properties, no deferred tax amount has been recognized regarding the fair value changes of its investment properties.

Current and deferred tax for the period

Tax is included in the statement of profit or loss, provided that it is not directly related to a transaction accounted for under equity. Otherwise, the tax is accounted for under equity along with the related transaction.

Benefits Provided to Employees

Severance pay:

In accordance with the provisions of current laws and collective bargaining agreements in Turkey, severance pay is paid in case of retirement or dismissal. In accordance with the updated TAS 19 Employee Benefits Standard ("TAS 19"), these types of payments qualify as defined retirement benefit plans.

NOTE 2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (CONT'D)

2.9 Summary of significant accounting policies (cont'd)

Benefits Provided to Employees (cont'd)

Dividend and bonus payments

The company records the profit share and bonus calculated on the basis of a method that takes into account the profits of the shareholders of the company, after some adjustments, as liabilities and expenses. The company makes provisions in cases where there is a contractual obligation or a past practice that creates a constructive obligation.

Statement of Cash Flows

In the statement of cash flows, cash flows for the period are classified and reported based on principal, investment and financing activities.

Capital and Dividends

Ordinary shares are classified as equity. Dividends distributed over ordinary shares are recorded by deducting from the accumulated profit in the period when the dividend decision is taken.

2.9 Significant Accounting Evaluations, Estimates and Assumptions

Critical decisions taken by the Company while applying its accounting policies

Deferred Tax on Investment Properties

Deferred tax liability arising from investment properties owned by the Company and deferred tax assets are calculated for investment purposes. It has been concluded that the economic benefits to be obtained from the real estates are not held within the framework of an operating model that aims to fully utilize over time rather than through sales. Sales gains of investment properties are subject to 10% tax for 2023 and beyond. Since the Company plans to hold its investment properties indefinitely, 10% deferred tax liability is calculated from the difference between the fair value of the investment properties and their tax basis.

Deferred Tax

The Company recognizes deferred tax assets and liabilities for temporary timing differences arising from the differences between its tax base legal financial statements and its financial statements prepared in accordance with TFRS. The subsidiaries of the Company have unused tax losses that can be deducted from future profits and deferred tax assets consisting of other deductible temporary differences. The partially or wholly recoverable amount of deferred tax assets has been estimated under current conditions. During the evaluation, future profit projections, losses in current periods, expiry dates of unused losses and other tax assets, and tax planning strategies that can be used when necessary are taken into consideration.

(Amounts expressed in Turkish Lira (TL), unless otherwise stated.)

NOTE 2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (CONT'D)

2.10 Significant Accounting Evaluations, Estimates and Assumptions (Cont'd)

Critical decisions taken by the Company while applying its accounting policies (cont'd)

Deferred Tax (cont'd)

In the light of the data obtained, if the future taxable profit of the Company is not sufficient to cover all of the deferred tax assets, a provision is made for all and part of the deferred tax assets. Since the company is in the establishment and development stage and it is uncertain whether it will benefit from the deferred tax assets by earning taxable profit in the future (due to the lack of belief that the deferred tax asset can be recovered), it has not recorded the deferred tax asset. If future operating results exceed the Company's current expectations, it may be necessary to recognize an unrecognized deferred tax asset.

Income Tax

The company operates in a variety of tax jurisdictions and is subject to the tax and tax laws applicable in these countries. Significant estimates should be used in determining the Company's income tax provision. The company estimates the use of tax provisions arising from its tax liabilities and transferred tax losses. When final tax results are available, actual amounts may differ from those estimated and may provide an adjustment to the income tax provision recorded as of the reporting date.

NOTE 3 - CASH AND CASH EQUIVALENTS

	31 December 2022	31 December 2021
Cash on hand	21,902	36,000
Cash at banks		
- Demand deposit		
TL	7,246,910	184,618
Euro	2,575,000	60,950,116
USD	37,324,021	9,409,592
Bloked	279,089	-
Total	**47,446,922**	**70,580,326**

(Amounts expressed in Turkish Lira (TL), unless otherwise stated.)

NOTE 4 - RELATED PARTIES

Trade receivables from related parties generally arise from purchase transactions and debts are unsecured in nature and interest is not charged. Other receivables and payables from related parties generally arise from financing transactions and liabilities are unsecured in nature.

Current trade payables to related parties

	31 December 2022	31 December 2021
Eurasia Maritime Group Limited	14,023,725	25,724,532
Nersan Global Yapı A.Ş.	-	8,850
Nersan International Dış Ticaret A.Ş.	-	25,050
East Wave Denizcilik A.Ş.	-	8,850
Total	**14,023,725**	**25,767,282**

Non-current trade payables to related parties

	31 December 2022	31 December 2021
Eurasia Maritime Group Limited	-	23,992,200
Total	**-**	**23,992,200**

Other current receivables from related parties:

	31 December 2022	31 December 2021
Unimarin Denizcilik Sanayi ve Tic. Ltd. Şti.	-	11,222,579
Mehmet Nergiz	-	2,843,441
Nersan Holding A.Ş.	-	1,267,157
Nersan Global Yapı A.Ş.	-	200,000
Nersan International Dış Ticaret A.Ş.	-	80,124
Total	**-**	**15,613,301**

(Amounts expressed in Turkish Lira (TL), unless otherwise stated.)

NOTE 4 - RELATED PARTIES (CONT'D)

Purchases from related parties:

31 December 2022	Interest Income
Mehmet Nergiz	1,813,190
Unimarin Denizcilik San.ve Tic.Ltd.Şti.	318,986
Total	**2,132,176**

31 December 2021	Purchases
Unimarin Denizcilik San.ve Tic. Ltd. Şti.	3,500,000
Nersan Holding A.Ş.	810,000
Total	**4,310,000**

Sales to related parties:

	31 December 2022	31 December 2021
Unimarin Denizcilik San.ve Tic. Ltd. Şti.	-	38,400
Nersan Holding A.Ş.	-	42,000
East Wave Denizcilik A.Ş.	-	30,000
Nersan International Dış Ticaret A.Ş.	-	22,500
Nersan Global Yapı A.Ş.	-	22,500
Total	-	**155,400**

Remuneration and similar benefits provided to senior management in 2022 and 2021 are as follows:

The Company's senior management team consists of members of the Board of Directors and members of the Executive Board. Benefits provided to senior executives include benefits such as wages, premiums, health insurance and transportation.

	1 January- 31 December 2022	1 January- 31 December 2021
Payments to the board of directors and senior management	1,155,895	366,435
Total	**1,155,895**	**366,435**

(Amounts expressed in Turkish Lira (TL), unless otherwise stated.)

NOTE 5 - TRADE RECEIVABLES AND PAYABLES

a) Trade receivables

Current trade receivables

	31 December 2022	31 December 2021
Trade receivables	331,265,741	154,475,341
Trade receivables from related parties (Note 4)	14,023,725	25,767,282
Notes receivables	-	4,662,082
Doubtful trade receivables	2,107,362	523,990
Less: Provision for doubtful receivables	(2,107,362)	(523,990)
Total	**345,289,466**	**184,904,705**

Movements in the allowance for current doubtful receivables are as follows:

	1 January- 31 December 2022	1 January- 31 December 2021
Opening balance	523,990	1,027,249
Increases during the year (Note 20)	1,583,372	-
Collection during the year (Note 20)	-	(503,259)
Closing balance	**2,107,362**	**523,990**

Non-Current trade receivables

	31 December 2022	31 December 2021
Trade receivables from related parties (Note 4)	-	23,992,200
Total	**-**	**23,992,200**

b) Trade payables

Current trade payables

	31 December 2022	31 December 2021
Trade payables	113,047,862	28,419,063
Notes payables	185,621,660	131,212,398
Expense accruals	142,223	10,125,577
Other trade payables	255,204	-
Total	**299,066,949**	**169,757,038**

(Amounts expressed in Turkish Lira (TL), unless otherwise stated.)

NOTE 6 - FINANCIAL LIABILITIES

	31 December 2022	31 December 2021
Short-term loans	39,336,626	59,097,662
Short-term portions of long-term bank loans	137,378,059	40,803,537
Financial lease payables	21,949,602	18,675,875
Other financial payables	564,116	2,626
Current financial liabilities	**199,228,403**	**118,579,700**
Non-current loans	367,827,889	79,919,518
Financial lease payables	44,328,139	30,324,458
Non-current financial liabilities	**412,156,028**	**110,243,976**
Total financial liabilities	**611,384,431**	**228,823,676**

As of 31 December 2022, the details of short and long-term loans and leasing are as follows:

Short-term loans	**Original Amount**	**Internal Yield Rate %**	**TL**
TL	59,126,460	%11.63	59,126,460
EUR	6,560,671	%3.50	117,588,225
Total	**65,687,131**		**176,714,685**

Long-term loans	**Original Amount**	**Internal Yield Rate %**	**TL**
TL	21,987,798	%4.49	21,987,798
EUR	19,295,667	%4.15	345,840,091
Total	**41,283,465**		**367,827,889**

As of 31 December 2021, the details of short and long-term loans and leasing are as follows:

Short-term loans	**Original Amount**	**Internal Yield Rate %**	**TL**
TL	31,425,473	%11.63	31,425,473
USD	425,720	%3.53	5,684,639
EUR	4,154,526	%3.50	81,466,962
Total	**36,005,719**		**118,577,074**

(Amounts expressed in Turkish Lira (TL), unless otherwise stated.)

NOTE 6 - FINANCIAL LIABILITIES (CONT'D)

Long-term loans	Original Amount	Internal Yield Rate %	TL
TL	16,905,559	%4.49	16,905,559
EUR	4,169,272	%4.15	93,338,417
Total	**21,074,831**		**110,243,976**

As of 31 December 2022 and 31 December 2021, the maturity of the loans is as follows;

	31 December 2022	31 December 2021
Within 1 year	198,664,287	118,577,074
Between 1 - 2 years	132,283,022	82,574,540
Between 2 - 3 years	77,874,101	16,402,734
Between 3 - 4 years	70,711,405	8,582,110
Between 4 - 5 years	131,287,500	2,684,592
Total financial loans	**610,820,315**	**228,821,050**

NOTE 7 - OTHER RECEIVABLES AND PAYABLES

a) Other receivables

As of 31 December 2022 and 31 December 2021, the details of the Company's other receivables are as follows;

Other current receivable

	31 December 2022	31 December 2021
Deposits and guarantees given	41,395	41,395
Other receivables from related parties (Note 4)	-	15,613,301
Due from personnel	-	256,276
Tax receivables	3,830,214	4,539,216
Other receivables	259,471	55,452
Total	**4,131,080**	**20,505,640**

(Amounts expressed in Turkish Lira (TL), unless otherwise stated.)

NOTE 8 – INVENTORIES

	31 December 2022	31 December 2021
Raw materials	24,943,202	23,394,372
Work in process	48,886,573	14,221,993
Finished goods	41,784,561	14,347,981
Other inventories	117,801	5,261,534
Total	**115,732,137**	**57,225,880**

NOTE 9 - PREPAID EXPENSES AND DEFERRED INCOME

As of 31 December 2022 and 31 December 2021, the details of the Company's prepaid expenses are as follows;

Current prepaid expenses

	31 December 2022	31 December 2021
Advances given	73,675,242	34,182,598
Prepaid expenses	12,202,372	954,974
Total	**85,877,614**	**35,137,572**

Non-current prepaid expenses

	31 December 2022	31 December 2021
Advances given	4,695,559	26,773,549
Total	**4,695,559**	**26,773,549**

Current deferred income

	31 December 2022	31 December 2021
Advances received	2,074,469	1,048,107
Total	**2,074,469**	**1,048,107**

(Amounts expressed in Turkish Lira (TL), unless otherwise stated.)

NOTE 10 – INVESTMENT PROPERTIES

	1 January 2021	Additions	Disposals	Transfers	Valuation	31 December 2022
Cost						
Buildings (*)	-	-	-	11,829,731	11,855,270	23,685,000
	-					**23,685,000**

(*) As of 31 December 2022, the tangible fixed assets of the company, no. 3623 and parcel 10/11, are classified as investment property as of the reporting date, and the transfer has been made from the tangible fixed assets account.

(Amounts expressed in Turkish Lira (TL), unless otherwise stated.)

NOTE 11 - PROPERTY, PLANT AND EQUIPMENT

	1 January 2022	Additions	Disposals	Revaluation	Transfers	31 December 2022
Cost						
Land (*)	69,410,036	122,637,954	-	104,859,257	(7,060,000)	289,847,247
Buildings (*)	27,568,603	162,064,750	-	51,250,958	(4,999,860)	235,884,451
Machinery and equipment	104,768,563	87,815,076	(9,094,260)	-	12,775,305	196,264,684
Motor vehicles	5,897,426	2,984,219	(21,317)	-	-	8,860,328
Fixtures and fittings	5,756,672	3,673,035	(5,550)	-	-	9,424,157
Construction in progress	45,824,768	15,446,487	-	-	(12,775,305)	48,495,950
	259,226,068					**788,776,817**
Accumulated depreciation (-)						
Buildings	2,321,532	2,629,804	(241,833)	872,049	230,130	5,811,682
Machinery and equipment	24,954,120	10,202,872	(7,040,311)	-	-	28,116,681
Motor vehicles	762,227	1,400,737	(21,317)	-	-	2,141,647
Fixtures and fittings	4,713,508	428,464	(371)	-	-	5,141,601
	32,751,387					**41,211,611**
Net Book Value	**226,474,681**					**747,565,206**

(*) Land, lands and buildings are accounted for at fair value. Fair value is the estimated market value expected to arise as a result of the exchange of the asset under market conditions between a knowledgeable and willing buyer and seller at the valuation date. The valuation process was carried out by the appraisal company Uzman Gayrimenkul Değerleme A.Ş. and the "comparison and harmonization of peers" method was used as the basis for the determination of its value and the depreciation margin was deducted. The above-mentioned land and the fair value difference of 104,859,257 TL, which is the previous year-end fair value difference, and 51,250.958 TL, which is the previous year's fair value difference of the buildings, are reflected in the accompanying financial statements as a valuation increase.

(Amounts expressed in Turkish Lira (TL), unless otherwise stated.)

NOTE 11 - PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	1 January 2022	Additions	Disposals	Conversion differences	Revaluation	Transfers	31 December 2022
Cost							
Land (*)	38,704,540	952,247	-	-	29,753,249	-	69,410,036
Buildings (*)	14,050,138	-	-	-	13,518,465	-	27,568,603
Machinery and equipment	86,070,229	32,549,949	(13,851,615)	-	-	-	104,768,563
Motor vehicles	49,095,000	5,056,764	(86,664,576)	38,410,238	-	-	5,897,426
Fixtures and fittings	5,373,018	383,654	-	-	-	-	5,756,672
Construction in progress	10,745,696	35,300,424	(221,352)	-	-	-	45,824,768
	204,038,621						**259,226,068**
Accumulated depreciation (-)							
Buildings	1,010,943	281,003	-	-	1,029,586	-	2,321,532
Machinery and equipment	19,254,367	7,068,695	(1,368,942)	-	-	-	24,954,120
Motor vehicles	13,414,706	4,106,756	(17,944,569)	1,185,334	-	-	762,227
Fixtures and fittings	4,448,483	265,025	-	-	-	-	4,713,508
	38,128,499						**32,751,387**
Net Book Value	**165,910,122**						**226,474,681**

(*) Land, lands and buildings are accounted for at fair value. Fair value is the estimated market value expected to arise as a result of the exchange of the asset under market conditions between a knowledgeable and willing buyer and seller at the valuation date. TSKB Gayrimenkul Değerleme A.Ş., the valuation company authorized by the Capital Markets Board. and the "comparison and harmonization of peers" method was used as the basis for the determination of its value and the depreciation margin was deducted. The above-mentioned land and the fair value difference of 29.753.249 TL at the end of the previous year and 13.518.465 TL, which is the fair value difference of the buildings at the end of the previous year, are reflected in the accompanying financial statements as a value increase.

(Amounts expressed in Turkish Lira (TL), unless otherwise stated.)

NOTE 11 - PROPERTY, PLANT AND EQUIPMENT (CONT'D)

The depreciation period of property, plant and equipment are as follows:

	Useful life
Buildings	33-50 yıl
Machinery and equipment	2-16 yıl
Motor vehicles	2-20 yıl
Fixtures and fittings	3-24 yıl

NOTE 12 - INTANGIBLE ASSETS

	1 January 2021	**Additions**	**Disposals**	**31 December 2021**
Cost				
Rights	2,879,011	250,017	-	3,129,028
	2,879,011			**3,129,028**
Accumulated depreciation (-)				
Rights	861,803	195,148	-	1,056,951
	861,803			**1,056,951**
Net Book Value	**2,017,208**			**2,072,077**

	1 January 2021	**Additions**	**Disposals**	**31 December 2021**
Cost				
Rights	1,512,630	1,366,381	-	2,879,011
	1,512,630			**2,879,011**
Accumulated depreciation (-)				
Rights	710,007	151,796	-	861,803
	710,007			**861,803**
Net Book Value	**802,623**			**2,017,208**

(Amounts expressed in Turkish Lira (TL), unless otherwise stated.)

NOTE 12 - INTANGIBLE ASSETS (CONT'D)

The depreciation period of property, plant and equipment are as follows:

	Useful life
Rights	3 years

The breakdown of depreciation expenses for the period of tangible and intangible assets is as follows:

	1 January- 31 Decmeber 2022	**1 January- 31 December 2021**
Cost of good sold	13,821,855	10,803,095
Marketing, sales and distribution expenses (Note 18)	794,435	613,178
General and administrative expenses (Note 19)	240,735	457,002
Total	**14,857,025**	**11,873,275**

NOTE 13 - COMMITMENTS AND CONTINGENCIES

Guarantees-Pledge-Mortgages ("GPM")

As of 31 December 2022 and 2021, the table of the Company related to the position of guarantees/pledge/mortgage ("GPM") are as follows:

	31 December 2022	**31 December 2021**
A. GPM's given in the name of own legal personality	**828,930,071**	**1,170,804,246**
- Letters of guarantee given	*116,488,686*	*90,047,296*
- Mortgages	*564,248,540*	*216,268,250*
- Bails	*148,192,845*	*864,488,700*
B. GPM is partnership included in consolidation	-	-
C. GPM is conducted of ordinary business operation/ amount of collateral given to provide third party debts	-	-
D. Total amount of other guarantee given	-	-
i.Total amount of guarantees given in favor of the partner	-	-
ii. Total amount of letter of guarantee given in favor of group companies / non-inclusive 'B' 'C'	-	-
iii. Total amount of letter of guarantee given to third parties / non inclusive 'C'	-	-
Total	**828,930,071**	**1,170,804,246**

(Amounts expressed in Turkish Lira (TL), unless otherwise stated.)

NOTE 14 – EMPLOYEE BENEFITS

Current provisions for employee benefits

	31 December 2022	31 December 2021
Due to personnel	3,197,773	1,464,819
Social security premiums payable	1,565,698	677,734
Total	**4,763,471**	**2,142,553**

Other current provisions for employee benefits

	31 December 2022	31 December 2021
Litigation	103,867	137,767
Total	**103,867**	**137,767**

The movement of the provision for litigation during the year is as follows:

	1 January- 31 December 2022	1 January- 31 December 2021
Opening balance	137,767	284,521
Provisions during the year	(33,900)	(146,754)
Closing balance	**103,867**	**137,767**

Non-current provisions for employee benefits

	31 December 2022	31 December 2021
Provisions for retirement pay liability	5,315,671	2,219,379
Total	**5,315,671**	**2,219,379**

(Amounts expressed in Turkish Lira (TL), unless otherwise stated.)

NOTE 14 – EMPLOYEE BENEFITS (CONT'D)

Provision for severance pay

According to the Turkish Labor Law, the company is obliged to pay severance pay to each employee who completes at least one year of service and retires after 25 years of working life (aged 58 for women, 60 for men), terminated, called for military service or passed away.

Severance pay to be paid as of 31 December 2022 is subject to a monthly ceiling of 15.371,40 TL (31 December 2021 : 10,596.74 TL)

Severance pay liability is not legally subject to any funding. The provision for severance pay is calculated by estimating the present value of the Company's probable future liability amount arising from the retirement of the employees. TAS 19 Employee Benefits requires the company's liabilities to be developed using actuarial valuation methods within the scope of defined benefit plans. Accordingly, the actuarial assumptions used in the calculation of total liabilities are as follows:

The main assumption is that the maximum liability amount for each year of service will increase in line with inflation. Therefore, the discount rate applied represents the expected real rate after adjusting for the effects of future inflation. Therefore, provisions in the accompanying financial statements as of 31 December 2022 are calculated by estimating the present value of the future probable obligation arising from the retirement of the employees. . Provisions at the relevant reporting dates have been calculated using the real discount rate, which is approximately 3.60%, based on the assumptions of an annual inflation rate of 16.80% and an interest rate of 21%.

The maximum amount of 19.982.83 TL effective from 1 January 2023 has been taken into account in the calculation of the severance pay provision of the Company (1 January 2022: 10,848.59 TL).

The movement for retirement pay liability is as follows:

	1 January- 31 December 2022	**1 January- 31 December 2021**
Opening balance	2,219,379	1,849,050
Service cost	1,524,073	422,229
Interest cost	600,849	250,916
Annual payments	(718,443)	(508,742)
Actuarial gain/ loss	1,689,813	205,926
Closing balance	**5,315,671**	**2,219,379**

(Amounts expressed in Turkish Lira (TL), unless otherwise stated.)

NOTE 15 - OTHER ASSETS AND LIABILITIES

Other current assets

	31 December 2022	31 December 2021
Deffered VAT	590,118	4,753,901
Total	**590,118**	**4,753,901**

Other current liabilities

	31 December 2022	31 December 2021
Taxes and dues payable	2,188,427	3,361,491
Other liabilities	58,763	26,514
Total	**2,247,190**	**3,388,005**

NOTE 16 - SHAREHOLDER'S EQUITY

a) Share Capital

As at 31 December 2022 and 2021, the shareholding structure of the Company is as follows:

	31 December 2022		31 December 2021	
	Share rate (%)	Share amount (TL)	Share rate (%)	Share amount (TL)
Nersan Holding A.Ş.	37.7%	11,300,000	37.7%	11,300,000
Tuba Nergiz	4.3%	1,300,000	4.3%	1,300,000
Mehmet Nergiz	2.5%	761,593	2.5%	761,593
Burak Nergiz	1.0%	300,000	1.0%	300,000
Begüm Birben	1.0%	300,000	1.0%	300,000
Publicly offered capital shares	53.5%	16,038,407	53.5%	16,038,407
Paid in capital	**%100**	**30,000,000**	**%100**	**30,000,000**

b) Other accumulated comprehensive income and expenses that will not be reclassified to profit and loss:

	31 December 2022	31 December 2021
Property, plant and equipment revaluation increases	198,777,725	59,063,376
Actuarial loss/ (gain)	(2,242,045)	(890,195)
	196,535,680	**58,173,181**

(Amounts expressed in Turkish Lira (TL), unless otherwise stated.)

NOTE 16 - SHAREHOLDER'S EQUITY (CONT'D)

c) Reserves

	31 December 2022	31 December 2021
Legal reserves	1,610,806	1,610,806
Total	**1,610,806**	**1,610,806**

d) Other reserves

	31 December 2022	31 December 2021
Other capital reserves	62,746,488	62,746,488
Total	**62,746,488**	**62,746,488**

e) Premiums Related to Shares

	31 December 2022	31 December 2021
Premiums related to shares	13,845,901	13,845,901
Total	**13,845,901**	**13,845,901**

NOTE 17 - REVENUE AND COST OF SALES

The details of revenue and cost of sales are as follows:

	1 January- 31 December 2022	1 January- 31 December 2021
Domestic sales	313,925,022	118,913,873
Export sales	359,320,516	206,821,918
Other sales	2,841,146	1,009,277
Sales returns (-)	(4,075,589)	(1,545,751)
Sales discounts (-)	(276,092)	(1,266,001)
Net sales	**671,735,003**	**323,933,316**
Cost of product sold (-)	(520,470,136)	(250,795,675)
Cost of services sold (-)	(12,667,820)	(6,868,593)
Cost of sales (-)	**(533,137,956)**	**(257,664,268)**
Gross income/ (loss)	**138,597,047**	**66,269,048**

(Amounts expressed in Turkish Lira (TL), unless otherwise stated.)

NOTE 18 – GENERAL AND ADMINISTRATIVE EXPENSES

	1 January- 31 December 2022	1 January- 31 December 2021
Consulting expenses	(3,777,301)	(1,305,250)
Personnel and wage expenses	(3,240,204)	(2,479,900)
Representation, hospitality and travel expenses	(2,770,516)	-
Depreciation expenses	(794,435)	(613,178)
Insurance expenses	(597,179)	(358,016)
Transportation expenses	(331,826)	(492,530)
Announcement and advertising expenses	(327,037)	-
Maintenance and repair expenses	(273,732)	(172,327)
Office expenses	(795,096)	(678,768)
Taxes, duties and fees	(59,615)	(203,033)
Other expenses	(683,796)	(983,337)
Total	**(13,650,737)**	**(7,286,339)**

NOTE 19 – MARKETING, SALES AND DISTRIBUTION EXPENSES

	1 January- 31 December 2022	1 January- 31 December 2021
Shipping expenses	(17,276,648)	(6,308,978)
Announcement and advertising expenses	(6,623,775)	(2,065,080)
Export expenses	(1,088,573)	-
Fair expenses	(847,659)	(590,451)
Personnel expenses	(811,703)	(607,294)
Maintenance and repair expenses	(706,550)	(292,753)
Depreciation expenses	(240,735)	(457,002)
Representation, hospitality and travel expenses	(214,391)	-
Office expenses	(56,810)	(39,001)
Taxes, duties and fees	(723)	-
Transportation expenses	-	(17,942)
Other expenses	(196,496)	(521,342)
Total	**(28,064,063)**	**(10,899,843)**

(Amounts expressed in Turkish Lira (TL), unless otherwise stated.)

NOTE 20 - OTHER INCOME/ EXPENSES FROM OPERATING ACTIVITIES

The details of other income from operating activities are as follows:

	1 January-31 December 2022	**1 January-31 December 2021**
Foreign exchange gains arising from commercial transactions	210,489,254	142,761,112
Tax income	4,284,004	2,201,570
Rental income	1,037,900	634,900
Insurance damage income	249,015	-
Provisions for litigation	33,900	146,754
Rediscount interest income	-	679,504
Doubtful receivables that have no subject (Note 5)	-	503,259
Other income	56,855	1,881,274
Total	**216,150,928**	**148,808,373**

The details of other loss from operating activities are as follows:

	1 January-31 December 2022	**1 January-31 December 2021**
Foreign exchange losses arising from commercial transactions	(164,084,008)	(84,956,688)
Tax expenses	(6,436,442)	(172,439)
Provision expenses for doubtful receivables	(1,583,372)	-
Commission expenses	(450,583)	(947,570)
Rediscount interest expenses	-	(1,341,920)
Other expenses	(385,837)	(2,579,220)
Total	**(172,940,242)**	**(89,997,837)**

NOTE 21 – INCOME / EXPENSES FROM INVESTING ACTIVITIES

The details of other income from investing activities are as follows:

	1 January-31 December 2022	**1 January-31 December 2021**
Investment property valuation differences	11,855,270	-
Profits on sale of property, plant and equipment	8,152,004	8,385,494
Profit on sale of subsidiaries (*)	-	52,038,200
Total	**20,007,274**	**60,423,694**

(*) Pursuant to the resolution of the board of directors numbered 28.12.2021 / 20, the sales transactions of EURASIA INTERNATIONAL SHIPPING LTD, which is our 100% affiliate, have been started and it has been sold for the amount of USD 4.750.000 to be obtained from the sale.

(Amounts expressed in Turkish Lira (TL), unless otherwise stated.)

NOTE 22 - FINANCIAL INCOME/ EXPENSE

The details of income from financing activities are as follows:

	1 January- 31 December 2022	1 January- 31 December 2021
Foreign exchange difference income	128,240,363	46,612,492
Adat interest income	2,132,176	-
Time deposit interest income	74,990	284,899
Total	**130,447,529**	**46,897,391**

The details of expense from financing activities are as follows:

	1 January- 31 December 2022	1 January- 31 December 2021
Exchange difference expenses arising from bank loans	(210,849,506)	(127,347,860)
Credit interest expenses	(17,443,362)	(16,133,491)
Bank commission expenses	(6,878,745)	(982,419)
Letter of guarantee commission expenses	(1,036,532)	(482,065)
Other finance expenses	(607,950)	(250,916)
Total	**(236,816,095)**	**(145,196,751)**

(Amounts expressed in Turkish Lira (TL), unless otherwise stated.)

NOTE 23 - TAXES ON INCOME (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES)

Deferred tax assets/liabilities	**1 January- 31 December 2022**	**1 January- 31 December 2021**
Deferred tax assets	40,469,601	11,455,929
Deferred tax liabilities	(21,495,823)	(10,312,478)
Deferred tax assets, net	**18,973,778**	**1,143,451**

Reflected in the income statement	**1 January - 31 December 2022**	**1 January - 31 December 2021**
Current corporate tax	-	-
Deferred tax (income)/expense	33,016,181	7,137,868
Total	**33,016,181**	**7,137,868**

The company is subject to corporate tax valid in Turkey. Necessary provisions have been made in the accompanying financial statements for the estimated tax liabilities of the Company regarding the current period operating results.

The corporate tax rate to be accrued on taxable corporate income is calculated over the remaining tax base after deducting non-taxable incomes and investment allowances used, adding the non-deductible expenses from the tax base that is written as an expense in the determination of commercial income.

The effective tax rate applied in 2022 is 23% (2021: 25%).

The Law No. 7061 on the Amendment of Some Tax Laws and Some Other Laws was published in the Official Gazette dated 5 December 2017 and numbered 30261. With Article 89 of this Law, amendments are made to Article 5 of the Corporate Tax Law titled “Exceptions”. The first paragraph of the article; With subparagraph (a), the 75% exemption applied to the profits arising from the sale of the immovables in the assets of the institutions for two full years has been reduced to 50%. This regulation entered into force as of 5 December 2017.

Deferred taxes

The Company recognizes deferred tax assets and liabilities for temporary timing differences arising from the differences between its tax base legal financial statements and its financial statements prepared in accordance with TFRS. These differences are generally due to the fact that some income and expense items are included in different periods in tax base financial statements and financial statements prepared in accordance with TFRS, and these differences are stated below.

The tax rate used in the calculation of deferred tax assets and liabilities is 20% (2020: 23%).

(Amounts expressed in Turkish Lira (TL), unless otherwise stated.)

NOTE 23 - TAXES ON INCOME (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (CONT'D)

Deferred taxes (cont'd)

As of 31 December 2022 and 2021, cumulative temporary differences and deferred tax (assets)/ liabilities are as follows:

	Cumulative temporary differences		Deferred tax asset / (liability)	
	2022	**2021**	**2022**	**2021**
Depreciation adjustment	15,905,135	3,788,935	(3,181,027)	(871,455)
Capitalized expenses	(3,545,854)	(10,813,089)	709,171	2,107,512
Valuation adjustment	220,273,548	100,718,500	(21,495,823)	(2,014,370)
Provision for litigation	(103,867)	(137,767)	20,773	27,553
Accrual of expenses	(973,635)	-	194,727	-
Provision for doubtful receivables	(2,107,362)	(523,990)	421,472	104,798
Asset adjustment	(55,803,630)	20,247,723	11,160,726	174,668
Provision for severance pay	(5,315,671)	(2,219,379)	1,063,134	510,457
Investment incentive tax relief	15,946,733	-	15,946,733	-
Adjustments under law 7326	(67,858,123)	(67,858,123)	14,133,891	1,357,162
Other adjustments	-	1,264,374	-	(252,874)
Deferred tax assets, net			**18,973,777**	**1,143,451**

NOTE 24 - EARNING PER SHARE

Earnings per share declared in the income statement is determined by dividing net profit by the weighted average number of shares outstanding during the relevant period.

Companies can increase their capital by distributing shares to existing shareholders in proportion to their retained earnings ("Bonus Shares"). When calculating earnings per share, these bonus shares are counted as issued shares. Therefore, the weighted average number of shares used in the calculation of earnings per share is obtained by applying the issue of bonus shares retrospectively. Basic earnings per share are calculated by dividing net income by the weighted average number of ordinary shares issued. The nominal value of one share of the Company is 20.000 TL.

	1 January- 31 December 2022	**1 January- 31 December 2021**
Net (loss) for the financial year	85,861,578	76,155,604
Number of shares	30,000,000	30,000,000
(Loss) per share (TL)	**2.86**	**2.54**

(Amounts expressed in Turkish Lira (TL), unless otherwise stated.)

NOTE 25 - NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

a) Capital Risk Management

While trying to ensure the continuity of its activities in capital management, the company also aims to increase its resources by using the debt and equity balance in the most efficient way.

The capital structure of the Company consists of debts including the loans disclosed in Note 16, cash and cash equivalents, issued capital, legal reserves and retained earnings. The Company's Board of Directors evaluates the risks associated with each capital class along with the cost of capital. Based on the recommendations made by the board, the company aims to stabilize its capital structure by means of acquiring new debt or repaying the existing debt.

As of 31 December 2022 and 2021, the debt/equity ratio is as follows:

	31 December 2022	31 December 2021
Financial liabilities (Note 6)	611,384,431	228,823,676
Less: Cash and cash equivalents (Note 3)	(47,446,922)	(70,580,326)
Net debt	**563,937,509**	**158,243,350**
Total equity	471,102,909	245,992,588
Capital used	1,035,040,417	404,235,938
Net debt / capital ratio	**0.54**	**0.39**

a) Financial Risk Management

The Company is exposed to market risk (currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk due to its activities. The Company's risk management program generally focuses on minimizing the potential negative effects of uncertainty in financial markets on the Company's financial performance.

Risk management is carried out by a central finance department in line with the policies approved by the Board of Directors. Regarding risk policies, financial risk is defined and evaluated by the finance department of the Company, and tools are used to reduce risk by working with the Company's operation units. The company mainly uses long-term fixed rate investment loans. It is less affected by changing interest rates and mainly exports; Most of its revenues are in foreign currency. In addition, all exports have been insured by Eximbank, minimizing the risks that may arise

Credit risk management

The risk of financial loss to the Company due to the failure of one of the parties to the financial instrument to fulfill its contractual obligations is defined as credit risk. The financial instruments of the Company that may cause a significant concentration of credit risk mainly consist of cash and cash equivalents and trade receivables. The maximum credit risk that the Company may be exposed to is as much as the amounts reflected in the financial statements. The Company has cash and cash equivalents in various financial institutions. The Company manages the aforementioned risk by constantly evaluating the reliability of the financial institutions it is in contact with.

(Amounts expressed in Turkish Lira (TL), unless otherwise stated.)

NOTE 25 - NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (CONT'D)

a) Financial Risk Management (cont'd)

Credit risk management (cont'd)

As of 31 December 2022 and 2021, the Company's maximum exposure to credit risk is as follows:

31 December 2022	**Trade receivables**		**Other receivables**		**Deposit at banks**
	Related parties	**Other**	**Related parties**	**Other**	
Maximum credit risk exposures as of report date (A+B+C+D+E) (*)	**14,023,725**	**331,265,741**	**-**	**4,131,080**	**47,425,020**
- Secured part of maximum credit risk exposure via collateral etc.					
A. Net book value of the financial assets that are neither overdue nor impaired					
B. Carrying amount of financial assets that are renegotiated, otherwise classified as overdue or impaired	14,023,725	331,265,741	-	4,131,080	47,425,020
C. Net book value of financial assets that are overdue but not impaired	-	-	-	-	-
- Secured part via collateral etc.	-	-	-	-	-
D. Net book value of impaired financial assets	-	-	-	-	-
- Overdue (gross carrying amount)	-	-	-	-	-
- Impairment (-)	-	2,107,362	-	-	-
- Secured part via collateral etc.	-	(2,107,362)	-	-	-
- Unexpired (gross carrying amount)	-	-	-	-	-
- Impairment (-)	-	-	-	-	-
E. Off-balance sheet financial assets exposed to credit risk	-	-	-	-	-
Maximum credit risk exposures as of report date (A+B+C+D+E) (*)	-	-	-	-	-

(*) In determining the amount, warrant received, factors that increase credit reliability are not taken into consideration.

(Amounts expressed in Turkish Lira (TL), unless otherwise stated.)

NOTE 25 - NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (CONT'D)

a) Financial Risk Management (cont'd)

Credit risk management (cont'd)

31 December 2021	Trade receivables		Other receivables		Deposit at banks
	Related parties	Other	Related parties	Other	
Maximum credit risk exposures as of report date (A+B+C+D+E) (*)	**49,759,482**	**159,137,423**	**15,613,301**	**4,892,339**	**141,088,652**
- Secured part of maximum credit risk exposure via collateral etc.					
A. Net book value of the financial assets that are neither overdue nor impaired					
B. Carrying amount of financial assets that are renegotiated, otherwise classified as overdue or impaired	49,759,482	159,137,423	15,613,301	4,892,339	141,088,652
C. Net book value of financial assets that are overdue but not impaired	-	-	-	-	-
- Secured part via collateral etc.	-	-	-	-	-
D. Net book value of impaired financial assets	-	-	-	-	-
- Overdue (gross carrying amount)	-	-	-	-	-
- Impairment (-)	-	523,990	-	-	-
- Secured part via collateral etc.	-	(523,990)	-	-	-
- Unexpired (gross carrying amount)	-	-	-	-	-
- Impairment (-)	-	-	-	-	-
E. Off-balance sheet financial assets exposed to credit risk	-	-	-	-	-
Maximum credit risk exposures as of report date (A+B+C+D+E) (*)	-	-	-	-	-

(*) In determining the amount, warrant received, factors that increase credit reliability are not taken into consideration.

(Amounts expressed in Turkish Lira (TL), unless otherwise stated.)

NOTE 25 - NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (CONT'D)

a) Financial Risk Management (cont'd)

Liquidity risk management

The company's operations are primarily exposed to financial risks related to changes in foreign exchange rates and interest rates, as detailed below.

In the current year, there has been no change in the market risk of the company or the management and measurement methods of the risks exposed.

At 31 December 2022 and 2021 the non-deductible cash flows of the assets and their remaining maturities are presented in the table below:

31 December 2022

Contractual maturities	Book value	Total amount of cash out in accordance with the contract (I+II)	Between 3-12 months(I)	Between 1-15 years (II)
Non-derivative financial liabilities	**910,451,380**	**966,484,173**	**537,079,563**	**429,404,610**
Financial payables (Not 6)	611,384,431	667,417,224	238,012,614	429,404,610
Trade payables (Not 5)	299,066,949	299,066,949	299,066,949	-

31 December 2021

Contractual maturities	Book value	Total amount of cash out in accordance with the contract (I+II)	Between 3-12 months(I)	Between 1-15 years (II)
Non-derivative financial liabilities	**398,580,714**	**398,580,714**	**288,336,738**	**110,243,976**
Financial payables (Not 6)	228,823,676	228,823,676	118,579,700	110,243,976
Trade payables (Not 5)	169,757,038	169,757,038	169,757,038	-

(Amounts expressed in Turkish Lira (TL), unless otherwise stated.)

NOTE 25 - NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (CONT'D)

a) Financial Risk Management (cont'd)

Foreign currency risk management

31 December 2022

	USD	EUR	TL Equivalent
1. Trade receivables	750,000	15,405,139	321,123,629
2a. Monetary financial assets (cash and cash equivalents	1,996,118	130,599	39,927,501
included)	-	-	-
2b. Non-monetary financial assets	-	-	-
3. Other	-	664,270	13,242,165
4. Current assets (1+2+3)	**2,746,118**	**16,200,009**	**374,293,295**
5. Trade receivables	-	-	-
6a. Monetary financial assets	-	-	-
6b. Non-monetary financial assets	-	-	-
7. Other	-	-	-
8. Non-current assets (5+6+7)	**-**	**-**	**-**
9. Total assets (4+8)	**2,746,118**	**16,200,009**	**374,293,295**
10. Trade payables	88,029	1,755,364	36,639,005
11. Financial liabilities	-	7,288,335	145,292,228
12a. Other monetary liabilities	-	-	-
12b. Other non-monetary liabilities	-	-	-
13. Current liabilities (10+11+12)	**88,029**	**9,043,699**	**181,931,232**
14. Trade payables	-	-	-
15. Financial liabilities	-	17,873,494	356,306,316
16a. Other monetary liabilities	-	2,526,197	50,359,485
16b. Other non-monetary liabilities	-	-	-
17. Non-current liabilities (14+15+16)	-	20,399,691	406,665,801
18. Total liabilities (13+17)	**88,029**	**29,443,390**	**588,597,033**
19. Net asset/(liability) position of	-	-	-
derivatives (19a - 19b)	-	-	-
19a. Total amount of assets hedged	-	-	-
19b. Total amount of liabilities hedged	-	-	-
20. Net foreign currency assets / (liability)	**-**	**-**	**-**
position (9-18+19)	**2,658,089**	**(13,243,382)**	**(214,303,738)**
21. Monetary Items Net Foreign Currency Asset /			
(Liability)	**-**	**-**	**-**
Position (=1+2a+5+6a-10-11-12a-14-15-16a)	**2,658,089**	**(13,243,382)**	**(214,303,738)**
22. Financial	-	-	-
Total Fair Value of Instruments Used for Currency Hedge	-	-	-
23. Amount of hedged portion of foreign currency assets	-	-	-
24. Amount of hedged portion of foreign currency liabilities	-	-	-

(Amounts expressed in Turkish Lira (TL), unless otherwise stated.)

NOTE 25 - NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (CONT'D)

a) Financial Risk Management (cont'd)

Foreign currency risk management

31 December 2021

	USD	EUR	TL Equivalent
1. Trade receivables	2,771,934	8,539,190	165,775,306
2a. Monetary financial assets (cash and cash equivalents included)	580,000	4,151,265	70,359,710
	-	-	-
2b. Non-monetary financial assets	-	-	-
3. Other	-	1,223,754	18,462,409
4. Current assets (1+2+3)	**3,351,934**	**13,914,209**	**254,597,425**
5. Trade receivables	1,800,000	-	23,992,200
6a. Monetary financial assets	-	-	-
6b. Non-monetary financial assets	785,000	1,129,674	27,506,318
7. Other	-	-	-
8. Non-current assets (5+6+7)	**2,585,000**	**1,129,674**	**51,498,518**
9. Total assets (4+8)	**5,936,934**	**15,043,883**	**306,095,943**
10. Trade payables	892,519	7,505,440	125,354,276
11. Financial liabilities	425,720	6,340,593	101,515,728
12a. Other monetary liabilities	-	-	-
12b. Other non-monetary liabilities	-	-	-
13. Current liabilities (10+11+12)	**1,318,239**	**13,846,033**	**266,870,004**
14. Trade payables	-	-	-
15. Financial liabilities	-	6,493,310	98,139,238
16a. Other monetary liabilities	-	-	-
16b. Other non-monetary liabilities	-	-	-
17. Non-current liabilities (14+15+16)	**-**	**6,493,310**	**98,139,238**
18. Total liabilities (13+17)	**1,318,239**	**20,339,343**	**325,009,242**
19. Net asset/(liability) position of	-	-	-
derivatives (19a - 19b)	-	-	-
19a. Total amount of assets hedged	-	-	-
19b. Total amount of liabilities hedged	-	-	-
20. Net foreign currency assets / (liability) position (9-18+19)	**4,618,695**	**(5,295,460)**	**(18,913,299)**
21. Monetary Items Net Foreign Currency Asset / (Liability)	**-**	**-**	**-**
Position (=1+2a+5+6a-10-11-12a-14-15-16a)	**4,618,695**	**(5,295,460)**	**(18,913,299)**
22. Financial			-
Total Fair Value of Instruments Used for Currency Hedge	-	-	-
23. Amount of hedged portion of foreign currency assets	-	-	-
24. Amount of hedged portion of foreign currency liabilities	-	-	-

(Amounts expressed in Turkish Lira (TL), unless otherwise stated.)

NOTE 25 - NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (CONT'D)

a) Financial Risk Management (cont'd)

Foreign currency risk management

The Company is exposed to currency risk mainly in USD and EUR.

The table below shows the sensitivity of the Company to 10% increase or decrease in USD and EUR exchange rates. The 10% rate is the rate used when reporting the exchange rate risk within the Company to the senior managers, and this rate represents the possible change expected by the management in the exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items at year-end and shows the effects of 10% change in foreign currency rates at the end of the year. This analysis includes foreign-sourced loans as well as non-functional currency loans of borrowers and beneficiaries used for foreign operations within the Company. positive value.

Exchange Rate Sensitivity Analysis Table

31 December 2022		
	Profit/(Loss)	
	Appreciation of foreign currency	Depreciation of foreign currency
Appreciation of USD against TL by 20%:		
1- USD denominated net assets/liabilities	9,940,350	(9,940,350)
2- USD hedged portion (-)		
3- Net effect of USD	**9,940,350**	**(9,940,350)**
Appreciation of EUR against TL by 20%:		
4- EUR denominated net assets/liabilities	(52,801,098)	52,801,098
5- EUR hedged portion (-)		
6- Net effect of EUR	**(52,801,098)**	**52,801,098**
Total	**(42,860,748)**	**42,860,748**

(Amounts expressed in Turkish Lira (TL), unless otherwise stated.)

NOTE 25 - NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (CONT'D)

a) Financial Risk Management (cont'd)

Foreign currency risk management

Exchange Rate Sensitivity Analysis Table

31 December 2021		
	Profit/(Loss)	
	Appreciation of foreign currency	Depreciation of foreign currency
Appreciation of USD against TL by 20%:		
1- USD denominated net assets/liabilities	6,156,259	(6,156,259)
2- USD hedged portion (-)		
3- Net effect of USD	**6,156,259**	**(6,156,259)**
Appreciation of EUR against TL by 20%:		
4- EUR denominated net assets/liabilities	(7,989,102)	7,989,102
5- EUR hedged portion (-)	-	-
6- Net effect of EUR	**(7,989,102)**	**7,989,102**
Total	**(1,832,843)**	**1,832,843**

Interest rate risk

None.

NOTE 26 - FEES FOR SERVICES RECEIVED FROM THE INDEPENDENT AUDITOR'S

The fees related to the services received by the Company from the Independent Audit Firm (BDK) for the periods 1 January - 31 December 2022 and 1 January - 31 December 2021 are as follows:

	2022	**2021**
	BDK	BDK
Independent audit fee for the reporting period	65,000	45,000
Fees for tax consultancy services	-	-
Fees for other assurance services	-	-
Fees for independent non-audit services	5,000	-
	70,000	**45,000**

NOTE 27 - SUBSEQUENT EVENTS

As of 31 December 2022, 21,076,738 TL investments have been made within the scope of investment incentive certificate received for investments of 153,422.638 TL, and the amount of tax advantage to be provided in the future has been calculated as 35,776.381 TL.