



Pioneer of Smart Agriculture



HEKTAŞ
TİCARET
TÜRK A.Ş.

2022

ANNUAL
REPORT

(CONVENIENCE TRANSLATION OF INDEPENDENT AUDITOR'S REPORT ON THE MANAGEMENT'S ANNUAL REPORT ORIGINALLY ISSUED IN TURKISH)

INDEPENDENT AUDITOR'S REPORT ON THE MANAGEMENT'S ANNUAL REPORT

To the General Assembly of
Hektaş Ticaret Türk Anonim Şirketi

1) Opinion

As we have audited the full set consolidated financial statements of Hektaş Ticaret Türk Anonim Şirketi ("the Company") and its subsidiaries ("the Group") for the period between 01/01/2022–31/12/2022, we have also audited the annual report for the same period.

In our opinion, the consolidated financial information provided in the Management's annual report and the Management's discussions on the Group's financial performance, are fairly presented in all material respects, and are consistent with the full set audited consolidated financial statements and the information obtained from our audit.

2) Basis for Opinion

We conducted our audit in accordance with the standards on auditing issued by Capital Markets Board and the Standards on Independent Auditing ("SIA") which is a part of Turkish Auditing Standards published by the Public Oversight Accounting and Auditing Standards Authority ("POA"). Our responsibility is disclosed under *Responsibilities of the Independent Auditor on the Independent Audit of the Annual Report* in detail. We declare that we are independent from the Group in accordance with the *Code of Ethics for Independent Auditors* ("Code of Ethics") issued by POA and ethical provisions stated in the regulation of audit. We have fulfilled other responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

3) Auditor's Opinion for the Full Set Consolidated Financial Statements

We have presented unqualified opinion for the Group's full set consolidated financial statements for the period between 01/01/2022–31/12/2022 in our Auditor's Report dated 15 February 2023.

4) Management's Responsibility for the Annual Report

The Group's Management is responsible for the following in accordance with Article 514 and 516 of the Turkish Commercial Code No. 6102 ("TCC") and "Communiqué on Principles of Financial Reporting in Capital Markets" with No.14 I of the Capital Markets Board ("the Communiqué"):

- a) Preparing the annual report within the three months following the reporting date and presenting it to the General Assembly,
- b) Preparing the annual report with the all respects of the Group's flow of operations for that year and the Group's consolidated financial performance accurately, completely, directly and fairly. In this report, the consolidated financial position is assessed in accordance with the consolidated financial statements. The Group's development and risks that the Group may probably face are also pointed out in this report. The Board of Director's evaluation on those matters are also stated in this report.
- c) The annual report also includes the matters stated below:
 - The significant events occurred in the Group's activities subsequent to the financial year ends,
 - The Group's research and development activities,
 - The compensation paid to key management personnel and members of Board of Directors including financial benefits such as salaries, bonuses and premiums, allowances, travelling, accommodation and representation expenses, in cash and kind facilities, insurances and other similar guarantees.

The Board of Directors also considers the secondary regulations prepared by the Ministry of Trade and related institutions while preparing the annual report

5) Responsibilities of the Independent Auditor on the Independent Audit of the Annual Report

Our aim is to express an opinion and prepare a report about whether the Management's discussions and consolidated financial information in the annual report within the scope of the provisions of the TCC and the Communiqué are fairly presented and consistent with the information obtained from our audit.

We conducted our audit in accordance with the standards on auditing issued by Capital Markets Board and the SEA. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Management's discussions on the Group's financial performance, are fairly presented in all material respects, and are consistent with the full set audited consolidated financial statements and the information obtained from our audit.

The engagement partner on the audit resulting in this independent auditor's report is Volkan Becerik

ORT BAĞIMSIZ DENETİM VE SERBEST MUHASEBECİ MALİ MÜŞAVİRLİK A.Ş.
Member of **DELOITTE TOUCHE TOHMATSU LIMITED**

Volkan Becerik
Partner

İstanbul, 15 February 2023



16 HEKTAŞ Ticaret Türk A.Ş.
Message from the Board Chairman

With the investments and projects planned, we will take firm steps towards transforming HEKTAŞ into a global company, help our farmers to grow, and contribute to the country's economic development with our full strength.



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Inspired by our motto "Pioneer of Smart Agriculture", we have developed innovative products and services and also took firm steps towards our goal of becoming a global agriculture company with the global investments that we have made.

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Independent Audit Report



***“The foundation of national economy is agriculture.”
Mustafa Kemal Atatürk***

From seeds to the future

We sowed the seeds of fertility in our country’s soil 66 years ago. We have sprouted, grown and crossed borders in the light of the values we have adopted from the past to the present. We have adapted to the globalizing world, focusing on agriculture and technology, that is, our future.

We diversify our products and services in line with the expectations of our hardworking producers and implement sustainable and technology-based agricultural practices that respect all living things and nature. We support our producers by restoring the power we obtain from the lands of our country back to our lands and reap the fruits of this labor together.

On the journey we set out on with the motto “the Pioneer of Smart Agriculture”, we are proud to be the agricultural sector’s solution partner that will shape the present and future of our country with our knowledge and innovative products in the fields of plant protection, plant nutrition, seed and animal health.

We take advantage of organic and inorganic growth opportunities

As HEKTAŞ, we work for a sustainable future and contribute value to the agriculture and life through an earnest performance. We are proud to either lead or act as one of the biggest players in the fields where we are active today. We focus particularly on taking advantage of inorganic and organic growth opportunities and expanding our portfolio in the agriculture, food and livestock ecosystem in the last ten years, as well as the coming period. We are determined to convey our achievements in our fields of activity to the future through our investments.



**Strategic
Company
Acquisition**

We cross borders for the world's future

We seize opportunities in line with our future vision and sustainable growth strategy and aim to increase our export and production value by expanding to foreign markets. We aim to create value for both the sector and our country, while expanding our area of impact and be closer to the markets of all Turkic States thanks to our investment in Uzbekistan.





**New Business
Relations**

We add value to agriculture through R&D studies

Agriculture is facing various risks due to many reasons such as the climate, immigration and diseases. We are one of the companies allocating largest resources for R&D activities based on our belief “safeguarding agriculture means safeguarding the future”. Our Agricultural Innovation, Training and Experience Center is a base for boosting agricultural productivity by means of digitalized processes on a 607-decare area. On the other hand, Areo Tohumculuk and Agriventis Technologies continue to share the agriculture of the future through many firsts such as drought-resistant seeds.



**Full Equipped
R&D Centers**



We increase productivity through innovative projects

With Areo Tohumculuk, our company operating in the field of seeds, we develop seeds with high productivity potential that are compatible with all kinds of soil and resistant to weather conditions.





**2022
Finished
R&D Projects
10**

We expand the scope in animal health

Following the significant investments we made in the field of animal health, we are taking a strategic step regarding the pet food market as well. We are also involved in significant investments and collaborations in the pet food and pet care products market, which is growing on a daily basis in the world. We aim to increase our share in the domestic and foreign market in this area, through our facility in Balıkesir.



**Pet Food
Production
Capacity
50 thousand
tons**



We expand our customer portfolio with our innovative face

We acquired Ferbis, which is engaged in the production and marketing of plant protection products, in order to reach price-oriented domestic and foreign markets while diversifying our customer portfolio. We have been delivering accessible plant protection solutions to producers through Ferbis since 2017, with our motto “Innovative Face of Productive Agriculture”. Through our R&D activities, we offer effective solutions to the changing expectations and needs that result from climatic conditions and provide technical support to our producers and customers.



**Hektaş
Customer Club
Members
691**

HEKTAŞ Ticaret Türk A.Ş. Message from the Chairman of the Board

Visionary activities based on productivity in agriculture

We will continue to support our farmers, and contribute to the country's economic development with our full strength.



128.6

million tons

Crop Production

9.1%

Increase in Crop Production

Our Esteemed Shareholders, Employees, and Business Partners;

Although the effects of the global Covid-19 pandemic have vanished, 2022 was an economically and financially challenging year all around the world. Disruptions in international trade resulting from the outbreak of the Russia-Ukraine crisis during the first quarter of the year had a negative impact on the post-pandemic recovery process, while the sharp increase in energy costs and fluctuations in raw material prices also affected the pricing of agricultural products.

The agricultural sector, which holds an important place in the Turkish economy and continues to make a great contribution to production, employment and foreign trade, has maintained its stable development despite such global challenges, energy costs, and problems with access to food. The agricultural sector represents 6.6 percent of the Gross Domestic Product in Turkey, and according to the data for the first 9 months of 2022, the total crop production increased by 9.1 percent compared to the same period of previous year, rising from 117.9 million tons to 128.6 million tons. Although there were some negative developments due to the increased geopolitical risks and the associated restrictions imposed by certain countries on export of food products,

agricultural exports increased by 15.3 percent compared to the previous year and reached USD 34 billion 246 million (according to the data from the Turkish Exporters Assembly), breaking the all-time record of the agricultural sector. When we consider that Turkey is located in a region with an agricultural trade volume of approximately USD 1.9 trillion, it is clear that there is still so much more to be done.

Today, in the light of OYAK's corporate culture and vision, we have become a partner of the "Agriculture 4.0" transformation in Turkey with the R&D and innovation investments that HEKTAŞ has made for our producers, our country's agricultural sector and all of our stakeholders. We are focused on achieving export-driven growth by utilizing organic and inorganic growth opportunities. Therefore, it could be said that we took important steps in 2022 towards our goals. We took steps to establish a new production facility, that is similar to HEKTAŞ' existing facility in size, in Uzbekistan due to its strategic location and position right at the center of our target markets.

In addition to our export-driven investments, we are shaping our future strategy according to Agriculture 5.0. With HEKTAŞ, we are developing projects for both present and the future, and we are steering the agricultural sector through this vision. With the investments and projects planned to be undertaken during 2023, we will take firm steps towards transforming HEKTAŞ into a global company, help our farmers to grow, and contribute to the country's economic development with our full strength.

I would like to express my gratitude to our employees who supported us throughout this journey, our manufacturers who trust us and enable us to be the leader of the agricultural sector as well as our valuable business partners and suppliers for their support.

MUSA LEVENT ORTAKÇIER
Chairman of the Board

HEKTAŞ Ticaret Türk A.Ş. Message from the General Manager

Goal of becoming a global agriculture company

We took firm steps towards our goal of becoming a global agriculture company with the global investments that we have made.



Our Valued Business Partners, My Dear HEKTAŞ Family;

As a well-established and strong company operating in the agricultural sector for 66 years, we have maintained our steady growth in 2022 too through investments made in line with the vision and strategies set out by OYAK and continued to create value for Turkey's agriculture and economy.

Inspired by our motto "Pioneer of Smart Agriculture", we have developed innovative products and services and also took firm steps towards our goal of becoming a global agriculture company with the global investments that we have made.

We began working on establishing a manufacturing facility in Uzbekistan to produce plant nutrition and crop protection products. This investment in Uzbekistan means that we will gain the opportunity to export a significant amount of products to the Turkic Republics in the near future. Furthermore, we signed memoranda of understanding with Fauji Foundation, Pakistan's army charity organization, and the Malaysia-based company Boustead Holdings Berhad to collaborate with them in the fields of sustainable food, agriculture and technology.

With HEKTAŞ and its subsidiaries, we are introducing the latest practices and technologies in the world into the agricultural sector, just like we do in other operating sectors of the OYAK Group Companies.

We are actively working in many different areas, from production of domestic seeds and organomineral fertilizers to smart agriculture technologies, which all contribute to further development of the agricultural sector. In order to pass on the information and know-how gained in these areas, we are providing practical training to local farmers at our Agricultural Innovation, Training and Experience Center located in Bursa Orhangazi -Turkey's leading center and one of the top centers in the world in the field of agricultural R&D.

This center was visited more than 5 thousand producers and dealers in 2022. And during 2023, we will have many new divisions, such as the IoT artificial intelligence laboratory, the high-tech biopesticide production center, and the technological and sustainable agricultural production complex, starting their operations at the center. It will also be the home base of the "HEKTAŞ Traceable Safe Food Project".

As part of the "Agricultural Efficiency Movement" project which we launched last year, about 50 agricultural engineers provide technical support to farmers throughout Turkey on how to improve their productivity through sustainable agricultural practices. Besides creating a database on a national scale with the data collected via the project, we also plan to create a "Crop Map of Turkey". To date, we have visited approximately 18 thousand producers in 400 districts across 66 provinces, and recorded approximately 4.5 million decares of production area.

With the "Time to Be Together with Soil Again" project launched to rehabilitate the Yavrudoğan neighborhood located in Manavgat, Antalya which took damage during the forest fires in 2021, we helped producers in the neighborhood to increase their productivity by nearly 40 percent. This project, which was designed with ecological and agricultural rehabilitation of the soil in mind, was awarded with the "Green Transformation" prize at the social responsibility award program "A Common Future" organized by the Turkish Confederation of Employer Associations (TİSK).

Following the acquisition of Areo Tohumculuk in 2019, we accelerated our operations in the field of domestic seeds. From 2020 to 2022, We had a total of seventeen varieties in the field and vegetable groups registered. Nine varieties in the vegetable group and six varieties in the field group were registered and introduced into production in October 2022 alone. We are planning to start commercial sales of these varieties during the next year. Areo Tohumculuk's new local cotton seeds named "Volkan" and "Selçuk Bey", which were introduced to producers in October last year, have stood out and attracted great interest from producers as they offer a high yield potential, can thrive in all kinds of soils, and are suited to mechanical harvesting. Crop planting was carried out in Adana to produce 25 tons of each of Gazi 38 and Süngü seeds, our bread wheat varieties.

The machinery installation work for the pet food production facility, which we started to establish in 2021 to become a prominent national and global actor in the rapidly growing pet food industry, is nearing completion. We are planning to start mass production following completion of the configuration of dosing machinery and trial production during the first quarter of 2023. With our Group company Satem Grup Gıda Dağıtım ve Pazarlama A.Ş., which serves 102,850 points in the field of sales and distribution, we will make a quick entry into the market channel covering 35 percent of the entire market.

All of our activities in 2022 had a positive impact on our financial results. While our sales revenues grew by 159% compared to 2021, our gross profit increased to TL 2.1 billion. Our turnover and EBITDA increased by 159% and 223%, respectively. Our net profit increased by 152% compared to the previous year, reaching TL 789 million.

I am confident that we will achieve even more impressive results in the next period. I would like to take this opportunity to thank the esteemed members of our Board of Directors, including especially members of OYAK management, and all of our employees, who represent our company in the best way possible both in Turkey and abroad and add value to the HEKTAŞ brand with their devoted work, our producers who believe in us, as well as our valued business partners.

HAKKI ZAFER TERZİOĞLU
General Manager



HEKTAŞ

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Financial Indicators

Sustainable financial growth with operational success

Having continued its high performance for the last 5 years in 2022 as well, HEKTAŞ increased its revenue by 159 percent compared to the same period of the previous year, reaching 5.2 billion TL.

Financial Ratios	31.12.2020	31.12.2021	%Change (2020- 2021)	31.12.2022	%Change (2021- 2022)
Asset Size	2,177,572,905	4,730,801,511	117%	12,225,620,635	158%
Equity	803,551,540	1,446,574,215	80%	3,488,707,507	141%
Turnover	1,013,719,129	2,020,718,336	99%	5,237,435,134	159%
EBITDA (Operating Profit + Depreciation)	254,933,853	470,417,492	85%	1,518,487,044	223%
EBITDA Margin	25%	23%		29%	
Net Profit	176,886,841	313,274,515	77%	789,048,260	152%
Net Profit Margin	17%	16%		15%	
Gross Profit	351,313,603	708,324,969	102%	2,100,689,394	197%
Gross Profit Margin	35%	35%		40%	
Net Working Capital	311,177,898	169,604,621	-45%	622,713,504	267%
Total Return on Equity	22%	22%		23%	
Return on Assets	8%	7%		6%	



Revenue

5.24 Billion TL

With continuous investments, HEKTAŞ

realized 5,237,435,134 TL revenue in 2022.

2021 2.0 billion TL 159% Increase 2022 5,2 billion TL

EBITDA

1.52 Billion TL



Distinguishing with innovative projects,

HEKTAŞ realized 1,518,487,044 TL EBITDA in 2022.

2021 470 million TL 223% Increase 2022 1.5 billion TL



EBITDA Margin

29%

The EBITDA margin of 2022 increased by 6 base points, reaching 29%.



Equity

141% Increase

Hektaş's total equity for 2022 has been realized as 3,488,707,507 TL.

Net Profit

789 Million TL



With its sustainable growth targets, HEKTAŞ

reached a net profit of 789,048,260 TL in 2022.

2021 313 million TL 152% Increase 2022 789 million TL

Financial Indicators

Contributing to the country's economy by continuing its global journey at full speed, HEKTAŞ realized an investment of 1.23 billion TL as of 2022.

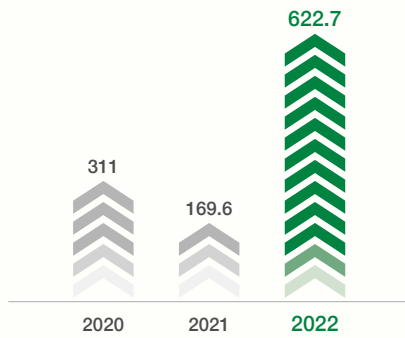
Summarized Income Statement (TL)	31.12.2020	31.12.2021	%Change (2020- 2021)	31.12.2022	%Change (2021- 2022)
Revenue	1,013,719,129	2,020,718,336	99%	5,237,435,134	159%
Cost of Sales (-)	-662,405,526	-1,312,393,367	98%	-3,136,745,740	139%
Gross Profit/ Loss	351,313,603	708,324,969	102%	2,100,689,394	197%
Operating Exp. (Marketing Distribution, General Management, R&D)	-119,597,882	-210,186,340	76%	-518,465,198	147%
Other Activities (Incomes/Expenses)	-4,147,487	-80,823,910	1,849%	-163,277,181	102%
Main Operating Profit /(Loss)	227,568,234	417,314,719	83%	1,418,947,015	240%
Incomes/Expenses from Investment activities	1,593,035	2,397,686	51%	6,582,623	175%
Operating Profit (Loss) Before Financing Expenses	229,161,269	419,712,405	83%	1,425,529,638	240%
Financing Incomes / Expenses	-82,247,381	-98,484,899	20%	-880,844,095	794%
Profit/ Loss from Continuing Operations Before Tax	146,913,888	321,227,506	119%	544,685,543	70%
Tax Income/Expense from Continuing Operations	29,972,953	-7,952,991	-127%	244,362,717	-3,173%
Profit/ Loss of the Period	176,886,841	313,274,515	77%	789,048,260	152%

Summarized Balance Sheet (TL)	31.12.2020	31.12.2021	%Change (2020- 2021)	31.12.2022	%Change (2021- 2022)
Assets					
Current Assets	1,476,566,657	3,282,552,383	122%	8,986,751,110	174%
Non-Current Assets	701,006,248	1,448,249,128	107%	3,238,869,525	124%
Total Assets	2,177,572,905	4,730,801,511	117%	12,225,620,635	158%
Liabilities					
Short-Term Liabilities	1,165,388,759	3,112,947,762	167%	8,364,037,606	169%
Long-Term Liabilities	208,632,606	171,279,534	-18%	372,875,522	118%
Equity	803,551,540	1,446,574,215	80%	3,488,707,507	141%
Total Liabilities	2,177,572,905	4,730,801,511	117%	12,225,620,635	158%



Net Working Capital (Million TL)

267%

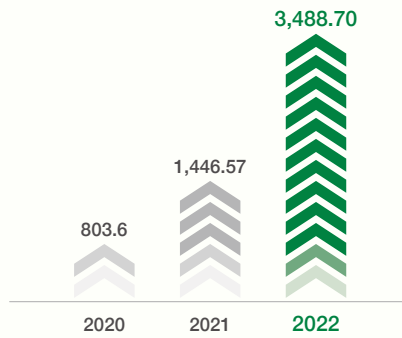


The Company's net working capital for 2022 has increased by 267% compared to the previous year, reaching 622,713,504 TL. (2021: 169,604,621 TL)



Equity (Million TL)

141%

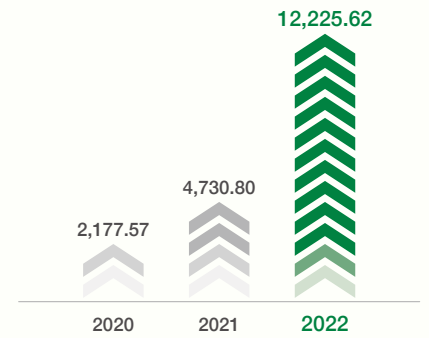


The Company's total equity for 2022 has increased by 141% compared to the previous year, reaching 3,488,707,507 TL. (2021: 1,446,574,215 TL)



Total Assets (Million TL)

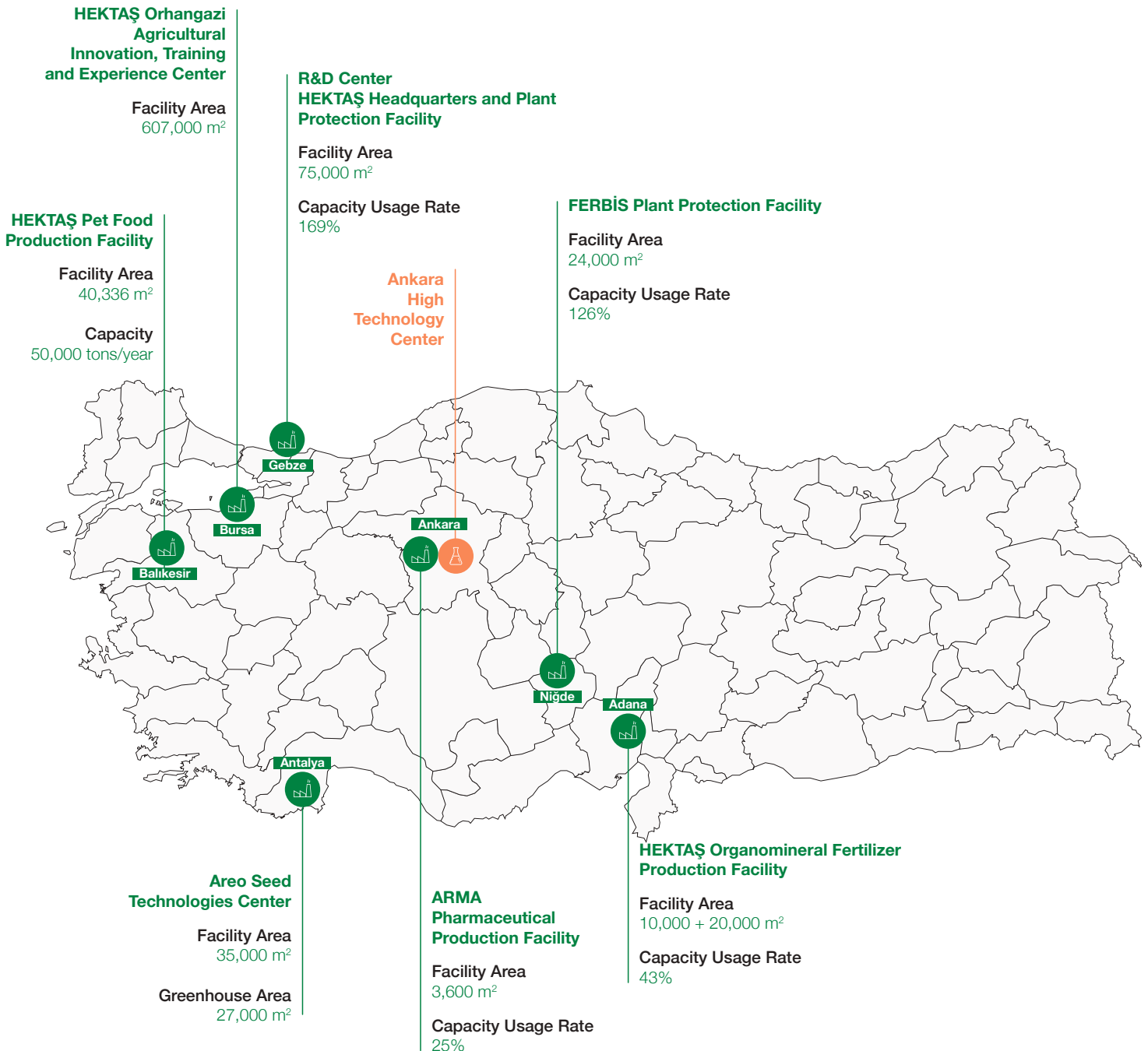
158%



The Company's total assets for 2022 have increased by 158% compared to the previous year, reaching 12,225,620,635 TL. (2021: 4,730,801,511 TL)

Operation Map

A global adventure with domestic production and domestic capital



HEKTAŞ who is pioneer to Turkish agriculture with domestic production and domestic capital, is still continuing with strategic company acquired.





Our Vision and Mission

Our vision _____

is to be a dynamic company that is preferred in line with customer needs by playing a role in all areas that create added value for the agriculture sector.

Our mission _____

is to provide the highest benefit to the agricultural sector with sustainable growth, and to create added value for our partners, society and producers.

About Us

Pioneering to strengthen national agriculture

HEKTAŞ offers products that are respectful to people, the environment and nature, and suitable for sustainable agricultural practices, in line with the needs and expectations of producers.

Being one of the most established companies in the agricultural sector with its 66 years of experience, HEKTAŞ has carried its journey that started in Adana to the global arena with the vision of becoming a world brand. HEKTAŞ, which is one of the biggest solution partners of the agriculture sector in agricultural production and carries out works that make a difference every year with the motto of "Pioneer of Smart Agriculture", produces, sells and markets plant protection, plant nutrition, seeds, and animal health care products.

Spending utmost efforts to strengthen national agriculture in the light of R&D studies, HEKTAŞ shapes the future of country agriculture with its internationally accepted certificates and standards, modern production facilities, production capacity and capabilities, robust infrastructure, logistics and technical service.

OYAK, one of the largest and most powerful industrial groups in Turkey, became one of the shareholders of HEKTAŞ in 1963 and became the largest shareholder in 1981 with a 53.82% share in the company. OYAK has 58.82% shareholding in HEKTAŞ as of 2022. After the participation of OYAK as shareholder, HEKTAŞ went public in 1981. In 1986, its shares began to be traded on the Borsa Istanbul.

The product portfolio of the company contains more than 400 plant protection and plant nutrition products as well as animal health products, in line with our country's ecological structure and product variety. While developing its current product range, HEKTAŞ offers products that are respectful to people, the environment and nature, and suitable for sustainable agricultural practices, in line with the needs and expectations of

66

years of experience in the agricultural sector

Spending utmost efforts to strengthen national agriculture in the light of R&D studies, HEKTAŞ shapes the future of country agriculture.

producers. Thus, it is the leading company with the widest product range in its sector. HEKTAŞ markets its products through 6 Regional Directorates and around 1500 distribution points

HEKTAŞ also establishes strategic partnerships with global companies. It contributes products that will benefit producers to the market with the assurance of HEKTAŞ.

"HEKTAŞ Agricultural Innovation, Education and Experience Center", which was established on an area of 607 decares in Orhangazi district of Bursa province, is among the few projects in the world in terms of its scope and content. The company focuses on contributing to the future of not only Turkey's but also the world's agriculture by assuming a role that brings together all agricultural stakeholders through the facility, which includes approximately 320 different varieties of 40 species, including medicinal and aromatic plants, in the smart greenhouses in the facility, which was implemented based on detailed forecasts with the agricultural developments in mind, products are produced in accordance with the Traceable Safe Food Platform (blockchain) concept. In the facility, which was established in order to enable Turkish farmers to learn by experiencing innovative, technology and efficiency-oriented agricultural practices, various trainings specific to the crops produced by them were delivered to more than 5 thousand producers.

HEKTAŞ elevates its growth momentum with sustainable, efficient production, technology-oriented efforts, strategic investments and company acquisitions.

Business Lines



Plant Protection



Plant Nutrition



Seed



Animal Health



Pet Food

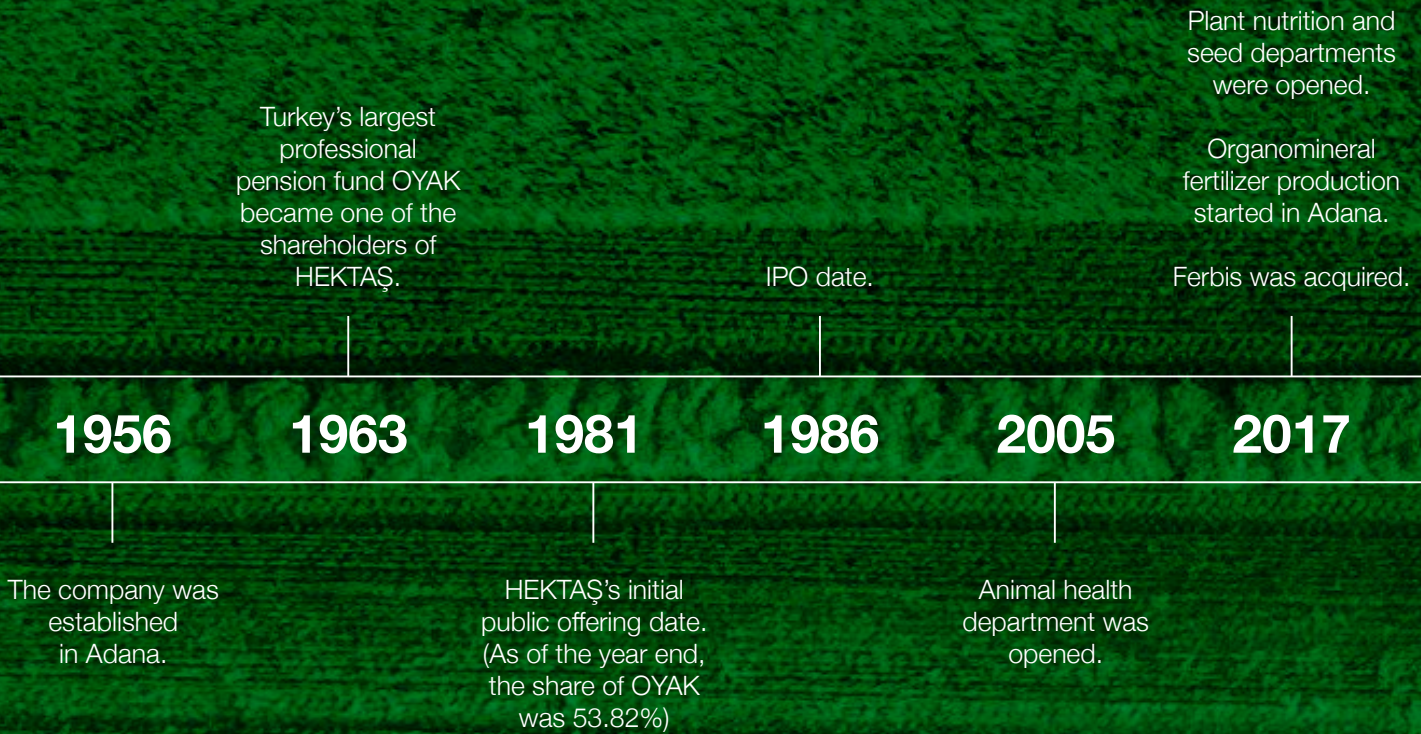
Corporate Information

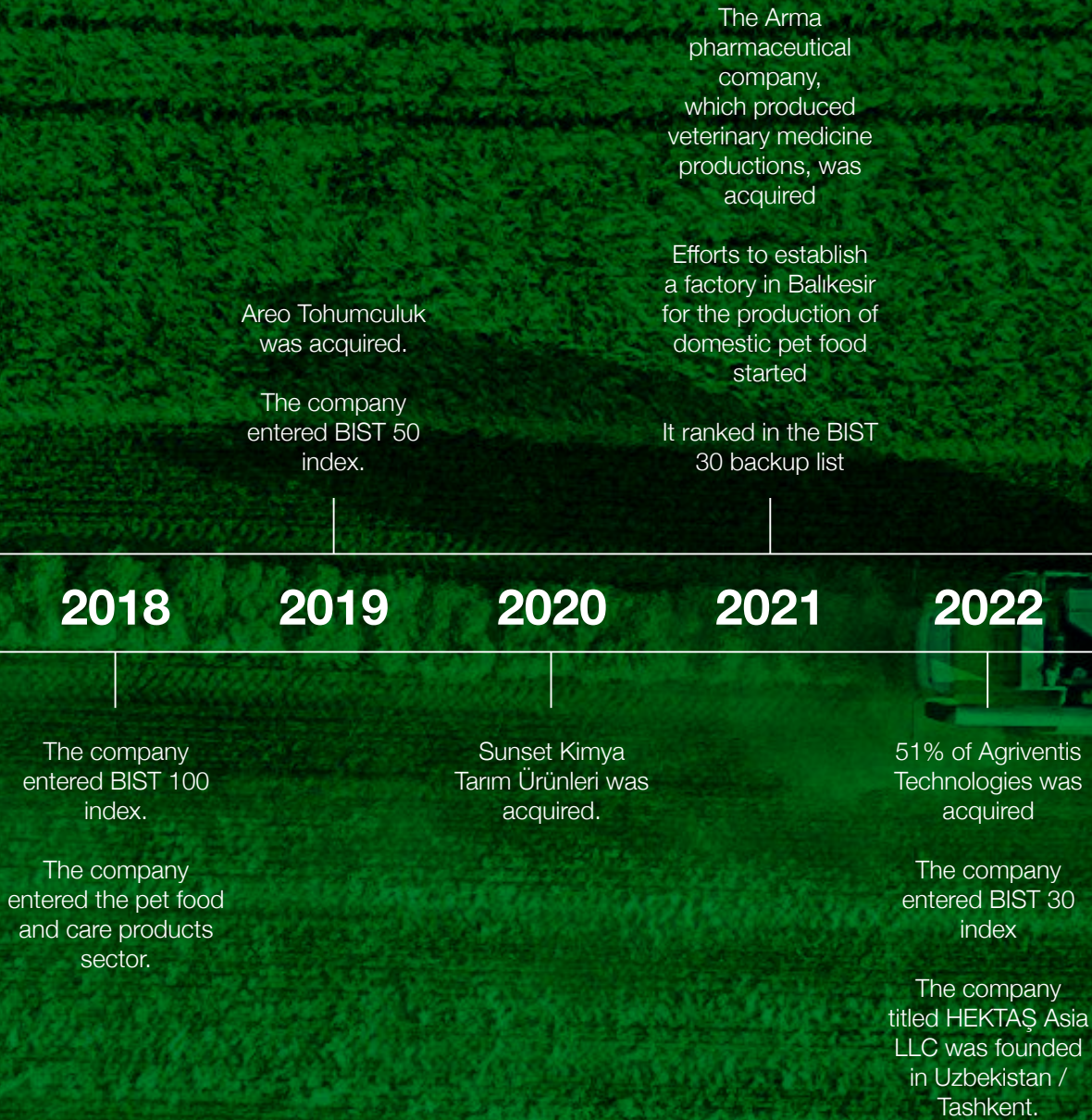
Trade Name	HEKTAŞ TİCARET TÜRK ANONİM ŞİRKETİ
Incorporation Date	1956
Field of Activity	Production, import and marketing of agricultural and veterinary medicines
Headquarters Address	Gebze Organize Sanayi Bölgesi 700. Sokak No:711 41480 Gebze/Kocaeli
Web Address	www.hektas.com.tr
E-Mail	info@hektas.com.tr
Telephone	262 751 1412
Fax	262 751 3717
Addresses of Production Facilities	
HEKTAŞ/Gebze Plant Protection Facility	Gebze Organize Sanayi Bölgesi 700. Sokak No:711 41480 Gebze/Kocaeli
HEKTAŞ/ Adana Organomineral Fertilizer Production Facility	Acidere OSB Mahallesi 5 Ocak Caddesi No:6 Sarıçam / Adana
FERBİS / Niğde Plant Protection Facility	Organize Sanayi Bölgesi Mah. 2 B No'lu Yol Cad. 2 Bor / Niğde
ARMA İLAÇ /Ankara Veterinary Medicines Production Facility	Malıköy Başkent O.S.B. Mahallesi, Atatürk Bulvarı, No: 69 P.K. 06909, Sincan/ANKARA
Tax Office / No	İlyasbey / 4610015898
Trade Registry Directorate / No	Gebze Trade Registry Directorate/ 6535-10921
Mersis No	461001589800013
Paid-In Capital	TL 2,530,000,000
Authorized Capital Cap	TL 3,000,000,000
Independent Auditor	DRT Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.

Milestones

Innovative steps taken with 66 years of robust tradition

Established in Adana in 1956, HEKTAŞ continues its domestic and international investments as of the end of 2022.





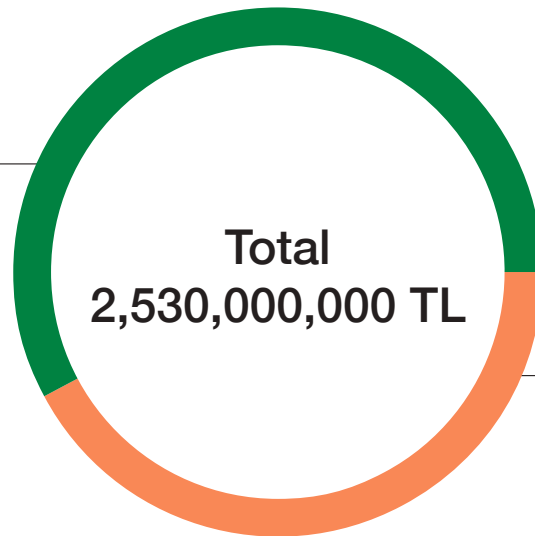
Shareholding Structure

Innovative steps taken with a strong shareholding structure

OYAK, one of Turkey's largest industrial groups with more than 140 companies operating under its umbrella in 6 continents, and approximately 37,000 employees, is the largest shareholder of HEKTAŞ with 58.82% of the shares.

Shareholders	Share Amount (TL)	% Share
Turkish Armed Forces Pension Fund (OYAK)	1,488,119,640.20	58.82
Other	1,041,880,359.80	41.18
Grand Total	2,530,000,000.00	100.00

Turkish Armed Forces Pension Fund (OYAK)
1,488,119,640.20 TL
58.82%



Other
1,041,880,359.80 TL
41.18%

The Company adopts the authorized capital system under the provisions of the Capital Market Law (CML). The authorized capital cap of the Company is TL 3.000.000.000 and is divided into 300.000.000.000 shares, each with a nominal value of 1 (one) Kurus. The authorized capital cap permission granted by the Capital Market Board is valid for the years 2022- 2026 (5 years).

The company's issued capital is in the amount of 2.530.000.000 (two billion five hundred thirty million) Turkish Liras which is wholly paid, comprised of 253.000.000.000 (two hundred fifty-three billion) shares, each with a nominal value of 1 (one) Kurus.

Each share grants 1 voting right. Owners of Founding Redemption Shares have 5% dividend rights arising from the company's articles of association.

The shares representing the capital are recognized in dematerialized form, within the framework of the principles on dematerialization. There are no capital market instruments issued by the Company within the period.

For the debt instrument to be issued up to a nominal amount of TL 1 Billion:

The application regarding the certificate of issuance pertaining to the debt instruments to be issued to designated and/or qualified investors without being offered to the public domestically up to a nominal amount of TL 1.000.000.000, which was made by our Company to the Capital Market Board, was approved by the Capital Market Board on 03.02.2022.

ISIN CODE	Nominal Value	Maturity	Date of Issuance	Date of Redemption
TRFHEKT52219	100,000,000.00 TL	91	16.02.2022	18.05.2022
TRFHEKT82216	165,000,000.00 TL	96	12.05.2022	16.08.2022
TRFHEKT92215	100,000,000.00 TL	95	30.05.2022	2.09.2022
TRFHEKTE2213	307,000,000.00 TL	91	25.07.2022	24.10.2022
TRFHEKTK2215	225,000,000.00 TL	91	16.08.2022	15.11.2022
TRFHEKT22311	100,000,000.00 TL	178	16.08.2022	10.02.2023
Total	997,000,000.00 TL			

For the debt instrument to be issued up to a nominal amount of TL 5 Billion:

The application dated 29.07.2022 regarding the certificate of issuance pertaining to the debt instruments to be issued to designated and/or qualified investors without being offered to the public domestically up to a nominal amount of TL 5.000.000.000, which was made by our Company to the Capital Market Board, was approved by the Capital Market Board on 25.08.2022.

ISIN CODE	Nominal Value	Maturity	Date of Issuance	Date of Redemption
TRFHEKT12312	450,000,000.00 TL	135	5.09.2022	18.01.2023
TRFHEKT32310	261,000,000.00 TL	177	28.09.2022	24.03.2023
TRFHEKT12320	514,000,000.00 TL	98	28.09.2022	4.01.2023
Total	1,225,000,000.00 TL			

The Group

The Company's Board of Directors prepared a report which explains Relations with Governing Shareholders and Subsidiaries within the scope of the Article 199 of TCL. The conclusion part of the report approved by the Board of Directors with the date 15.02.2023 is as follows;

"In the operating year 2022, there are no legal proceedings applied for the benefit of OYAK or one of its affiliates with the Company's governing shareholder the Turkish Armed Forces Pension Fund (OYAK) and/or OYAK's affiliates or with OYAK's guidance, and no measures that were taken or avoided to be taken

for the benefit of OYAK or one of its affiliates. In the operating year 2022, all commercial activities carried out between our Company and our governing shareholder as well as our affiliates were carried out under terms in line with market conditions."

Affiliates & Subsidiaries

Strong synergy created with mutual targets

The Company continues its activities in many business lines in the agricultural sector both domestically and abroad, with eight companies contain within itself.



Title of the Company	Shareholding (%)
Ferbis Tarım Ticaret ve Sanayi Anonim Şirketi	100.00
Areo Tohumculuk Ar-Ge Sanayi ve Dış Ticaret Anonim Şirketi	100.00
Sunset Kimya Tarım Ürünleri ve Aletleri İmalat Pazarlana Sanayi ve Ticaret Anonim Şirketi	100.00
Arma İlaç Sanayi ve Ticaret Anonim Şirketi	100.00
Agriventis Technologies Pty. Ltd	51.00
Hektas Asia LLC	100.00
Takimsan Tarım Kimya Sanayi ve Ticaret Anonim Şirketi	99.78
Çantaş Çankırı Tuz Ürünleri Üretim ve Dağıtım Anonim Şirketi	0.37



Ferbis Tarım Ticaret ve Sanayi Anonim Şirketi

In the last quarter of 2017, HEKTAŞ entirely (100%) acquired Ferbis Tarım Ticaret ve Sanayi Anonim Şirketi, which operated in the field of plant protection production and marketing in Niğde, in order to turn towards domestic and foreign markets with a price-oriented approach and to diversify its current product and customer portfolio with lower and middle segment products.

The most important factor in the acquisition of a plant protection production facility in Niğde province is that this facility is particularly close to Çukurova and the GAP region and is located in the “Bor Organized Industry 5th Tier Incentive Zone”.

The state of the Republic of Turkey provides many advantages, primarily tax-related, to companies investing in the province of Niğde and Niğde OIZ and Niğde Bor OIZ, which are included in the regional and industrial incentive programs as the 5th and 6th regions.

The advantages of Ferbis due to its production facilities located in Niğde Bor OIZ can be summarized as follows:

109

Number of Ferbis Licenses

—
**Studies have started
on the public offering
of shares in
Borsa Istanbul**

- In terms of convenience of transportation; Being close to highways, railways, ports and airports,
- In terms of land incentives; 90% discount on industrial parcels for investors in Niğde Bor Mixed and Leather Specialized Organized Industrial Zone in Bor District,
- Being entitled to VAT exemption, Customs Duty exemption, tax reduction, social security premium employer's share support and investment incentive certificate excluding interest support as investment incentives, Ferbis is able to benefit from tax reduction at 90% + 10%, investment contribution rate at 50% + 15% and many similar advantages, based on its investment incentive certificate within the scope of 6th region incentives,
- In terms of regional advantages; Lower construction costs and investment risk as Niğde one of the provinces with the lowest earthquake risk in our country due to its location in the 4th earthquake zone.

The company's production facility in Niğde is aimed to become one of the most qualified production facilities in the pesticide market by also supporting the production of plant protection products under development, together with the 4 major advantages listed above and ongoing investments.

Affiliates & Subsidiaries

Ferbis increased its market share visibly in the last 5 years with its widespread working network, fast licensing process, and service approach that does not compromise on quality such as after-sales technical service.

Operating in the field of plant protection, Ferbis continues enhance its market position day by day with its cost and quality-oriented service approach, and continues to receive a significant share from the market. Companies producing generic products account for the majority of the market, while the remaining part is comprised of foreign companies producing specific products. Ferbis aims to lead the lower and middle segment market with its experienced staff and strong infrastructure by producing and selling generic products licensed by the Ministry of Agriculture in this market.

Ferbis produces and sells plant protection, herbicides (for weeds), insecticides (pesticides), fungicides and plant growth regulators In the future, particularly products related to mineral oils will be produced, and product diversification will be ensured by adding new formulations to herbicide and insecticide products.

As value-oriented market leader growing with a focus on biological products, HEKTAŞ will penetrate the regions that it has not penetrated due to this policy through Ferbis. Ferbis, which made a rapid entry into the market with locomotive pioneering products; It has increased its market share visibly in the last 5 years with its widespread working network, fast licensing process, and service approach that does not compromise on quality such as after-sales technical service.

7,100
tons
Ferbis Sales Amount

Although the Company has been active since 2017, it continues to make new investments and grow rapidly by receiving a huge share from the market in a short time with its strong infrastructure and experienced staff.

The number of licenses relating to its produces increased from 30 in 2020 to 85 in 2021. This figure reached 109 at the end of 2022, with licenses developed through the recommendation method. It aims to increase the number of licenses to over 130 in 2023.

In terms of quantitative sales, while approximately 2,500 tons of sales were performed in 2020, this figure was increased to approximately 6,300 tons in 2021 as a result of a planned study. At the end of 2022, the company closed the year with approximately 7,100 tons, having achieved an increase of 184% in two years.

Ferbis is expanding its product portfolio for foreign markets and focusing on exports, and continued to export to the Turkic Republics in 2022.

Focusing on expanding its product portfolio and making a difference in the market with its R&D studies, Ferbis provides effective solutions to the changing expectations and needs of the market that arise primarily due to climatic conditions, and provides technical support to the producers in the field with its expert staff of agricultural engineers.

The construction of the third parcel building, which was started in October 2021, is still ongoing and is expected to be completed in the second quarter of 2023. Ferbis continues its activities with the motto: “Ideal Solution in Plant Protection”.

Pursuant to the protocol signed between Ferbis and Niğde Ömer Halisdemir University, cooperation was established regarding many matters such as the conduct of joint project studies for scientific or technological research, conduct of scientific publication studies based on these projects, provision of consultancy services, thesis studies performed by graduate students with Ferbis or within Ferbis, completion of internship and graduation projects by undergraduate students within Ferbis, as well as joint organization of seminars, conferences, promotion and similar events.

It brings productivity-oriented, accessible plant protection solutions to producers with the motto: “Innovative Face of Productive Agriculture”.

Since being traded on Borsa Istanbul is one of the future goals of the rapidly growing company, efforts were started regarding the public offering of its shares in Borsa Istanbul in the last quarter of 2022. In addition to the value it creates in the market in which it operates, it will continue to create added value for both domestic and foreign investors, hence our country, by being traded on Borsa Istanbul.

The Company also seizes opportunities in different business lines that contribute to agricultural production, in addition to plant protection and works for efficient production, easy access to food and a sustainable future with its efficiency-oriented solutions. Aiming to enter other business lines, as one of its future goals, the company continues to create value for our country and HEKTAŞ every day by delivering its quality and experience to other markets as well.



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With the motto of “the Innovative Face of Efficient Agriculture” Ferbis provides farmers with efficiency-focused and accessible plant protection solutions.

Areo Tohumculuk Arge Sanayi ve Dış Ticaret Anonim Şirketi

Operating in many areas of the agricultural sector, HEKTAŞ took an important step in the field of seeds, which is strategically important, by acquiring all (100%) of Areo Tohumculuk engaged in R&D studies within the scope of domestic seed production and the initial step of the “Traceable Safe Good Platform” project commenced by HEKTAŞ. Thanks to this important step, it aims to engage in seed production while continuing the R&D activities for vegetable and field crop seeds. The sale of the hybrid seeds developed in the production facility where R&D activities are still continued will start in 2024.

Continuing its activities in Teknokent at Akdeniz University, Areo Tohumculuk has a greenhouse area of 27.000 m² in its R&D and trial facility built on an area of 35.000 m². Horticultural crops (tomato, pepper and cucumber varieties) and field crops (cotton, barley, wheat, chickpea, pea, corn and sunflower) varieties are developed in Areo Tohumculuk.

Affiliates & Subsidiaries

Areo Tohumculuk is currently carrying out 6 projects with success, and completed and implemented 3 projects in 2022.

Together with HEKTAŞ, Areo Tohumculuk is the first company to apply blockchain technology in agriculture, which enables all stakeholders in the agricultural sector to monitor all stages of the journey of each product in the supply chain from soil to table, within the scope of the "Traceable Safe Food Platform".

AREO Tohumculuk continues its breeding studies for high quality vegetables and field crops by using the latest technologies with its motto "Domestic R&D, Domestic Seed", It is currently carrying out 6 projects with success, and completed and implemented 3 projects in 2022.

Areo Tohumculuk, which operates in Antalya, enjoys the advantages of its geographical location. It offers the opportunity to develop varieties that can adapt to both high altitude regions and regions at sea level.

Hybrid varieties with high adaptability, whose R&D activities are completed and which are prepared for sale in Antalya, are suitable for production and cultivation both in Turkey and in important production regions in the MENA region (Middle East and North Africa), Spain, Italy, Mexico, China and the world. In addition, R&D centers of the world's leading seed companies are located in Antalya.

3

Biotechnology Laboratories

Potential yield losses are reduced by 40% by increasing the resistance of wheat seeds produced by Areo Tohumculuk to diseases.

The temperate Mediterranean climate where the production facility is located ensures much lower heating and natural gas costs. Known as the capital of agriculture, the province of Antalya has very fertile lands, natural water resources, cheap and qualified agricultural workers. Widespread greenhouse cultivation, high farmer population, and the ability to grow products twice or three times in Antalya Province, whereas products are grown only once in other regions in a year, are some of the important advantages of the city.

Antalya's proximity to ports and advanced air transportation facilities reduce the logistics cost. For example, for 1 decares of land, planting can be made with an average of 4 kilograms of cotton and corn seeds, 18 kilograms of wheat seeds, 500 grams of sunflower seeds, 2,500 tomato (8.75 gr) and cucumber (45.7 gr) seeds, 1,600 pepper seeds (13.5 gr), eggplant (7 gr) seeds, 1,600 (53 gr.) melon seeds and 350 (12 gr.) watermelon seeds. Particularly vegetable seeds are in very small packages with a very high economic return.

In terms of greenhouse vegetable cultivation, Antalya has more than 60% of production and exports, and has a structure that covers the links of the whole chain, starting from R&D and production until delivery to consumers. Antalya is very prominent in this matter due to its advanced knowledge and technological infrastructure.

The investment constitutes a very significant and big strategic step for HEKTAŞ, which decided to invest particularly in the Province of Antalya in this field, having considered the aforementioned advantages.

Thanks to Areo Tohumculuk, Turkey's foreign-dependency in the field of seeds will be prevented. Thus, Areo Tohumculuk will contribute greatly to Turkey becoming a self-sufficient country in the field of seeds and therefore food, with domestic capital.

Areo Tohumculuk, which is among leading companies that create added value in the field of seeds in Turkey, uses technology more effectively than other companies and has 3 biotechnology laboratories equipped with the latest technology. In addition to the R&D studies carried out in these laboratories, it is planned to contribute to healthy nutrition of people by consuming a high amount of nutrients despite consuming less food, by producing products that are beneficial for human health and have high nutritional value and by maximizing the nutritional value to be obtained from a unit product.

Although the wheat seed market in Turkey is mainly comprised of domestic seeds, they have low resistance to diseases. Potential yield losses are reduced by 40% by increasing the resistance of wheat seeds produced by Areo Tohumculuk to diseases.

It is aimed to reduce foreign dependency from 80% to 50% by developing seeds that are resistant to diseases, have high nutritional value and high yield in the sunflower and corn seed markets.

In 2022, production and sales rights were obtained from Nazilli Pamuk Research Institute in return for 2 types of royalty, namely Volkan and Selçuk Bey.

Drought-tolerant cultivars are being developed in the field of wheat breeding and international trials are carried out for resistance to diseases.



In 2022, production and sales rights were obtained from Nazilli Pamuk Research Institute in return for 2 types of royalty, namely Volkan and Selçuk Bey.

The period between the cultivation of donor plants and the creation of a pure hybrid line is 6 years, and Areo Tohumculuk has reduced this period to 6 months through its R&D studies and patented modern breeding methods.

Areo Tohumculuk benefits from many incentives since it operates in the Technocity. It particularly benefits from R&D incentives and will be exempted from Corporate Tax 20% for 2023 in the sale of products developed after the R&D incentives. Consequently, the company's costs will decline and the year-end profitability will be positively affected.

Areo Tohumculuk has a Global Gap certificate; in addition, it also has a seed production, processing and packaging certificate, authorized seed establishment certificate and research institution certificate issued by the Ministry of Agriculture.

It will expand its export network by working in coordination with "HEKTAŞ Asia LLC", which will be established by HEKTAŞ in Uzbekistan in 2023. The Company had previously sent cotton seeds to Uzbekistan and wheat seeds to Saudi Arabia, proving the quality of Turkish seeds in these markets.

Affiliates & Subsidiaries

Areo Tohumculuk has an organization that keeps up with current developments and follows all the changes and innovations in its field in the world and in Turkey.

Approximately 850 tons of crops are expected to be obtained from the seeds that will be planted in April 2023 on an area of 4,000 decares in the provinces of Urfa and Aydın, by commissioning contracted cotton seed production in line with farmers' demands.

Areo Tohumculuk has an organization that keeps up with current developments and follows all the changes and innovations in its field in the world and in Turkey. Accordingly, it creates business development projects and cooperates with universities and the Ministry of Industry.

In this context, an application was made to the Turkish Patent Institute in the field of "Determination of Resistance to Tomato Tswv (Tomato Spotted Wilt Virus) Disease with Fluorescent Marked Sequence-Specific Probes in Rt-Pcr (Real Time Pcr)" in order to develop new methods and analyzes in R&D research. Thus, analysis results obtained within 3 days will be able to be received in 2 hours, thanks to the relevant patent to be obtained.

Areo Tohumculuk is a company that uses human resources at every stage of its activities. It pays particular attention to women's employment. 64% of the employees are women. In addition, it also has a well-trained and experienced staff. It provides great support to the training and development of its employees. It is prominent in terms of its graduate level employee profile.

Thanks to the relevant patent to be obtained for Real Time PCR, analysis results obtained within 3 days will be able to be received in 2 hours.

Creates business development projects and cooperates with universities and the Ministry of Industry.

317

Foreign Product Portfolio of Sunset

Sunset Kimya Tarım Ürünleri ve Aletleri İmalat Pazarlama Sanayi ve Ticaret Anonim Şirketi

Taking steps to become a world-class agricultural company in addition to its activities in the domestic market, HEKTAŞ acquired Sunset Kimya Tarım Ürünleri, one of the leading players in the market in the field of plant protection, in line with its long-term growth targets. Offering important solutions in the field of agriculture in the domestic market with 95 licensed plant protection products in its portfolio, Sunset Kimya Tarım Ürünleri also has 317 licensed plant protection products abroad. The acquisition is an important step for HEKTAŞ to increase its market share by entering new markets, primarily the Middle East and Caucasus, both domestically and abroad.



Arma İlaç Sanayi ve Ticaret Anonim Şirketi

In order to maintain sustainable growth, to enrich the product portfolio of the company, and to enter new business lines and develop new products, HEKTAŞ took over ARMA İlaç, which operated in the field of veterinary medicine production and had export potential and a “GMP Certificate”, from Oyak Biyoteknoloji A.Ş. in July 2021.

For bovine, ovine and domestic (cat-dog) animals, both drugs for therapeutic purposes and supplements such as minerals and vitamins are produced. As a result of cooperation with veterinarians and research and development activities, the pharmaceutical portfolio owned by the company was created. There are currently 54 licensed products in total, 28 of which are offered to the market. The company continues its R&D efforts for the licensing of new products. The company has a wide range of product portfolio, comprised of antibiotics, anthelmintics, antiparasitics, anti-inflammatory, endectocytocides, electrolytes, vitamins and minerals, etc.

54

Number of ARMA İlaç's licensed products

Arma İlaç conducts its activities with the motto “One Health, One Arma.”

It continues its efforts with two laboratories equipped with the latest technologies, where primarily veterinarians, chemists, biologists and chemical engineers carry out studies.

It is aimed to take its current position in the market to the international level thanks to the strong vision and support of HEKTAŞ, with the pharmaceutical portfolio created. To this end, entry to the vaccine segment, which gains importance both in the domestic and international markets, will be achieved through Arma İlaç.

Carrying out its activities with the motto “One Health, One Arma”, Arma İlaç aims to be among the leading companies in its sector with its R&D investments and qualified human resources.

Affiliates & Subsidiaries

HEKTAŞ aims to strengthen international R&D cooperations in the field of seeds, and to undertake R&D studies that are not very common in Turkey, such as developing productive and diverse seeds that can grow in arid and semi-arid areas.

Agriventis Technologies Pty. Ltd

Based on its approach of developing smart solutions and directing the market in order to ensure the sustainability of the supply-demand balance regarding food, HEKTAŞ has made a strategic move by acquiring 51% of the Australian-based Agriventis Technologies, which develops drought-tolerant seeds, thereby positioning itself on a global scale as well.

Agriventis Technologies continues its production and sales activities in different regions of Australia in the field of agricultural seed technology development, seed breeding and production. Agriventis Technologies focuses on breeding and cultivating seeds that are highly productive, disease resistant and consume less water. It continues its research and development activities in strategic cooperation with many universities, primarily the Central Queensland University (CQUniversity). It is among the important partners of different seed development projects initiated by the Australian government.

Agriventis has over 260 seed lines, including pulses, oilseeds, different grains and spice lines. The seed varieties that it has started to sell are nominated as the best varieties in Australia and are preferred by farmers. It creates demand for its seeds not only from Australia but also from different regions such as America and Asia.

Agriventis Technologies aims to continuously elevate its seed research and development activities in different parts of the world, primarily Australia.

Its trials in different parts of the world, primarily Australia, are ongoing and the company thereby aims to elevate its seed research and development activities every day.

The long-term goal of HEKTAŞ in this area is to carry out R&D studies not very common in Turkey, such as reinforcing international R&D cooperation in the field of seeds, and developing productive and diverse seeds that can be grown in arid and semi-arid areas, thus having a mission that directs the industry in terms of the fight against climate change, sustainable agriculture and food security and becoming a global player.

In the global order which changes every day, climates are also changing like all living things. Our world is aging, particularly with water resources currently depleted at an alarming rate, which leads people to resort to different methods to sustain their lives.

The most important of the many techniques developed to ensure that the life chain continues in a healthy way, that the living standards of all living things remain the same despite the changing conditions, and that the food supply remains capable of meeting the needs of all living things, is to keep agricultural productivity at the maximum level by adopting the dry agriculture approach.

Hektas Asia LLC

Having entered a rapid liberalization process in recent years, Uzbekistan has taken important steps in carrying out large-scale modernization studies in the agricultural sector, especially in recent years. Thanks to scientific research and new technological methods, the country has begun to achieve significant success in the agricultural sector. It has become a country that applies the best technologies in the world to increase agricultural production and its efficiency. In this context, thanks to various reforms including supports provided to the private sector in recent years, arable land in Uzbekistan has started to be used more efficiently than before.

Taking advantage of its knowledge and experience in the field of agriculture in the development process in Uzbekistan, HEKTAŞ established the company titled "HEKTAS ASIA LLC" in Tashkent, Uzbekistan in November 2022 to operate in the fields of plant protection and plant nutrition, in order to gain support for export-oriented growth due to its proximity to other Turkic Republics in the region in addition to the Uzbekistan Market.

Application of plant protection products in right dosages improves plant health and increases yield. Since it was determined that very little of the required dosage was applied in Uzbekistan, it was decided to enter the Uzbekistan market in the field of plant protection by establishing a plant protection production facility with an annual capacity of approximately 30,000 tons.

Considering the salty nature of Uzbek soils, the use of organomineral fertilizers is important for the sustainability of agriculture. Therefore, it is aimed to expand the use of organomineral fertilizers in the country by establishing an organomineral fertilizer production facility with a production capacity of approximately 150,000 tons.

Uzbekistan is the most populous one among the Central Asian countries. About 50% of the population lives in rural areas. Considering the circumstances in Uzbekistan and surrounding countries, as well as the potential pricing and cost structure, the investment is anticipated to



30

thousand tons

**Capacity of Plant
Protection Production
Facility (Uzbekistan)**

150

thousand tons

**Capacity of Organomineral
Fertilizer Production
Facility (Uzbekistan)**

generate high profitability. It is believed that there may be significant export opportunities, especially in the markets of the Turkic Republics, in addition to the Uzbekistan market.

In conclusion, the investments made by HEKTAŞ are believed to primarily create agricultural productivity and employment in Uzbekistan and contribute significantly to both the economy of the country (Uzbekistan) and the turnover and profitability of HEKTAŞ.

Takimsan Tarım Kimya Sanayi ve Ticaret Anonim Şirketi

HEKTAŞ has a company named Takimsan Tarım Kimya San. Ve Tic. A.Ş., whose agricultural pesticide licenses are used.

Çantaş Çankırı Tuz Ürünleri Üretim ve Dağıtım Anonim Şirketi

Upon examining the financial statements of Çantaş individually and collectively, they have not been included within the scope of consolidation since they are immaterial compared to the financial statements of the Company in terms of amount and quality and activities of Çantaş are very limited.

Production Facilities

Modern production infrastructure at international standards

The modernization and automation investments commissioned in 2022 in line with the Industry 4.0 ensure that the process from production to packaging is monitored and ensures standardization in production.

HEKTAŞ General Directorate and Plant Protection Production Facility (GEBZE)

The Company continues its activities with its modern high-capacity facility, the construction of which was completed at the address Gebze OSB Mahallesi 700. sok. No: 711/1 Gebze / Kocaeli in 1991. The facility continues its activities in the field of plant protection, plant nutrition, disinfectants and biocidal products. With its modern infrastructure and automation systems, the facility, built on a total area of around 75,000 m², approximately 31.000 m² which is closed, continues to drive Turkish agriculture and represent our country abroad in the field of agriculture.

According to the Official Agricultural Medicine Statistics of the Ministry of Agriculture and Forestry for 2022, the consumption of plant protection products in Turkey is approximately 53,000 tons per year. In 2022, approximately 5,500 tons of technical substances and approximately 17,500 tons of finished products were produced at the facility, totaling approximately 23,000 tons. It accounts for approximately 44% of the plant protection products market where it operates. The product portfolio created is capable of meeting all the needs of agricultural production. It contributes to the reduction of foreign dependency in the plant protection product market. Approximately 7% of the products produced at the facility are exported.

44%

Market Share of Plant Protection Products

7%

Export Rate

116%

Increase in Capacity (2020-2023)

Industry 4.0, which is synonymous with smart production, is a collective system that includes many contemporary automation systems, data exchanges and production technologies. Our production facility is the first facility in its field to produce in accordance with Industry 4.0 standards.

The modernization and automation investments that were commenced in our production facility as of 2020 are now in their final stage. During this process, all production and filling machines and equipment were renewed and the automation system began to be implemented in filling processes.

The modernization and automation investments commissioned in 2022 in line with the Industry 4.0 ensure that the process from production to packaging is monitored and ensures standardization in production. The process, which is traceable in the system room equipped with the latest system technologies and software, is carried out with expert engineers and R&D team, ensuring the production of products of the same standard without compromising on quality, through instant and rapid analyses.

The modernization and automation investments are anticipated to increase capacity by 116% in 2023 compared to 2020.

HEKTAŞ is the first company to adopt the QR code application created within the scope of the Plant Protection Products Stock Tracking System (BKTS) introduced by the Ministry of Agriculture and Forestry.



BKTS is a portal established to ensure that plant protection products defined by QR codes are tracked with notifications at every stage starting from production or importation. Thus, HEKTAŞ supported the removal of companies that negatively affect market dynamics from the market, by combating under-the-counter production in our country, and made every contribution to the infrastructure of legal traceability.

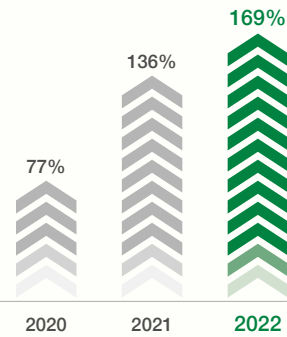
In the production facility designed in accordance with Industry 4.0, there are four different production areas for liquid herbicide, other liquid, powder and granular products in total. All filling lines operate under a robotic system.

Due to the focus on occupational health and safety in the production facility and to comply with OYAK's sustainability development goals, Prevention of Major Industrial Accidents and Mitigation of their Effects (BEKRA) and Environmental Management Systems (EMS) are maintained at high standards. As a natural consequence of the importance it attaches to all living things and the environment, the facility fulfills all the requirements of the Occupational Health and Safety and Environmental Impact Assessment (EIA) regulation as well as other relevant legislation.

The production facility has ISO 9001:2015, ISO 14001:2015 and ISO 45001:2018 certificates, and all legal regulations are followed and accredited within the framework of respective standards.



Capacity Usage Rate (Jan. 01 – Dec. 31) Gebze (Plant Protection)



*CUR: Capacity Utilization Rate (calculated over 8 hours/day and 255 days/year)

Gebze Production Facility Realized Production (kg/t)

Gebze Production Facility	Realized Production (kg/t) (Jan. 01 – Dec. 31)		
	2020	2021	2022
Nature of Production			
Technical Substance	4,741,714	4,889,992	5,628,500
Liquid Form	6,419,964	6,430,690	7,644,117
Herbicide Liquid Form	1,741,758	2,747,142	3,557,932
Solid Form	4,896,329	6,791,735	6,449,343
Grand Total	17,799,764	20,859,559	23,279,892

Production Facilities

Producing the organomineral fertilizer which is developed to return the minerals needed by the products grown to the soil, HEKTAŞ contributes to Turkish agriculture by increasing the productivity of the soil.

HEKTAŞ Organomineral Production Facility (ADANA)

HEKTAŞ Organomineral Production Facility has been producing organomineral fertilizers since 2017, in a total area of 10.000 m², approximately 6.200 m² of which is closed, at the address Acidere OSB Mahallesi 5 Ocak Caddesi No:6 Sarçam / Adana.

In addition, it operates in the field of organomineral fertilizer production with its laboratories equipped with state-of-the-art technology in a total area of 20,000 m², approximately 12,400 m² of which is closed, at the address Acidere OSB Mahallesi Hacı Sabancı OSB Atatürk Bulvarı No:19 Sarçam/ Adana, initially rent as a warehouse in 2019, then purchased and converted to a production facility in 2022.

These production facilities were located in Adana, since it is close to both the ports and the Central Anatolia and GAP regions due to its geopolitical position. Granular fertilizers for underground and above ground use are produced in these facilities, where steaming, drying-cooling, sieving and filling processes are carried out during the production stages.

The organomineral fertilizer, which is known as the new generation fertilizer, is a type of fertilizer developed to enrich the agricultural lands whose productivity has decreased due to unconscious agricultural practices and to return the minerals needed by the products grown to the soil. It is obtained by combining the soil healing properties of organic materials and the benefits of minerals in a single fertilizer.

10+20

thousand m²

Area of Adana Facility

43%

Capacity Usage Rate of Adana OMG

Organomineral fertilizers reduced the use of chemical fertilizers supplied from abroad to almost 50%, thereby reducing Turkey's dependence on foreign fertilizers.

The low amount of organic matter limits soil fertility. Furthermore, it slows down the growth of organisms in the soil. Thanks to the use of organomineral fertilizers, organic substances and bacterial activities in the soil are increased. In addition, they increase the oxygen rate, water and nutrient holding capacity of the soil and help the soil warm up quickly by preventing nitrogen losses. Organomineral fertilizers ensure that the soil is aerated and moist, thereby reducing the water needs of plants. This supports more efficient and effective use of water resources. Most importantly, it reduces the use of chemical fertilizers, thus purifying the soil from heavy metals contributing to increase the productivity of the soil.

Sustainable agricultural practices are based on practices that protect and improve soil organisms and the amount of organic matter in the soil. Long-term retention of organic materials in the soil by biocharing is an important agricultural strategy for sustainable agriculture.

The production of this type of fertilizer, which reduces the consumption of chemical fertilizers and increases productivity by ensuring the regulation of the soil structure, is very important especially for Turkish agriculture and is one of the rational solutions brought to agriculture due to its contribution to new generation agricultural practices.

A major part of Turkey's soils have high PH value and lime rate. The amount of organic matter is around 0.6% in 70% of the agricultural lands. In order for a plant to be fed, the organic matter in the

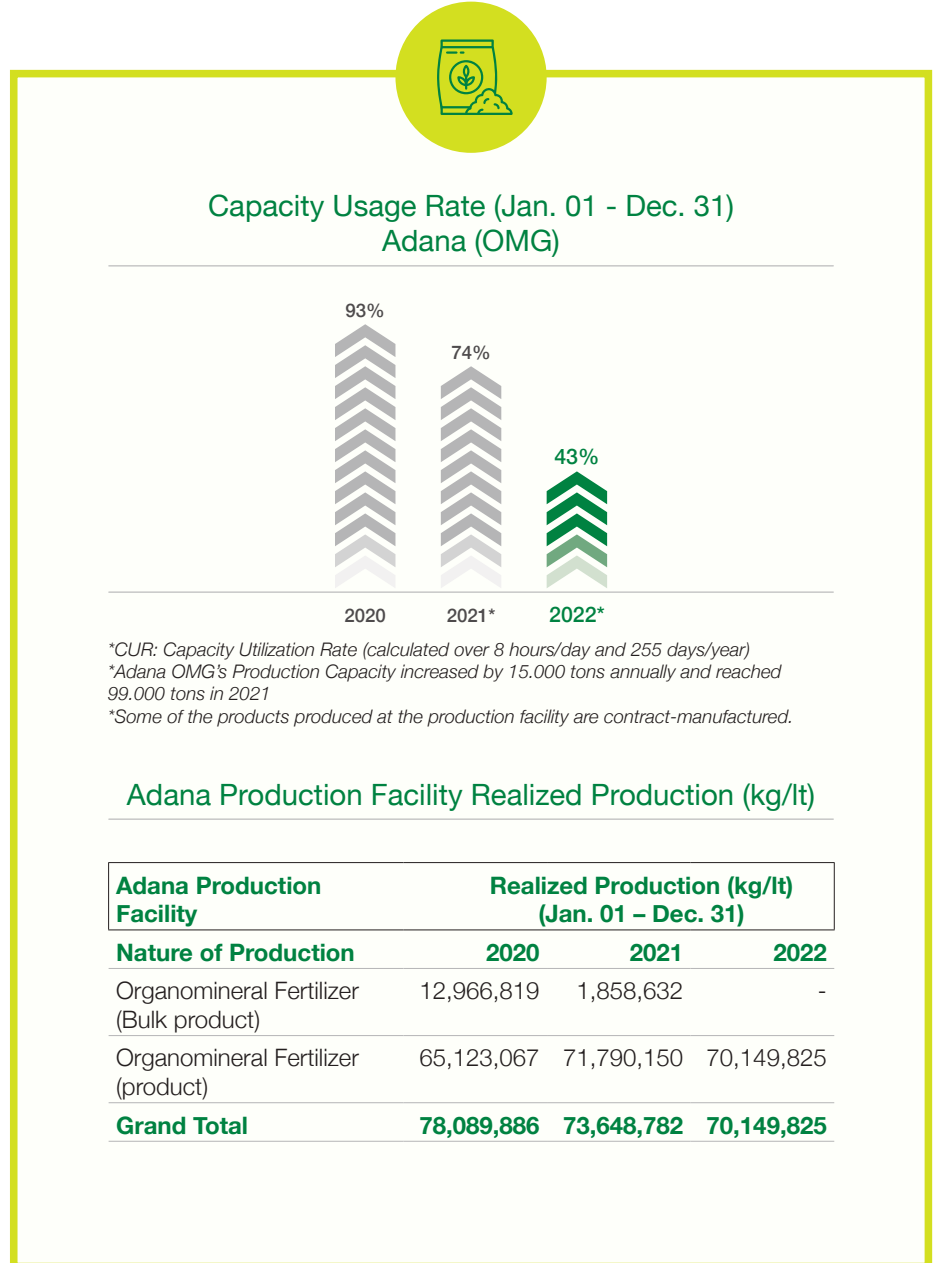
soil must be 3%. Excessive chemical fertilizers, which have been used for 50 years, increase the PH while reducing the organic matter in the soil. While the rate of soils containing insufficient organic matter was 92% in 1990, this rate increased to 99% in 2014. The organic matter ratio in the soil decreased by approximately 0.6% due to the excessive unconscious agricultural practices in Turkey and the use of stubble burning method, which results in the destruction of the elements in the soil. Organomineral fertilizers, which ensure an increase in the organic matter from 0.6% to 3%, helps to repair the broken chain in this vital cycle thanks to the leonardite it contains.

Ending all forms of hunger and malnutrition by 2030 and ensuring that all people, especially children, have adequate nutrition are among the Sustainable Development Goals of the United Nations. The United Nations envisages that these goals can be achieved by supporting small farmers and promoting sustainable agricultural practices that support their equal access to land, technology and markets. It also supports international cooperation in investing in infrastructure and technology to increase productivity in agriculture.

Proving once again the importance it attaches to all living things and the environment, HEKTAŞ contributes to sustainable and efficient agricultural production, increasing the productivity of agricultural lands that are becoming barren day by day due to chemical fertilization, and to the protection of groundwater polluted due to chemical fertilizers, with the organomineral fertilizer production carried out in this facility, in parallel with the Sustainability Development Goals of the United Nations.

HEKTAŞ; It is a market maker and leader in the organomineral fertilizer market. The organomineral fertilizer market has a history of about 10 years in Turkey. HEKTAŞ has been in this market for about 5 years. Organomineral fertilizers reduced the use of chemical fertilizers supplied from abroad to almost 50%, thereby reducing Turkey's dependence on foreign fertilizers.

The Company firmly maintains its position among the leading companies of this market in Turkey, particularly through the facility set up in Adana. HEKTAŞ, which does not compromise on quality and produces fertilizers at the standards



demand by farmers in the market, has become the most preferred brand with its TRADITE brand. The TRADITE brand is created at the quality, texture and humidity desired by farmers, by carefully selecting the raw materials and conducting analyses most suitable for the possible forms of plants in every stage of production.

Due to the focus on occupational health and safety in the production facility and to comply with OYAK's sustainability development goals, Environmental Management Systems are provided at high standards. As a natural consequence

of the importance it attaches to all living things and the environment, the facility fulfills all the requirements of the Occupational Health and Safety and EIA regulation as well as other relevant legislation.

The production facility has ISO 9001:2015, ISO 14001:2015, ISO 45001:2018 and ISO 27001:2013 certificates, and all legal regulations are followed and accredited within the framework of respective standards.

Production Facilities

Having increased its production capacity through facility investments simultaneously with the brand transformation and rapidly expanded its sales and distribution network, Ferbis plans to increase its capacity to 39,000 tons/year in 2023.

Ferbis Plant Protection Products Production Facility (Niğde)

Acquired in 2017 by HEKTAŞ in line with its strategic goals, the production facility operates in the field of plant protection and plant nutrition products at the address Organize Sanayi Bölgesi Mah. 2 B No'lu Yol Cad. No:6 Bor / Niğde and is engaged in the production of plant protection and plant nutrition products. The facility which is built on a total area of 24.000 m², approximately 11.000 m² of which is closed, there is a second building whose construction has been completed, and a third building whose construction is ongoing and whose facilities will be managed using the automation system. With the investments made in the facility, it is planned to make the facility one of the most qualified production facilities in the pesticide market in Turkey.

Having increased its production capacity through facility investments simultaneously with the brand transformation and rapidly expanded its sales and distribution network, Ferbis increased its production capacity from for 24 hours/day 8.639tons/year when it was transferred, for 24 hours/day to 18,500 tons/year by the end of 2022. There was an increase of approximately 114.15% in the production capacity.

There are warehouses in the facility where products and raw materials are stored.

18,500
tons/year

Production Capacity

114.15%

**Production Capacity
Increased**

24,000
m²

Area of Niğde Facility

While there are currently 2 product warehouses, the number of product warehouses will be increased to 4 with the addition of two more warehouses in 2023. The storage area of 1,400 pallets as of 2022 will be expanded to a storage area of 4,000 pallets with the new warehouses in 2023.

While there are currently 4 raw material warehouses, the number of raw material warehouses will be increased to 5 with the addition of one more warehouse in 2023. While it has a storage capacity of approximately 1,700 m² as of 2022, the new warehouse will increase it by 1,000 m² to 2,700 m² in 2023.

The construction of the new facility, increase in the storage capacity and the transition to automation in production through the purchase of new machines thereby increasing the workforce are among the most remarkable innovations at the facility, which houses numerous activities for boosting production.

There are 2 different laboratories in this facility, which draws attention with its strong infrastructure. In the physical and chemical laboratories, PH density, emission pool and instrumental analysis studies of the products produced are carried out, ensuring the manufacture of highest quality products.

The production facility operates according to a zero waste policy, whereby all wastes from the production are separated

according to their types and temporarily stored in the waste storage area in accordance with the regulations. These wastes are sent to licensed companies for recycling or disposal.

The production facility serves both domestic and foreign markets. This facility contributes to the reduction of Turkey's foreign dependency, especially with the production of plant protection products. With its product portfolio created to meet all the needs of agricultural production, Ferbis continues to consolidate its position both in the domestic and international markets.

In addition, Ferbis has the Ecocert Certificate, a document that provides guarantee to consumers in every aspect, from the evaluation of all processes in the production chain and the substances in the product, to the use of the highest quality ecological content, and issues of environmental sensitivity.

Established in France in 1991, Ecocert is an organization that is recognized by all private and public institutions in the world and that grants international "Organic Certificates". It certifies corporations by inspecting the entire production "at every stage".

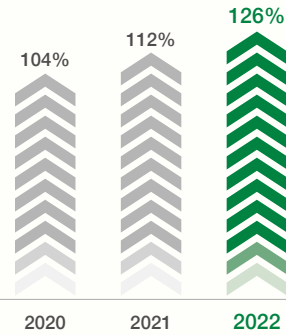
Ferbis has gone through the aforementioned inspection stage and conducts its activities in accordance with these standards as an environmentally friendly company.

Due to the focus on occupational health and safety in the production facility and to comply with OYAK's sustainability development goals, Environmental Management Systems are provided at high standards. As a natural consequence of the importance it attaches to all living things and the environment, the company fulfills all the requirements of the Occupational Health and Safety and EIA regulation as well as other relevant legislation.

The production facility has ISO 9001:2015, ISO 14001:2015 and ISO 45001:2018 certificates, and all legal regulations are followed and accredited within the framework of respective standards.



Capacity Usage Rate (Jan. 01 - Dec. 31) Niğde (Plant Protection)



*CUR: Capacity Utilization Rate (calculated over 8 hours/day and 255 days/year)

Niğde Production Facility Realized Production (kg/lt)

Niğde Production Facility	Realized Production (kg/lt) (Jan. 01 - Dec. 31)		
	2020	2021	2022
Nature of Production			
Technical Substance	1,389,701	2,636,320	2,747,230
Liquid Form	1,518,061	2,276,908	2,729,110
Herbicide Liquid Form	2,367,272	3,874,718	3,804,641
Solid Form	205,966	0	975,281
Grand Total	5,481,000	8,787,946	10,256,262

Production Facilities

Arma Pharmaceutical Production Facility is one of the 44 facilities that received GMP certificate, also known as “Good Manufacturing Practices,” from the Ministry of Agriculture and Forestry in Turkey.

ARMA Pharmaceutical Production Facility (ANKARA)

Acquired in 2021 by HEKTAŞ in line with its strategic goals, the production facility operates in the field of animal health products production at the address Malıköy Başkent O.S.B. Mahallesi, Atatürk Bulvarı, No: 69 P.K. 06909, Sincan/ ANKARA. It has a total area of around 3.600 m², approximately 2.000 m² of which is closed. The modernization infrastructure works of the facility continue in accordance with today's 4.0 technologies.

The production facility continues to operate in the field of animal health with its wide range of products, including antibiotics, anthelmintic, antiparasitic, anti-inflammatory, endectocide, electrolyte, vitamin and mineral products. The products produced are sold both in the domestic and foreign markets.

It is one of the 44 facilities that received GMP certificate from the Ministry of Agriculture and Forestry in Turkey. It is among the few companies that produce betalactam powders. Renovated and equipped with the latest technology the production facility is aimed to be among the leading facilities in its sector with its R&D investments and qualified human resources.

54

Licensed Products

The modernization infrastructure works of the facility continue in accordance with today's 4.0 technologies.

Having a “GMP” certificate, also known as “Good Manufacturing Practices”, the facility ensures production at world standards by guaranteeing both high-quality and safe production, thanks to the production carried out in accordance with the GMP standards. Thus, high assurance is created at the level of production methods, on the reliability, usefulness and quality level of the drugs produced.

In the modernized production facility, there are 4 production lines and a total of 54 licensed product types. 28 of them are actively present in the market. In order to further increase the product range, the products whose R&D studies are continuing will be included in the product portfolio of the company by completing the license works in the upcoming periods.

In the production facility, there is a quality control laboratory comprised of chemistry and microbiology laboratories equipped with the latest technologies.



Raw material, primary and secondary packaging, intermediate product, finished product, stability and environmental control analyzes are performed in the chemistry and microbiology laboratories of the Quality Control department. Thus, the highest quality animal health medicines are produced by controlling every stage of production and monitoring the processes from the production of the product to the end of its shelf life.

Due to the focus on occupational health and safety in the production facility and to comply with OYAK's sustainability development goals, Environmental Management Systems are provided at high standards. As a natural consequence of the importance it attaches to all living things and the environment, the company fulfills all the requirements of the Occupational Health and Safety and EIA regulation as well as other relevant legislation.

The production facility has ISO 9001:2015, ISO 14001:2015 and GMP (Good Manufacturing Practice) certificates, and all legal regulations are followed and accredited within the framework of respective standards.



Capacity Usage Rate (Jan. 01 - Dec. 31) Ankara (Vet.Tib.Ür.)



*CUR: Capacity Utilization Rate (calculated over 8 hours/day and 255 days/year)

Ankara Production Facility Realized Production (BOX/PIECE)

Ankara Production Facility	Realized Production (BOX/PIECE) (Jan. 01 - Dec. 31)		
	2020	2021	2022
Betalactam Vial	-	160,674	615,556
Betalactam Powder	-	319,110	238,330
Sterile Vial	-	1,435,120	1,200,101
Tablet	-	376,624	556,513
Grand Total	-	2,291,528	2,610,500

Production Facilities

Construction, landscaping and infrastructure works have been completed at the pet food production facility, the installation works of which were started in the last quarter of 2021, while machine installation works are about to be completed.

Pet Food Production Facility (BALIKESIR)

Taking advantage of the opportunity in the sector due to the daily increase in pet ownership and the size of the pet food market in Turkey, as well as the need for domestic products with high quality content in every segment of the market, HEKTAŞ decided to establish a pet food production facility in 2021 in order to be a dominant player in the market.

In accordance with our company's growth strategies, efforts to establish a "Pet Food" production facility in Balıkesir province, Manyas district, Kızıksa village, were started in the last quarter of 2021.

The facility, whose installation works are currently ongoing, is located on an area of 40,336 m², and is planned to initially have an annual production capacity of 50,000 tons. The total closed area of the facility will be approximately 10,400 m².

Construction, landscaping and infrastructure works have been completed at the pet food production facility, the installation works of which were started in the last quarter of 2021, while machine installation works are about to be completed. Dosing adjustments and tests of the machines will be completed in the first quarter of 2023, and trial production will be started within the same period.

40,336
m²

Area of Balıkesir Facility

50,000
tons/year

Production Capacity

**The Pet Food Market
is expected to be
approximately
\$139 billion in 2030.**

The global pet food market is expected to grow from \$99 billion in 2022 to \$139 billion by 2030, with a compound annual growth rate of 4.4% in the 2022-2030 period.

The Allied Market Research's 'Pet Food Market' report for the 2021-2030 period also supports the growth expectations above. According to the report, the market is expected to reach an annual growth rate of 4.6% from 2021 to 2030 and approximately \$134 billion in 2030.

Pets have been receiving more attention all over the world and in Turkey, particularly due to the pandemic. During the curfew, people started working from home. During curfews, there was a remarkable increase in people's desires to adopt furry friends as a solution for problems such as loneliness and depression, thanks to the feeling of companionship brought by pets.



The increase in demand for pets have also caused a significant increase in the pet food market. It is observed that the number of pets in our country has increased by 15% in the last 5 years. Due to the daily increases in the size of the market and the need for domestic, premium quality economical products in the market, HEKTAŞ decided to open a production facility in the pet food business line with the intention of positioning itself in this market as well.

Most of the pet food and pet care supply in Turkey is met from abroad. With the facility to be established by HEKTAŞ, the market in Turkey will be less dependent on foreign countries, which will not only reinvigorate the market, but also help domestic producers gain a share in this market indexed to foreign exchange.

—

Due to the daily increases in the size of the market and the need for domestic, premium quality economical products in the market, HEKTAŞ decided to open a production facility in the pet food business line with the intention of positioning itself in this market as well.

The planning activities of the marketing activities including sales channels and market analysis, brand positioning, packaging designs, etc. efforts, which have been ongoing for the last 1 year in parallel with the efforts to establish the pet food production facility, are about to end.

It is believed that the synergy to be created through the joint management of the “Pet Food” and products and the “Animal Health” business line, whose share in turnover continues increasingly every day, will contribute positively to the company’s profitability.

A rapid entry is planned to be made in the market channel, which covers 35% of the market, through the group company Satem Grup Gıda Dağıtım ve Pazarlama A.Ş. Providing services to 102,850 points in the field of sales and distribution.

HEKTAŞ Orhangazi Agricultural Innovation Training and Experience Center

Increasing agricultural efficiency with entirely digitalized processes

HEKTAŞ took action to activate the Agricultural Innovation Training and Experience Center, which is one of the few facilities in the world, in Bursa, in order to minimize the problems faced by producers and to increase efficiency by combining technology and agriculture while reducing costs.

Having been supporting domestic production and producers by carrying out projects that have contributed to the Turkish agricultural industry since 1956, HEKTAŞ continues to drive the country's agriculture with a world-class project.

Since agricultural production depends on nature conditions, risk and uncertainty in production are high. In order to minimize these risks and uncertainties and increase productivity, adoption of rational approaches in agriculture becomes more important every day. HEKTAŞ Orhangazi Agricultural Innovation Training and Experience Center, offers innovative solutions to producers in order to be one step ahead in the market, to gain more share in the market and to contribute to their export-oriented growth by benefiting from smart agricultural practices, while increasing their efficiency and reducing their costs, in this period marked by high competition.

607

thousand m²

Area of HEKTAŞ
Agricultural Innovation
Training and Experience
Center

300+

Product Range



Supply and demand flexibility of agricultural products is low. A minor change in the form of increase or decrease which takes place in the supply or demand of these products causes large fluctuations in their prices.

Built on an area of 607 decares in Bursa Orhangazi, under the name of HEKTAŞ Agricultural Innovation with the support of academics from distinguished universities in Turkey and abroad, the Center is focused on increasing agricultural efficiency with entirely digitalized processes and will be the most comprehensive R&D facility of HEKTAŞ and Turkey in the field of agriculture. The facility contains more than 320 different varieties in approximately 40 species, including medicinal and aromatic plants.

In this center, which will shape the country's agriculture by creating added value, solutions will be developed especially to increase product productivity and to cope with the climate change problems that are increasing day by day in the world, by developing waterless farming techniques. Unprecedented in Turkey and Europe, this Center will ensure that farmers obtain maximum products with minimum resources thanks to efficiency-oriented production and an increase in the crop obtained per decare, thanks to the efforts that are planned contribute indirectly to the Turkish economy.

Climatic conditions suitable for all kinds of plants are created through climatization studies carried out in the greenhouses located in the R&D center. Thanks to the HEKTAŞ Traceable Safe Food Platform, where the blockchain technology is used for products, healthy and residue-free products are obtained with the right agricultural practices and spraying programs, the journey from seed to table is recorded in an unalterable way and all these processes are presented to the end consumer through digital platforms. In addition to these, the advantages of soilless and vertical farming techniques, which require less water, will be combined with today's technology, and the advantages will be explained to producers in practice, while how the costs arising from agricultural inputs can be reduced will be demonstrated to them on site.

Within the scope of Training and Experience, which will be one of the most important functions of the center, it is aimed to offer different experiences to Turkey's agricultural producers and HEKTAŞ customers with innovative practices in agriculture.

At the Center, which focuses on increasing agricultural productivity with fully digitalized processes, all studies, latest technologies and modern production techniques in agricultural production will be shared with all producers, dealers, academics and students in practice.



Thanks to the efforts that are planned to contribute indirectly to the Turkish economy, farmers will be supported to obtain maximum products with minimum resources by efficiency-oriented production and increase in the crop obtained per decare.

In addition to the planting and sowing areas where hundreds of varieties are located, IoT Artificial Intelligence Laboratories, High-Tech Biopesticide Production Center, Technological and Sustainable Agricultural Production Complex, IoT-based infrastructures of the Traceable Safe Food Platform, Producer Information Center, Agriculture Museum, as well as an Accommodation Facility, Conference Hall, Exhibition Hall will also operate in the Smart Agricultural Technologies and R&D Innovation Center.

Having the first producer, dealer and engineer groups in 2021 and 2022, the facility will play a role in bringing all the stakeholders of agriculture together as of 2023, contributing to the future of not only Turkey's but also the world's agriculture.

HEKTAŞ Orhangazi Agricultural Innovation Training and Experience Center

At the Center, which focuses on increasing agricultural productivity with fully digitalized processes, all studies, latest technologies and modern production techniques in agricultural production will be shared with all producers, dealers, academics and students in practice.

The demand for tropical plants, which are rich in vitamins, carbohydrates and minerals, increases daily in our country. Given the increase in demand in recent years and the demands received from producers by HEKTAŞ, tropical plant cultivation, thus R&D studies will be commenced on a 24.5 decares of land in order to provide technical support and information regarding plant protection and plant nutrition products related to tropical crops in our Orhangazi Agricultural Innovation, Training and Experience Center. Initially, 14 tropical crops will be grown as demo products on this land.

Thanks to these R&D works, which we will perform on approximately 7% of the 355-decare arable land of the Orhangazi Agricultural Innovation, Training and Experience Head Office located on a 607-decare land, we will provide our producers, Turkey and HEKTAŞ with added value, thereby reducing Turkey's dependence on foreign countries regarding tropical plants.

HEKTAŞ plans to start its works on establishing a Robotic - Bioponics - Aquaponic - Aeroflow Vertical Agriculture and Shrimp Production facility in an area of 1,472 m² at Orhangazi Agricultural Innovation, Training and Experience Center in 2023.

14
Tropical Crops

1,472
m²
Robotic - Bioponics -
Aquaponic - Aeroflow
Vertical Agriculture
and Shrimp Production
Facility

24.5
decares
Tropical Plant
Cultivation Area

In this facility, which will be the first of its kind in Turkey, it is planned to establish a healthy, reliable and traceable production system that is 8-10 times more efficient than conventional systems, can produce 365 days a year, uses zero pesticides and saves 90% water by operating with zero waste, and is fully automated from seed planting to harvest.

The Second International Molecular Plant Protection Congress, which will bring together the world's most important scientists in Turkey will be held on 15-18 May 2023, under the coordination of Ankara University, Ministry of Agriculture and Forestry and HEKTAŞ at HEKTAŞ Agricultural Innovation, Training and Experience Center in Bursa -Orhangazi, a facility without precedent in Turkey and Europe. Nobel Prize winner in Physiology and Medicine, Dr. Craig Mello will be the guest of honor and keynote speaker at the event, and 81 scientists who are experts in their fields will also participate as speakers.



Products

Distinguishing solutions with top quality products

HEKTAŞ continues to create value in the markets with its approach that does not compromise on quality with its products.

HEKTAŞ, which has been the market leader in many branch of activities where it operates since its establishment, continues to create value in the markets with its approach that does not compromise on quality with its products.

Operating in many areas from plant protection and plant nutrition products to fertilizers and seeds, HEKTAŞ adopts serving the society's health with its good agricultural practices as its most important mission from seeds to the table, in every stage of production.

The product portfolio of the company contains more than 400 plant protection and plant nutrition products as well as animal health, seeds, pet food and pet care products, in line with our country's ecological structure and product variety. During the pandemic, Biocidal licensed hand and surface disinfectants were also added to HEKTAŞ product portfolio.

For fertilizer production activities, Adana Hacı Sabancı Organize Sanayi Bölgesi 5 Ocak Cad. No 6 Sarıçam/Organomineral fertilizers are produced with the production/processing facility at ADANA. Seed breeding and production is carried out at the Areo Tohumculuk company in the province of Antalya. Furthermore, the "Seed Technologies Center" was put into service in Areo Tohumculuk.

Operating in many areas from plant protection and plant nutrition products to fertilizers and seeds, HEKTAŞ adopts serving the society's health with its good agricultural practices as its most important mission from seeds to the table, in every stage of production.

Plant protection products are produced also in the Ferbis company based in Niğde. Furthermore, vegetable production in greenhouses and field crops production in the open field are carried out as part of the Traceable Safe Food Platform project at the Orhangazi facility.

There are 4 production lines in Arma İlaç Sanayi ve Ticaret A.Ş. in the province of Ankara: vials, beta-lactam vials, beta-lactam powder and tablet production lines. The annual production capacity is 11 million boxes.

The studies required for the establishment of a "Pet Food" production facility with an initial annual capacity of 50,000 tons within an area of 40,336 m² in the province of Balıkesir, Manyas district, Kızıksa neighborhood, have been started in line with the Company's growth strategies. Pet care products that were previously imported and released to market by HEKTAŞ, now they will be started to be produced by HEKTAŞ.







Management Structure

- 64 Board of Directors Members
- 68 Senior Management
- 71 Organizational Structure
- 72 Human Resources
- 79 Committee Structure

Board of Directors Members

The affairs and administration of the Company shall be carried out by the Board of Directors. The Board of Directors shall be comprised of at least 5 and maximum 9 members, who will be elected in accordance with the provisions of TCL and CMB by the General Assembly. Independent members of the board of directors shall be elected for one year, while the other members shall be elected for three years. Board of Directors members whose election term has expired can be elected again. The Independent Board Members' Declarations of Independence are provided in Appendix 1.

The Chairman and the Members of the Board of Directors have the duties and authorities specified in the article 15 of the Company's Articles of Association and the relevant articles of the Turkish Commercial Law.

Independent members of the board of directors shall be elected for one year, while the other members shall be elected for three years. Board of Directors members whose election term has expired can be elected again. If a membership becomes vacant for any reason, the Board of Directors shall temporarily appoint an individual who fulfills the conditions specified in the capital market legislation and this Articles of Association to this membership and submit this appointment to the first General Assembly for approval. The member selected in this way shall complete the term of office of the former member.

The Board of Directors convened 42 times in 2022. Board Members participated in the meetings regularly to a great extent.



MUSA LEVENT ORTAKÇIER
Omsan Lojistik A.Ş.
Chairman of the Board of Directors

Legal Entity Representative and Independent Board of Directors Members First Election Date
19.04.2019

Duties Carried out by the Representative Outside of the Company
OYAK Head of the Group – Food, Agriculture and Animal Husbandry Sector

Carries out duties of Chairman/ Deputy Chairman/Member of the Board of Directors (by representation) in other OYAK Group Companies



VOLKAN ÜNLÜEL
Oytaş İç ve Dış Ticaret A.Ş.
Vice Chairman of the Board of Directors

Legal Entity Representative and Independent Board of Directors Members First Election Date
30.01.2019

Duties Carried out by the Representative Outside of the Company
Executive Vice President of Affiliates
Monitoring and Financial Affairs of OYAK



İREM ATALAY
Akdeniz Chemson Kimya Sanayi ve
Ticaret A.Ş.
Board of Directors Member

Legal Entity Representative and
Independent Board of Directors
Members First Election Date
30.01.2019

**Duties Carried out by the
Representative Outside of the
Company**
OYAK Headquarters - Affiliates Monitoring
and Coordination Manager



OKAN SİVRİ
OYAK Denizcilik ve Liman İşletmeleri A.Ş.
Board of Directors Member

Legal Entity Representative and
Independent Board of Directors
Members First Election Date
31.03.2020

**Duties Carried out by the
Representative Outside of the
Company**
-



ARİF ÇETİNKAYA
OYAK Pazarlama Hizmet ve Turizm A.Ş.
Board of Directors Member

Legal Entity Representative and
Independent Board of Directors
Members First Election Date
06.04.2022

**Duties Carried out by the
Representative Outside of the
Company**
-

Board of Directors Members



KÂMİL DERECE
Board of Directors Member
(Independent))

Legal Entity Representative and
Independent Board of Directors
Members First Election Date
28.03.2016

Duties Carried out by the
Representative Outside of the
Company
Counseling



BÜLENT ŞAMİL YETİŞ
Board of Directors Member
(Independent)

Legal Entity Representative and
Independent Board of Directors
Members First Election Date
31.03.2020

Duties Carried out by the
Representative Outside of the
Company
Counseling



KADRI ÖZGÜNEŞ
Board of Directors Member
(Independent)

Legal Entity Representative and
Independent Board of Directors
Members First Election Date
06.04.2022

Duties Carried out by the
Representative Outside of the
Company
Counseling

* During the Ordinary General Assembly Meeting held on 31.03.2020, the legal person Board of Directors Members were elected for 3 years, while the Independent Board Members were elected for 1 year during the Ordinary General Assembly Meeting held on 01.04.2022.

Changes Applied in the Board of Directors

During our Company's Board of Directors Meeting dated 01 April 2022, Arif ÇETİNKAYA was appointed in place of (the natural person Remzi ER acting on behalf of), OYAK Pazarlama Hizmet ve Turizm Anonim Şirketi, Legal Person Board of Directors of our Company, as of 01 April 2022. The matter has been disclosed on KAP.

During the Ordinary General Assembly meeting of 2021 held on 01.04.2022, Mr. Kamil DERECE, Mr. Kadri ÖZGÜNEŞ and Mr. Bülent Şamil YETİŞ were elected as Independent Board of Directors members for 1 (one) year to hold office until the next ordinary general assembly meeting. The matter has been disclosed on KAP through general assembly disclosures.

During our Company's Board of Directors Meeting dated 07.02.2023, Volkan ÜNLÜEL was appointed in place of (the natural person Baran ÇELİK acting on behalf of), OYTAŞ İÇ VE DIŞ TİCARET ANONİM ŞİRKETİ, Legal Person Board of Directors of our Company. It was announced in public disclosure platform (PDP) dated 07.02.2023.

During our Company's Board of Directors Meeting dated 07.02.2023, İrem ATALAY was appointed in place of (the natural person Aslıhan DÖĞER acting on behalf of), AKDENİZ CHEMSON KİMYA SANAYİ VE TİCARET ANONİM ŞİRKETİ, Legal Person Board of Directors of our Company. It was announced in public disclosure platform (PDP) dated 07.02.2023.

Board of Directors Duties & Authorities

The Chairman and the Members of the Board of Directors have the duties and authorities specified in the article 14 and 15 of the Company's Articles of Association and the relevant articles of the Turkish Commercial Law.

The legal person board of director member OMSAN Lojistik A.Ş. (Musa Levent ORTAĞÇIER acting on their behalf) was elected as the Chairman of the Board of Directors and the legal person board of directors member OYTAŞ İÇ VE DIŞ TİCARET A.Ş. (Baran ÇELİK* acting on their behalf) was elected as the Deputy Chairman of the Board of Directors for one year. The matter has been disclosed on KAP.

Activities within the Scope of Prohibition of Competition

During the Ordinary General Assembly meeting held on 01 April 2022 regarding the Company's activities pertaining to 2021, the Board of Directors Members were given the permission to conduct transactions on their own behalf or on behalf of others with the company within the scope of the relevant articles of TCL for 2022. No such transactions were conducted in 2021.

Financial Benefits Provided to Members of the Board of Directors and Senior Directors

During the Company Ordinary General Assembly Meeting held on 01 April 2022, it was accepted to pay monthly net remuneration of TL 11.000 to the Independent Board of Directors members effective from the beginning of the month following the month when the General Assembly was held, and not to pay any remuneration to other Board of Directors Members. Personal accident insurance and life insurance are purchased for the Board of Directors Members. The total amount of the salaries and similar benefits paid to key management personnel for their services are 28.299.112 TL.

No payments in the nature of performance-based rewards have been made to the Members of the Board of Directors.

During the period, no amounts were lent to any Board Members and directors; no loans were granted in the name of personal loan directly or through a third party or no guarantees such as surety in their favor were provided.

Salaries of the Company's senior executives are determined by the Company's Board of Directors. Performance-based additional payments are made to personnel not within scope, including the Company's senior executives.

* During our Company's Board of Directors Meeting dated 07.02.2023, Volkan ÜNLÜEL was appointed in place of (the natural person Baran ÇELİK acting on behalf of), OYTAŞ İÇ VE DIŞ TİCARET ANONİM ŞİRKETİ, Legal Person Board of Directors of our Company. It was announced in public disclosure platform (PDP) dated 07.02.2023.

Senior Management



HAKKI ZAFER TERZİOĞLU
General Manager

Mr. Hakki Zafer TERZİOĞLU, who has been working as the General Manager of the Company since 01 June 2021, was born in 1974 and completed his undergraduate education in Ankara University, Department of Business Administration in 1996. Having started his professional career at KOLUMAN Motorlu Araçlar Tic.ve San. A.Ş., where he worked between 1995-2003, Mr. TERZİOĞLU, who had started as a Sales Representative, continued his duty in the same company as the Sales Manager. Afterwards, he worked as Sales Manager between 2003-2012 at BORUSAN Oto Servis Ve Tic. A.Ş., General Manager between 2012-2018 at BORUSAN Manheim, General Manager between 2018-2020 at ARABAM COM İnternet ve Bilgi Hizmetleri A.Ş. and as the Automotive and Logistics Group Vice President between January 2020- April 2021 at ATAER Holding A.Ş. He started his duty as Strategy and Marketing Director at HEKTAŞ Ticaret T.A.Ş. in April 2021, and started his duty as the General Manager as of June 2021.



ENİS EMRE TERZİ
Financial Affairs Director

Mr. Enis Emre TERZİ, who has been working in the Company's Financial Affairs Directorate since September 01, 2022, was born in 1984 and completed his undergraduate education at Istanbul University, Department of Business Administration in 2008. After starting his professional career as an audit assistant at ERNST&YOUNG in 2008, he resigned from ERNST&YOUNG as a senior auditor in 2013. He worked as Financial Analysis and Investor Relations Specialist at SABANCI HOLDING in 2013, as Internal Audit Manager and Financial Analysis Manager respectively at YILDIZ HOLDING between 2014-2016, and finally as Financial Affairs Group Manager at ÜLKER Romania. In 2016, he started to work as the Financial Affairs Group Manager in charge of sales and marketing at AK GIDA, the Turkish affiliate of GRUP LACTALIS, and later worked in areas such as Risk Management, Internal Control, Treasury and Finance Group Directorates. He was the CFO of LACTALIS TURKEY before joining HEKTAŞ. Mr. TERZİ started to perform his duty as HEKTAŞ Financial Affairs Director as of September 2022.



CELAL MADAZLI
Technical Affairs Director

Mr. Celal MADAZLI, who has been working as the Technical Affairs Director of the company since 01 July 2017 and as the Deputy General Manager of ARMA İlaç Sanayi ve Ticaret A.Ş., a 100% subsidiary of HEKTAŞ, as of the same date, was born in 1966. He completed his undergraduate education at Hacettepe University, Department of Business Administration in 1987. Starting his professional career at BAŞAK Insurance company, where he worked between 1990- 2001, he continued his work at the same company as the Central Anatolia Regional Manager. Afterwards, he worked as Agencies Manager, Founder Regional Manager for Istanbul and General Manager Consultant respectively at AXA Oyak A.Ş., where he worked between 2001- 2003, and Agencies Group Manager and Assistant General Manager of Marketing and Agency Sales respectively, at OYAK Pension Company, where he worked between 2003- 2009. Between 2009- 2020, he held the positions of General Manager Consultant, Coordinator of Procurement, Administrative Affairs and Animal Health Sales, Animal Health Sales Assistant General Manager, and Technical Assistant General Manager respectively at HEKTAŞ Ticaret T.A.Ş. As of June 2020, he started to perform his duty as Technical Director.



ÇİĞDEM KARAKUŞ
Human Resources Director

Çiğdem KARAKUŞ, who has been working in the Company's Human Resources Directorate since August 01, 2021, was born in 1983. She completed her undergraduate education in Anadolu University Business Administration in 2008 and her graduate education in Business Administration at Ufuk University in 2012. Having started her professional career as Human Resources Chief at OYAK Pazarlama Hizmet ve Turizm Şirketi between 2004-2016, Ms. KARAKUŞ held the positions as Personnel Affairs Executive and Human Resources Manager respectively, at HEKTAŞ Ticaret T.A.Ş. between 2016-2021. As of August 2021, she started to work as the Human Resources Director.



MURAT SONAY AKARSU
Sales Director

Having been working as the Sales Director of the Company since 12 June 2020, Mr. Murat Sonay AKARSU, was born in 1971 and completed his undergraduate education in Trakya University, Faculty of Agriculture, Department of Field Crops in 1994, and received his master's degree in Field Crops from Trakya University in 2000. Mr. AKARSU, who started his professional career as a consultant at ÖNDER Çiftçi Danışmanlık Derneği between 1996- 1998, then worked at HEKTAŞ Ticaret T.A.Ş. between 1998-2020, where he acted as Marmara Region Sales Representative, Specialist, Regional Assistant Manager and Central Anatolia Regional Manager respectively. As of June 2020, he started to perform his duty as Sales Director.



HÜSEYİN ÇİMEN
Strategy and Corporate Monitoring Director

Hüseyin ÇİMEN, who has been working in the Strategy and Corporate Monitoring Directorate of the Company since August 01, 2021, was born in 1983. He completed his undergraduate education in Kütahya Dumlupınar University, Department of Business Administration in 2006, and his graduate education in Accounting and Finance at Marmara University in 2009. Having started his professional career as an Auditor at AKKOR Yeminli Mali Müşavirlik Şirketi between 2009-2012, Mr. ÇİMEN then served as Internal Audit Specialist at EFESAN Group Company between 2013-2014. At HEKTAŞ Ticaret T.A.Ş., he acted as Internal Audit Specialist, Internal Audit Executive, Internal Audit Manager and Budget and Institutional Monitoring Director respectively, between 2014-2021. As of August 2021, he started to work as the Strategy and Corporate Monitoring Director. As of August 2021, he started to work as the Strategy and Corporate Monitoring Director. He has been a Member of the Board of Directors of Sunset Kimya Tarım Ürünleri Ve Aletleri İmalat Pazarlama A.Ş., a 100% affiliate of HEKTAŞ, since 2020.

Senior Management



SELDA KILIÇ
Marketing Director

Ms. Selda KILIÇ, who has been working as the Marketing Director of the Company since 1 August 2021, was born in 1981 and completed her undergraduate education at Anadolu University, Department of Business Administration in 2005. Having started her professional career in 2005, Ms. KILIÇ worked as Commercial Marketing Executive at CADBURY between 2005-2007, Commercial Marketing Executive at ÜLKER Gıda Sanayi A.Ş. between 2007-2008, Marketing Manager at TAYAŞ Gıda A.Ş. between 2008-2013, Marketing Manager at ARSAL Otomotiv A.Ş. between 2014-2016, and Commercial Marketing Manager at HEKTAŞ Ticaret T.A.Ş. between 2017-2021. She has been working as Marketing Director since August 2021.



ÜNAL UYSAL
Information Technologies Director

Mr. Ünal UYSAL, who has been working in the Information Technologies Directorate since August 01, 2021, was born in 1972. He completed his undergraduate education in Marmara University Electronics and Computer Education in 1998 and Business Administration at Anadolu University in 2005. Having started his professional career at BİM Net Bilgisayar Eğitim Ltd. Şirketi between 1996-1998, Mr. UYSAL then worked as a Computer Specialist at YENİ Ufuklar College between 1998-2000. Between 2000-2021, he worked as a Programmer, Assistant Manager and Information Technologies Manager respectively, at HEKTAŞ Ticaret T.A.Ş. As of August 2021, he started to work as Information Technologies Director.

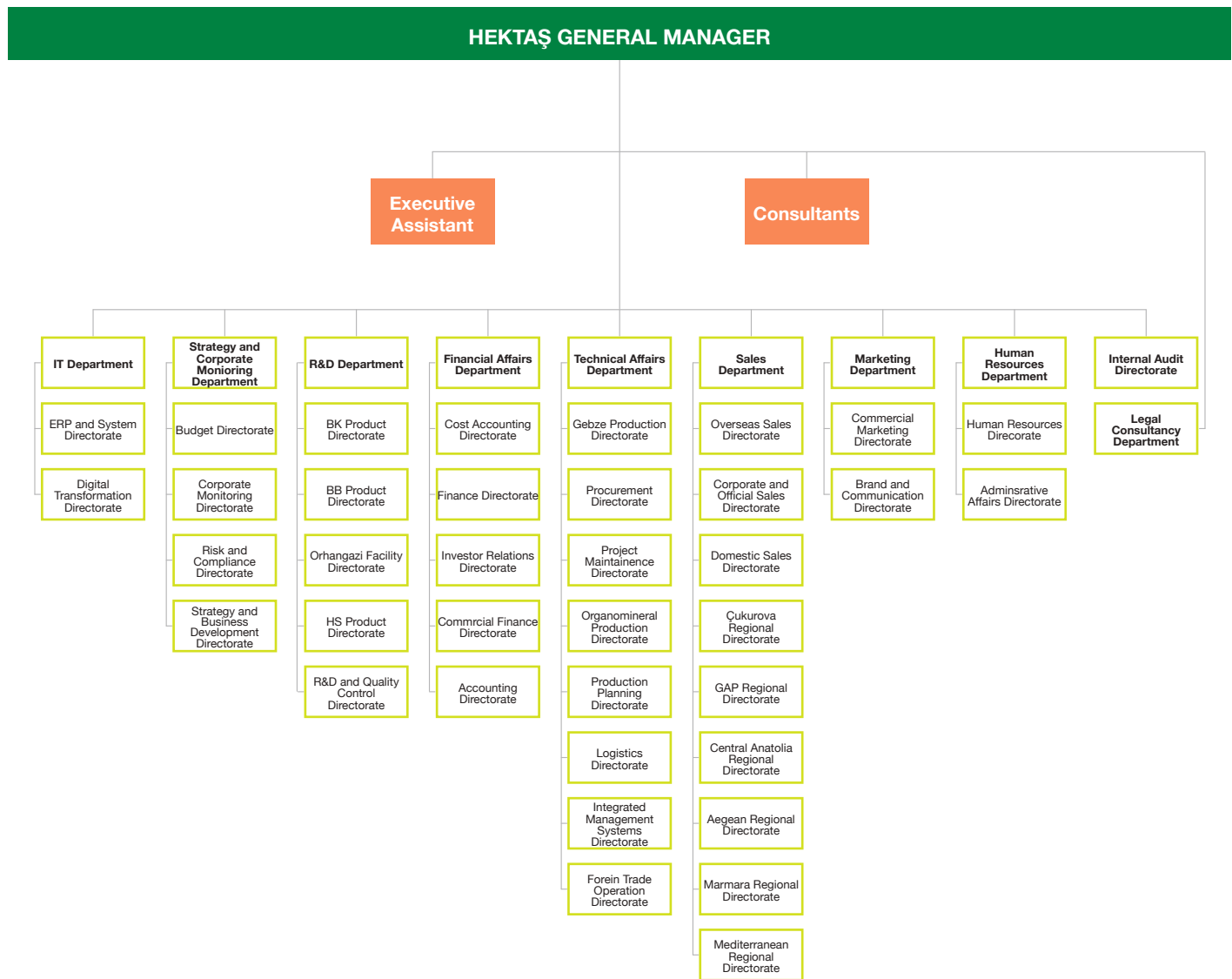


MEHMET DERİN
R&D Director

Mr. Mehmet DERİN, who has been working as the R&D Director of the Company since 17 November 2021, was born in 1973 and completed his undergraduate education at Çukurova University, Department of Agricultural Engineering in 1997. Mr. DERİN, who started his professional career in 1997, worked as Director at "S" FLORIST AND VEGETABLES Company between 1997-2000, as Founder and Technical Manager at PILARQUIM MEDITERRENEAN (TAR-SAN) Company between 2000-2002, Sales Manager at FORM GIDA Company between 2002-2003, Technical Manager at BIONTİS Company between 2003-2008, Sales Manager at GÖKER Tarım LTD. Between 2010-2016, Agronomist at AGROKİMYA Azerbaijan MMC Gilan Holding Company between 2017-2018, and General Manager at TARIM Bitki Koruma San.ve Tic. A.Ş. Between 2018-2020. Between 2020-2021, he worked as a Strategy and Marketing Consultant at HEKTAŞ Ticaret T.A.Ş. As of November 2021, he started to perform his duty as R&D Director.

Organizational Structure

The organizational chart for 2022 is as follows. It has not changed within the period.



Human Resources

Successful results with a qualified human resource

In the recruitment processes, candidates who have the competencies required by the relevant position and who will embrace and continue the Company culture, add value to the Company and add strength to sustainable success, are given equal opportunities.

Continuing to increase its strength with its employees by growing daily, HEKTAŞ, the “Pioneer of Smart Agriculture”, focuses on projects where it stands by its employees, based on its people-oriented approach in 2022 as well, with the awareness that sustainable success requires highly motivated, high-performing human resources who add value to the company. Based on the company’s human resources policy, HEKTAŞ aims to employ qualified and energetic manpower and develop talents that can keep up with the digital world, can improve their processes by closely following the developments in the world, and contribute to the field of agriculture and animal health.

As one of the largest employment providers in the agricultural sector in Turkey, HEKTAŞ provides direct employment to 879 people.

Recruitment

In line with the importance attached to equal opportunities and diversity in all human resources processes, primarily the recruitment process at the company, there is no discrimination based on gender, language, race, ethnic origin, political opinion, belief, religion, sect, age, physical disability and similar reasons.

In the recruitment processes, candidates who have the competencies required by the relevant position and who will embrace and continue the Company culture, add value to the Company and add strength to sustainable success, are given equal opportunities.

23

Blue-Collar Women

284

Blue-Collar Men

153

White-Collar Women

419

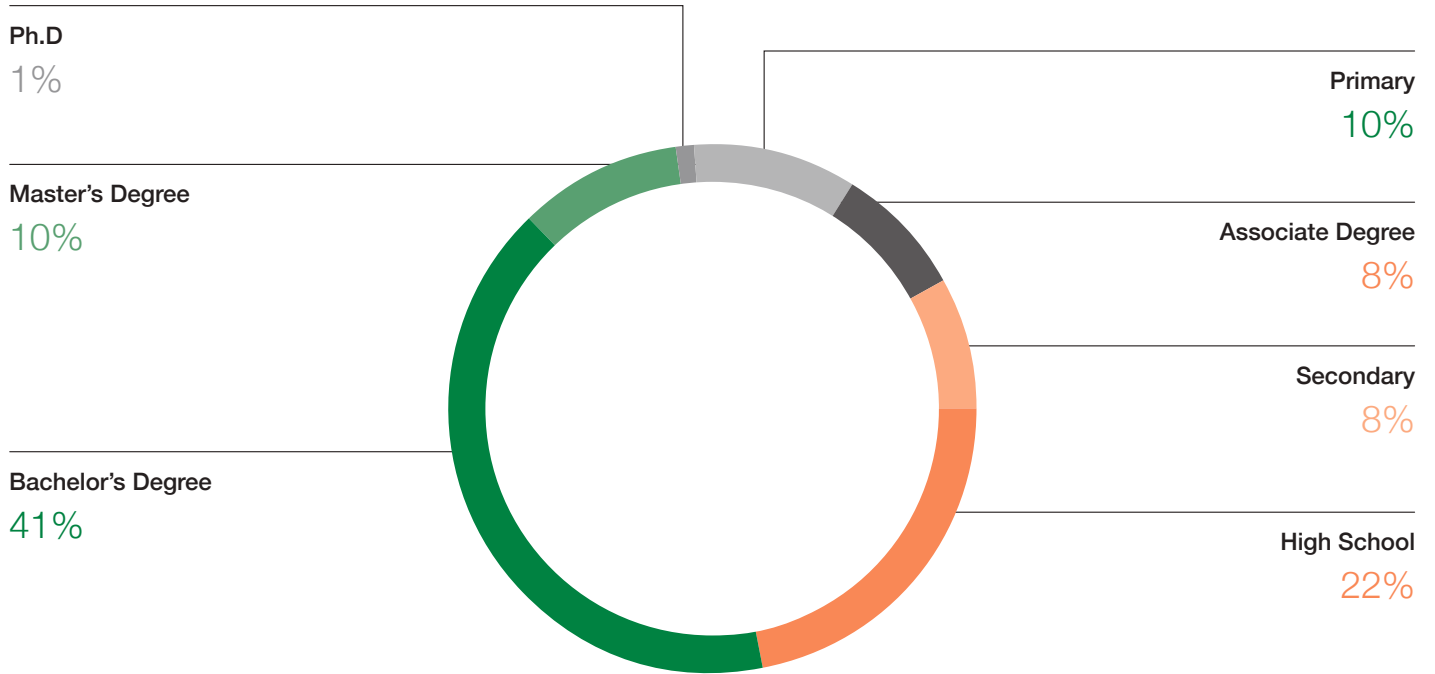
White -Collar Men

Competency and technical-based interviews or group interviews are conducted with candidates online or face-to-face; evaluation center applications specific to managerial roles, and personality inventory, general aptitude and foreign language tests for all white-collar roles are used as measurement tools, and objective evaluations are made according to their results.

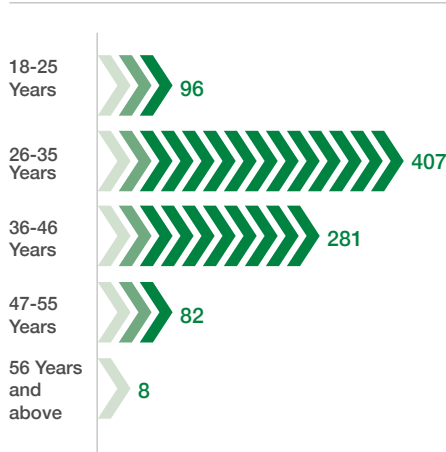
The company focuses on projects to increase the employment of white-collar and blue-collar women by considering gender equality, and carries out location-based activities for this purpose. In order to contribute to women’s employment in the sector, equal opportunity is offered in the recruitment of various occupational groups.

University Career Days and Industry Meeting Events

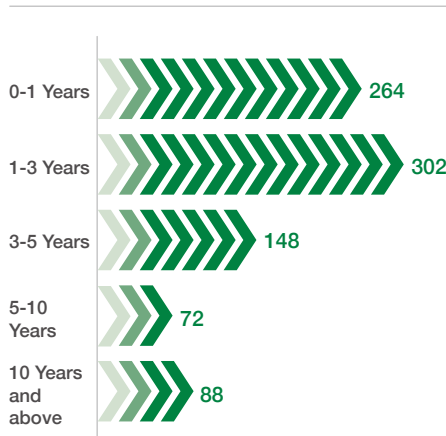
In order to strengthen the employer brand and attract qualified interns and potential employees to the Company; career and industry meeting days were organized at 6 universities and 7 faculties in 2022. In these events, university students were informed about the Company and the sector and a simulation study was conducted on CV preparation and interview techniques in order to prepare students for job interviews.



Age



Seniority



In 2022, the performance management system started to be implemented over the Digital HR system.

Digitalized Performance Management

With the digitalized Performance Management System, it is aimed to provide a fair, simple, transparent evaluation and feedback with a system extending from corporate strategy to the individual, in order to support high performance and a culture of continuous improvement within the Company.

In 2022, the performance management system started to be implemented over the Digital HR system. Blue-collar employees and white-collar employees working in routine activities are evaluated once a year based on competency, while other white-collar employees are evaluated based on goals. During the goal setting period, the individual goals entered into the system by the employees are subject to the approval of the manager. In the goal evaluation period, an individual evaluation is made first, followed by an executive evaluation.

Annual individual performance results for the achievement of corporate goals are taken into account in bonus payments and career management.

Human Resources

In order to strengthen the employer brand and attract qualified interns and potential employees to the Company; HEKTAŞ participated in career and industry meeting days organized at 6 universities and 7 faculties in 2022.

Remuneration and Benefits

The process is carried out using a methodology based on an internationally valid and defined systematic, according to the job levels determined for the positions at HEKTAŞ. There is no hourly wage application in the company, and all employees receive net amounts determined based on monthly remuneration. Employees are also provided with rights such as private health insurance, performance-based variable remuneration (bonuses) and employer-contributed private pension and life insurance.

The social rights of employees are paid regularly on monthly basis within the scope of the legal legislation. There is no Collective Bargaining Application in the Company.

The positions in the organizational structures of the Company must be evaluated using a methodology and the size of the job must be thus determined;

- Objective evaluation of the relative size of jobs within the framework of certain criteria using an internationally valid job valuation methodology,
- Establishing an infrastructure to easily compare the current wage structure with the results of global, local and sectoral market wage research,

Investments in the valuable Human Capital of HEKTAŞ continue to be made through trainings aimed at contributing new talents in different areas, as well as competencies helping with adaptation to the digitalized, changing world to them and increase their existing talents in 2022 as well.

- The goal is to create a common infrastructure that will facilitate the integration and holistic management of human resources processes (selection and placement, training and development, talent management and organizational development).

Remuneration practices are based on a competitive and fair system. Salaries are updated every year in January, taking into account criteria such as results of the company's performance and individual performances, the chemical industry, the targeted position and department, and the internal balance.

The wage policy is reviewed by examining the results of wage surveys conducted every year by industry and through detailed wage analyses. Employees are paid 12 salaries per year.

Shuttle service is provided for employees' commute; meal cards are provided to the employees in the field, and food service is provided in the cafeterias for the employees in the facilities.

Talent Management

Having sufficient talent for the company to achieve its strategic goals is one of the most important considerations in its growth journey.

In this context, Employee Self-Assessment, Executive Evaluation, Company Calibration and OYAK Calibration phases are completed within the framework of the calendar determined by OYAK every year.

Employees can share their short, medium- and long-term Career Goal requests with their managers through the Digital HR system. In the process carried out, employees and managers come together and determine action plans for the development goal together and agree on the process. Employees also have a say in the process.

The talents identified as potential or high potential by the managers are subjected to the evaluation and development center application, thereby ensuring awareness of their strong competencies that are open to development, and in this context, individual development plans with a personalized development roadmap are created. Furthermore, these people are included in the Our Route is the Future Training program organized by OYAK and participate in various training programs that will improve their competencies for one year. In 2022, 40 people were included in this program.

In this process, the career and development plans of talents are guided for the organization's sustainability, and talents are supported through projects suitable for their competencies, job enrichments that can take place outside of their current positions or with the assistance of coaching and mentoring.

Internship Program

Within the scope of talent management, compulsory internships of 42 university students were carried out within HEKTAŞ in 2022, in order to bring young talents to the Company, to support the development of students, to prepare them for business life and to contribute to the potential workforce, in the light of the intern selection criteria determined.



40

**Number of Employees
Participating in the
Our Route is the Future
Training Program**

**Remuneration practices
are based on a
competitive and fair
system.**

In addition, the international internship project was implemented, and internship opportunities were created for 1 foreign intern in five different regions and departments for 3 months.

Training

Investments in the valuable Human Capital of HEKTAŞ continue to be made through trainings aimed at contributing new talents in different areas, as well as competencies helping with adaptation to the digitalized, changing world to them and increase their existing talents in 2022 as well.

With the 'learner'-centered training system, employees gain a learning experience tailored to them. In addition, individual development, in-class training, technical and compulsory trainings are planned in the annual plan, in the light of the results of the training needs analysis.

During the learning experience journey, trainings are assigned to employees on a monthly basis via Digital HR, depending on the needs of the person and/or following current trends.

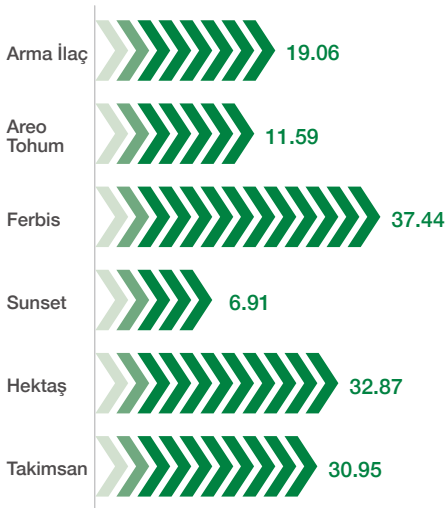
Human Resources

15 orientation trainings were given in 2022 in order to ensure the adaptation of newly recruited employees to the company.

The “Leadership and Executive Development Program, Competence-Based Interview Techniques Training” was provided on administrative basis, whereas trainings such as “Effective Presentation Techniques, Psychological Capital and Intrinsic Motivation, Business World and Behavioral Science, Contract Management, Advanced Driving Techniques” were given for other non-managerial positions in classroom trainings.

As technical trainings; “Evaluation of Investment Projects, Formulation and Product Range Training in Plant Protection and Plant Nutrition Products, Production Planning and Scheduling Training, SRC, Construction Equipment Operation, First Aid, Working at Heights” trainings were rendered.

Training Hours per Employee



25,611
Training Hours

138.8
Man/Hour

9,241
Number of employees
trained.

INDIVIDUAL DEVELOPMENT TRAININGS

Technical Trainings

Orientation Training & Gamification

15 orientation trainings were given in 2022 in order to ensure the adaptation of newly recruited employees to the company. Currently, generations Y and Z are considered as active job seekers, and therefore the company uses the Gamification method as a model through which their adaptation to the company and adoption of the corporate culture is achieved. The goal is to establish a bond between employees by ensuring interactive participation in addition to exchange of information.

Past & Future CEO Talks Program

The “CEO Talks” program, which aims to exchange knowledge based on the experiences gained so far by the Company’s General Manager, Mr. Zafer Terzioğlu, to create an open and transparent communication environment allowing employees to ask questions to the senior management, and to increase their sense of trust and belonging to the Company, was implemented together with the orientation.



12,265.91
In-Class Education

8,153.26
Distance Education



2,850.08
In-Class Education

821.73
Distance Education



213.52
In-Class Education

287.08
Distance Education



174.68
In-Class Education

657.53
Distance Education



112.00
In-Class Education

42.74
Distance Education



7.00
In-Class Education

25.97
Distance Education

Online Training Support Platforms

The development of employees is also supported through outsourced online platforms, contributing to their learning experiences. More than 200 employees are provided with foreign language training support through these platforms.

Established HEKTAŞ Strong Future

In the first quarter of 2022, workshops were held within the scope of the «Established HEKTAŞ Strong Future» workshop program for Executives, Managers and Directors, and activities were organized to enable employees to reveal their high potential within the framework of the Company's vision. Within the scope of these studies, project groups were formed, and the project presentations were presented to the company's senior management with the "collective mind philosophy" approach. Furthermore, in the light of this program, the "Learning Journey Program" was started and mentorship support was given to the Manager staff.

The development of employees is also supported through online platforms, contributing to their learning experiences.



SOCIAL RESPONSIBILITY PROJECTS

Primary School

Within the scope of the social responsibility project, a workshop was held in Bursa Orhangazi Agricultural Innovation Training and Experience Center, bringing primary school students together with the soil.

High School

A technical tour was organized at the Company's Gebze Production Facility for high school students and students were allowed to closely observe the technological infrastructure, automation system and production facility of the facility.

Human Resources

At Bursa Orhangazi Agricultural Innovation Training and Experience Center, university students were informed about “Agriculture 5.0 Practices” and “Human Resources Policies”.

University

At Bursa Orhangazi Agricultural Innovation Training and Experience Center, university students were informed about “Agriculture 5.0 Practices” and “Human Resources Policies”.

In addition, the company supported the career and industry meeting days of many universities.

Efforts for Sustaining Employee Satisfaction and Motivation

- 8 March International Women’s Day was celebrated with the gift organization for 145 female employees.
- The tradition of the HEKTAŞ Family, which grows with its new employees every year, continued to be kept alive by giving gift market cards to all employees and sub-employers during the Feast of Sacrifice and Ramadan Holidays, which are symbols of sharing and brotherhood.
- Gift packages consisting of products produced by the group food companies were distributed to all employees this year as well, so that all employees could feel the joy of the new year in their meals.
- Newborn gift kits started to be sent to employees who give birth or become fathers.
- Street delicacy and food organization events were held.
- We celebrated the 14th February with dessert breaks in all companies.

A workshop was held in Bursa Orhangazi Agricultural Innovation Training and Experience Center, bringing primary school students together with the soil.

- We started to send a “Recommendation of the Month” email to employees every month, recommending them movies, TED Talks or books as inspiration for their private and work lives.

Activities Carried out to Develop and Improve Our Human Resources Processes

- Within the scope of digitalization, the project to transfer the personal files of all employees to digital media was completed.
- The performance management system started to be implemented over the Digital HR system.
- Mandatory University Intern selection criteria were established.
- The “CEO Talks” Program was implemented together with the orientation.
- Digital HR leave module was activated.
- Complementary health insurance was provided to all blue-collar employees as a fringe benefit.
- Job valuation is carried out in order to objectively evaluate the relative size of jobs within the framework of certain criteria with an internationally valid job valuation methodology, and levels of the positions are updated accordingly.
- The personnel entry and exit tracking systems of all facilities were designed and completed to be centrally controlled.

Committee Structure

Under the article 20 of the Company's Articles of Association, the provisions of the relevant legislation shall be applied regarding the formation, duties and working principles of the committees that the Board of Directors is obliged to establish within the scope of the relevant legislation, including the early determination of risk committee within the scope of the Capital Market legislation and article 378 of the Turkish Commercial Code, and their relations with the Board of Directors.

The Audit Committee, Early Detection of Risk Committee and Corporate Governance Committee and their members are as follows;

Committee	Duty	Name-Surname	Character	Meeting Frequency
Audit Committee	Chairman	Kâmil DERECE	Independent Member	At least four times a year in quarterly periods
	Member	Kadri ÖZGÜNEŞ	Independent Member	
Corporate Governance Committee	Chairman	Bülent Şamil YETİŞ	Independent Member	At least four times a year in quarterly periods
	Member	Kâmil DERECE	Independent Member	
	Member	Tuba BEKTAŞ	Investor Relations Manager	
Riskin Erken Saptanması Komitesi	Chairman	Kadri ÖZGÜNEŞ	Independent Member	At least six times a year in two-month periods
	Member	Bülent Şamil YETİŞ	Independent Member	

The Audit Committee continued its works within the scope of its obligations under the CML legislation regulations, by convening 5 times in 2022.

The Early Detection of Risk Committee convened 6 times and the Corporate Governance Committee convened 7 times in 2022 to continue their works within the scope of their obligations under the CML legislation regulations.

All committees submit their meeting minutes and evaluations to the Board of Directors.



Activities of HEKTAŞ in 2022

82	Company's Activities in 2022 by Period
90	New Business Relationship
94	R&D Studies
100	Sales Activities
102	Marketing Activities
105	Honors and Awards
106	Social Responsibility Projects
108	Investor Relations Department and Its Activities
112	Credit Ratings
113	Sales by Quantity
114	Digital Transformation
116	Information About the Industry Where the Enterprise Is Active
120	Contributions Made by HEKTAŞ to Its Industry Within the Year
122	Sustainability Activities
126	Investments Made and Incentives Received
126	Internal Control Systems
127	Risk Management

Company's Activities in 2022 by Period

Supporting the country's economy with international investments

HEKTAŞ is preparing to establish a production facility for plant nutrition and protection in Uzbekistan as part of its foreign investment plans.

First Quarter

- 51% of the shares of Agriventis Technologies, which is based in Australia, were acquired.
- HEKTAŞ stock increased by TL 1.01 in the first quarter compared to the end of the previous year, generating 20% profit for investors.
- Investments amounting to TL 175.967.794 were made in the first three months of 2022.
- Bonds worth 100 million were issued to qualified investors in the first three months.
- The Speed Breeding system was established.
- 8 new R&D projects were started.
- One of the 24 R&D projects currently being carried out has been completed.

13 new products were commercialized in the plant protection area.

- 13 new products that were licensed and offered for sale as outputs of R&D projects in the field of plant protection were commercialized.
- Production and sales rights of 2 cotton varieties obtained from the project carried out jointly with Nazilli Cotton Research Institute have been received.
- HEKTAŞ has been awarded for the fourth time in a row at the 2021 İKMİB Stars of Exportation Awards organized by the Istanbul Chemicals and Chemical Products Exporters' Association (İKMİB).
- HEKTAŞ Agricultural Innovation Training and Experience Center hosted 1,233 producers/stakeholders operating on a total of 599,040 decares of agricultural land in the first three months.

First Quarter

Strategic partnerships with global companies...



Foreign Subsidiary
51% partnership
to **Agriventis**
Technologies



20%
Share Value



176
million TL
Investment
Amount



8
new
R&D
projects



13 new products
New products in the field of
plant protection



At the IKMIB Stars of
Export Awards
HEKTAŞ was
considered worthy
4th time



100 million bonds were issued

Company's Activities in 2022 by Period

In the “Fortune 500 Turkey 2021 Survey” announced in 2022, HEKTAŞ rose 53 steps and ranked 294th.

Second Quarter

- The stock increased by TL 5.13 as of the end of the second quarter compared to the end of the previous year, generating 99% profit for investors.
- The company entered BIST 30 index.
- The Ordinary General Assembly meeting for 2021 was held on April 01, 2022.
- The Extraordinary General Assembly meeting was held on 03 June 2022.
- An application was made to the CMB for increasing the authorized capital cap from 1 billion TL to 3 billion TL.
- Decision on paid and unpaid capital increase was taken and the process was started.
- Investments in the amount of TL 340.537.995 were made in the first six months of 2022.
- In the first six months, 265 million bonds were issued to qualified investors, and 100 million bonds issued in the first quarter were redeemed in this period.
- A meeting for Corporate Investors was held at Orhangazi Agricultural Innovation, Training and Experience Center on May 24, 2022. 87 corporate investors attended the meeting.
- Another one of the 24 R&D projects currently being carried out was completed, and a total of 2 projects were implemented in the first 6 months.
- 4 new bread wheat varieties bred within the HEKTAŞ R&D Center were registered with the names of Süngü, Gazi 38, Kahraman and Ulubaş and added to the national variety list.

In the first six months, 265 million bonds were issued to qualified investors, and 100 million bonds issued in the first quarter were redeemed in this period.

- In the field of plant protection, a total of 19 new products were commercialized by adding 6 new products in addition to 13 new products that were licensed and offered for sale as an output of R&D projects.
- Licenses were obtained for 3 new formulations in the field of plant protection.
- Licenses have been obtained for 3 new products developed in the Animal Health business line
- The Company ranked 341st In the “Turkey’s Top 500 Industrial Enterprises Research” prepared by the Istanbul Chamber of Industry (ISO) in 2021, ranking among the top 500 for the 4th time in a row.
- In the “Fortune 500 Turkey 2021 Survey” announced in 2022, the company rose 53 steps and ranked 294th.
- According to the “R&D 250” Research conducted by TurkishTime magazine every year, the company rose 23 steps and ranked 72nd in the list of the companies that carry out the most Research and Development activities in Turkey. In terms of the number of projects carried out, it ranks 26th in the mixed list that includes all sectors.
- HEKTAŞ Agricultural Innovation Training and Experience Center hosted 2,166 producers/stakeholders operating on a total of 8716.148 decares of agricultural land in the first six months.

Second Quarter

Service and solution oriented
production approach...



HEKTAŞ share
generated
99% profit
for investors.



HEKTAŞ
in BIST-30



340.5
million TL
Investment
Amount



Ranked
341st

in "Turkey's Top 500 Industrial
Enterprises Research"



19
new

R&D production were
commercialized.



265 million bonds were issued

Company's Activities in 2022 by Period

HEKTAŞ rose 66 ranks and ranked among the top 500 companies in the “Turkey’s Top 500 Companies” research conducted by Capital Magazine.

Third Quarter

- The stock value increased by TL 15.06 in the third quarter compared to the end of the previous year, generating 291% profit for investors.
- It rose 2 steps in the FTSE index traded on the London Stock Exchange, thereby rising from the small-scale companies index to the “Large Scale Companies” index.
- Initial steps were taken to establish a production facility in Uzbekistan for production facility investments in the plant nutrition and protection sectors.
- A cooperation agreement was signed between the Malaysian-based Boustead Holdings Berhad in the field of commodity trade, primarily food safety.
- A cooperation agreement was signed between the company and the Fauji Foundation, which is based in Pakistan, in the fields of food safety, institutional breeding, agricultural technologies, plant protection, plant nutrition, seed production, and import and marketing of pesticides.
- The authorized capital cap was increased from 1 billion TL to 3 billion TL.
- Investments in the amount of TL 652.675.957 were made in the first nine months of 2022.
- The land and factory immovables of Adana Organomineral Production Facility, which operates as a rental, were acquired.

The number of R&D projects ongoing as of the end of the 3rd quarter was 64.

- Financing Bills in the total amount of TL 1,857 million were issued to qualified investors, and TL 365 million of these bills were redeemed.
- As a result of the rating studies conducted by “JCR Avrasya Derecelendirme A.Ş.”, the company’s long and short-term national ratings were confirmed as ‘AA (Tr)’ ve ‘J1+ (Tr)’, respectively, while their outlook in terms of the ratings were confirmed as “Stable”. The Company’s international ratings were also restricted with the national rating.
- 70 projects were activated in total, with the addition of 46 new R&D projects in the last three months to the 24 existing projects.
- 2 of the 70 R&D projects were completed in the first 6 months, while 4 of them were completed in the 3rd quarter. The number of R&D projects ongoing as of the end of the 3rd quarter was 64.
- License has been obtained for 1 new product developed in the Public Health business line.
- HEKTAŞ rose 66 ranks and ranked among the top 500 companies in the “Turkey’s Top 500 Companies” research conducted by Capital Magazine.
- HEKTAŞ Agricultural Innovation Training and Experience Center hosted 3,275 producers/stakeholders operating on a total of 1,089,106 deceres of agricultural land in the first nine months.

Third Quarter

Studies that strengthen national agriculture thanks to R&D studies...



291%
Share Value
Increase



The first steps were taken regarding the
establishment of a production facility in Uzbekistan.

FTSE

HEKTAŞ climbed up in London based FTSE listed
“Large Scale Companies” Index.



Collaboration agreements were signed in
Malaysia and Pakistan



4 R&D projects completed



1,857 million
bonds were issued

Company's Activities in 2022 by Period

The company titled “HEKTAS ASIA LLC” was established in Uzbekistan/Tashkent, with 100% of its shares belonging to HEKTAŞ Ticaret T.A.Ş.

Fourth Quarter

- Revenue increased 159% according to 2021.
- Net profit increased 152% according to 2021.
- EBITDA increased 223% according to 2021.
- The stock value increased by TL 32.45 in the last quarter compared to the end of the previous year, generating 628% annually profit for investors.
- A decision was taken to trade Ferbis Tarım Ticaret ve Sanayi Anonim Şirketi, a 100% subsidiary of HEKTAŞ operating in the fields of manufacture, import and marketing of agricultural pesticides, on Borsa İstanbul A.Ş.
- The company titled “HEKTAS ASIA LLC” was established in Uzbekistan/Tashkent, with 100% of its shares belonging to HEKTAŞ Ticaret T.A.Ş.
- With the statement made by MSCI on November 11, 2022, HEKTAŞ switched from “MSCI Global Small Cap Index” to “MSCI Turkey Index” as of November 30, 2022. MSCI index is one of the most important indices accepted for global capital markets outside the USA.
- It was decided to issue Convertible Bonds in order to finance the sales operations of R&D investments and finance the ongoing R&D projects.
- The paid-in capital was increased to 2.530 million TL by completing the capital increase procedure and the paid-unpaid capital increase process was concluded.
- Investments in the amount of TL 1.233.333.029 were as of the end of 2022.

It was decided to issue Convertible Bonds in order to finance the sales operations of R&D investments and finance the ongoing R&D projects.

- Financing Bills in the total amount of 532 million TL were redeemed to qualified investors.
- 10 of the 70 projects carried out within the year were completed and 60 projects already carried out were carried forward to 2023.
- In the field of plant protection, 21 new products were included in the portfolio and commercialized, and licenses were obtained for 5 new formulations.
- The capital amount of TL 45.750.000 pertaining to “Areo Tohumculuk Arge Sanayi ve Dış Ticaret Anonim Şirketi”, which is wholly (100%) owned by HEKTAŞ and operates in the field of seeds, was increased to TL 95.750.000.
- Participation in the world's most important greenhouse agriculture sector fair “Growtech 2022” held in Antalya in November was ensured.
- The Company was given the ‘Green Transformation’ award in the social responsibility award program ‘Ortak Yarınlar’ organized by the Confederation of Turkish Employers’ Unions (TİSK), due to the ‘Reconstruction with Soil’ project.
- According to the results of the “Corporate Perception and Customer Satisfaction Survey” conducted every 2 years together with an independent and accredited research institution, HEKTAŞ ranked no lower than 100% in brand awareness and 90% in satisfaction rate among its target audience, surpassing global brands.
- As of the end of 2022, more than 5 thousand producers/stakeholders were hosted at the HEKTAŞ Agricultural Innovation Training and Experience Center.

Fourth Quarter

One of the biggest solution partners
in agricultural production sector...



HEKTAŞ share
generated
**628% profit
for investors**



159%

Revenue increased
159% according
to 2021



152%

Net profit increased
152% according
to 2021



223%

EBITDA increased
223% according to
2021



**Ferbis Tarım
Ticaret ve
Sanayi A.Ş.
in BIST**



**“HEKTAS ASIA LLC”
was established with
100% subsidiary in
Uzbekistan/Tashkent.**



HEKTAŞ switched
from “MSCI Global
Small Cap Index” to
**“MSCI Turkey
Index”**



1,233
million TL
Investment
Amount



+32.45
TL
increased
share value

New Business Relationship

Global journey through strategic partnerships

HEKTAŞ signed a memorandum of understanding with two companies, one in Malaysia and the other in Pakistan.

In 2022, HEKTAŞ established two new strategic business relationships, taking its quality, experience and business ethics overseas and continuing its pioneering identity in the agriculture of Turkey over the world, with sure steps towards globalization. During the year, it signed a memorandum of understanding with two companies, one in Malaysia and the other in Pakistan.

Memorandum of Understanding between HEKTAŞ and Boustead Holdings Berhad

Malaysia, the third largest economy in South East Asia and the 35th largest economy in the world, is also the 45th most populous country.

The country has a tropical climate and receives precipitation in all seasons, with an annual average temperature at 28 degrees. Due to the tropical climate in the country, the diversity of agricultural products is very low. 30% of Malaysia's land is agricultural land and agriculture is done especially in the southern parts of the country.

According to the World Bank data for 2021, the share of the agricultural sector in the country's GDP is 10%, while the share of industry is 38% and the share of the services sector is 52%. The country is economically self-sufficient. Its economy, which has low inflation and a strong capital investment, is in constant development.

HEKTAŞ carried its safe food motto overseas, by signing a memorandum of understanding with the Malaysian-based BUSTEAD HOLDINGS BERHAD.

It also ranks 12th in the World Bank's "Ease of Doing Business" index, which makes it attractive to invest in this country.

In 2021, Turkey made exports in the amount of 445 million dollars to Malaysia and made imports approximately in the amount of 3 billion dollars from Malaysia, and the foreign trade volume between the two countries was 3.5 billion dollars. In 2021, Turkey's exports to and imports from Malaysia increased by approximately 17% and 56% respectively.

Turkey exports mostly iron and steel, oil & gas, defense industry products, vegetables and fruits, textile fiber and products, clothing and accessories to Malaysia.

HEKTAŞ carried its safe food motto overseas, by signing a memorandum of understanding in July 2022 for cooperation in the field of commodity trade, primarily food safety, with the Malaysian-based BUSTEAD HOLDINGS BERHAD.



Founded in the early 19th century under the Malaysian army, BUSTEAD HOLDINGS BERHAD is one of the oldest holdings in the country. It has been traded on the Malaysian Stock Exchange since 1961.

It has 45 palm oil fields and 10 palm oil mills. The total land is about 98,200 hectares, with 73,500 hectares of land cultivated in total.

The company operates in the fields of plant breeding, property & industry, pharmaceuticals (pharmaceuticals), heavy industry, trade-finance and investment. “Plant Breeding” is the field where the company provides most services to the country out of these 5 fields.

As of the end of 2021, its market value is RM 1.1 Billion, i.e. \$271 million. Its asset size is RM 16.4 billion, i.e. \$404 million, and its total equity is RM 5.5, i.e. \$1,355 million.

Continuing its pioneering identity in the agriculture of Turkey over the world.

Memorandum of Understanding between HEKTAŞ and Fauji Foundation

Pakistan, the 44th largest economy in the world, is also the 5th most populous country in the world.

Being located in a monsoon climate dominated by uninterrupted rains and strong winds, Pakistan experiences 4 seasons throughout the year.

20% of Pakistan’s population is engaged in agriculture. The labor force participation rate among the country’s population is 53%. Of the sectors active in Pakistan, 58% are services, 23% are agriculture and 19% are industry.

Agriculture is one of the biggest livelihoods for the country’s population. However, the yield is low due to the use of traditional methods and insufficient irrigation infrastructure in agriculture. Major agricultural products are cotton, wheat, rice, sugarcane and corn.

New Business Relationship

The new cooperation with Fauji Foundation will enable both countries to build closer relations in the field of agriculture, while further empowering HEKTAŞ to reach its new goals.

According to the data of 2021, agriculture and livestock rank 11th, while chemicals rank 1st place among the product groups with the highest potential of exportation from Turkey to Pakistan.

A memorandum of understanding was signed between HEKTAŞ and FAUJİ FOUNDATION in September 2022 in order to bring modern agricultural technologies to Pakistan, thus ensuring more productivity from its agricultural lands.

According to the wording of the memorandum, the aim is to cooperate in the fields of food safety, institutional breeding, agricultural technologies, plant protection, plant nutrition, seed production, import and marketing of pesticides, and to ensure the agricultural development of Pakistan.

FAUJİ FOUNDATION is a foundation established in 1945 for the Indian War Veterans who served the British Crown during the Second World War. When the State of Pakistan was established in 1947, the shares of the foundation were transferred to Pakistan in proportion with the war veterans after the Second World War.

A memorandum of understanding was signed between HEKTAŞ and Fauji Foundation in order to bring modern agricultural technologies to Pakistan, thus ensuring more productivity from its agricultural lands.

The main fields of activity of the company are maritime activities, fertilizers, cement, banking, agriculture and food, energy and petro-gas. In addition, it also operates in the fields of digital infrastructure and services, healthcare, mining, petrochemicals, pharmaceuticals, coal gasification and energy flow.

Today, the needs of approximately 9 million people, which corresponds to 5% of the country's population, are provided by this foundation. More than 80 percent of its income is used in social aid activities every year. It has 27,000 employees. It is the group company with the highest revenue and profitability in Pakistan.

The new business relationship established as per the memorandum of understanding signed in 2022 will enable both countries to build closer relations in the field of agriculture, while further empowering HEKTAŞ to reach its new goals.



R&D Studies

Innovative steps for sustainable growth

In order to keep up with the times, be competitive at an international level, make a difference in the market and be one step ahead, HEKTAŞ attaches great importance to R&D investments in particular.

In order to keep up with the times, be competitive at an international level, make a difference in the market and be one step ahead, HEKTAŞ attaches great importance to R&D investments in particular.

One of the most important pillars of sustainable growth for the company is to focus on R&D studies. Acting with this awareness, the Company concluded 10 R&D projects in 2022 and started the year 2023 with 60 ongoing projects in total. Thanks to these completed projects, new products were produced, product quality and standards were increased, and cost-reducing and standard-raising techniques were implemented.

HEKTAŞ continued to shape the sector and create commercial value in 2022 with its R&D projects in the fields of Plant Protection, IoT, Artificial Intelligence, Safe Food, Seed, Plant Nutrition, Animal Health and Public Health.

Attaching importance to education and science; the Company continues to be a pioneer in the fields in which it operates, especially in cooperation with TUBITAK, TAGEM and research academics at universities in the areas of Plant Protection, Seed Breeding, Plant Nutrition, Animal Health.

10

**R&D Projects Concluded
in 2022**

60

Ongoing R&D Projects

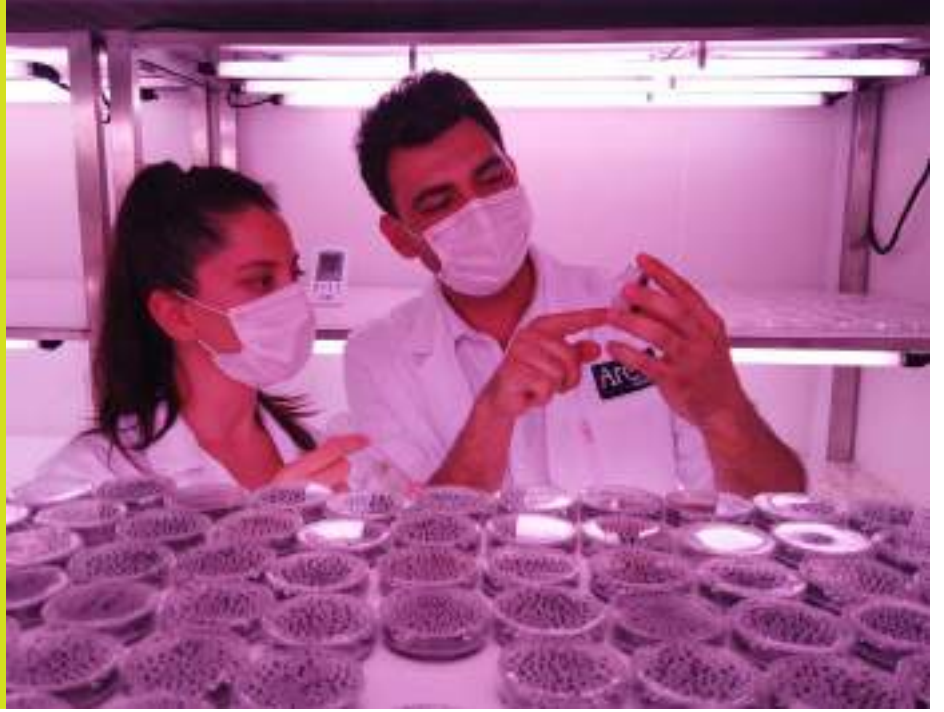
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Launching the “HEKTAŞ Traceable Safe Food Platform” project in 2020, and realizing it in 2021, HEKTAŞ continued to drive the market and pioneer smart agriculture practices in 2022 as well.

It continued to drive the market and pioneer smart agriculture practices in 2020 as well, by realizing the “HEKTAŞ Traceable Safe Food Platform” project, which was launched in 2020, in 2021.

The first results of the application work developed within this scope began to be obtained in 2021. With this application, production details of fruits and vegetables offered to consumers can be accessed through the mobile application and command center customized according to the needs of the users (Consumer, Expert, Producer). End-to-end traceability of the products produced with the Traceable Safe Food Platform project is secured with blockchain technology. With the project, it has been ensured that all stakeholders in the production chain from producer to the end consumer are included in the HEKTAŞ Safe Food Platform, and the stakeholders' information is instantly monitored and followed by other platform partners, at every step of the process. In addition, systems on smart agriculture technologies supported by artificial intelligence were developed to enable producers to produce more efficiently, thus food safety was emphasized.

The **Speed Breeding** system, which was developed through the R&D studies in order to meet astronauts' food needs on-site for Nasa's Mars mission, has been established.



Food-related problems not only affect human health, but also affect the economic and social structures of individuals, families, societies, sectors and ultimately countries. With this fact in mind, the Company, which proved once again that it is the pioneer of smart agriculture with the "Traceable Safe Food Platform" project, developed the "Traceable Safe Food Application" as a result of this project. Consumers can instantly access the producer information, place, time and growing conditions of that product and all residue analyzes obtained from accredited organizations, thanks to the QR Code on the vegetable products in the aisles.

Sustaining an efficient and profitable production in animal farms is only possible with healthy herds. Preventive measures should be taken to minimize the outbreak and spreading of diseases and every business needs a biosafety program they can implement at all times, not just when a disease occurs. Biosafety is necessary not only for animal health, but also for public health, whose importance has been fully understood in the recent pandemic.

The investments made with the goal of achieving a sustainable future in the R&D Center laboratories to be included in the Agricultural Innovation, Education and Experience Center will be expanded.

Therefore, new products that will meet the needs of animal farms and create advantage on the market have been developed.

There are ongoing efforts to give the formulations slow-release properties increasing the mineral uptake level of the plants, in order to ensure that organomineral fertilizers, which are called new generation fertilizers, have added value and to differentiate them in Plant Nutrition products. Furthermore, the Plant Nutrition product portfolio is expanded with product development studies concerning biostimulant and liquid foliar fertilizers.

The investments made with the goal of achieving a sustainable future in the R&D Center laboratories to be included in HEKTAŞ AGRICULTURAL INNOVATION, EDUCATION AND EXPERIENCE CENTER established in Orhangazi will be expanded. The aim is to keep up with the new age, and to contribute to our competitive power with innovative ideas such as Biological Products.

R&D Studies

The Biotechnology laboratory in the Areo Seed Technologies R&D Center is comprised of a Molecular Marker analysis laboratory, a Plant Tissue Culture laboratory and Phytopathology laboratories.

At the HEKTAŞ Gebze R&D Center;

- 4 out of 64 projects existing at the end of the 9th month of 2022 were completed in the last quarter.
- 10 of the 70 projects carried out within the year were completed and 60 projects already carried out were carried forward to 2023.
- The studies carried out in the Climate room as part of the project carried out on seed breeding through biotechnological methods have been completed. Project outputs are being assessed by the Areo breeding team with respect to other stages of the breeding program such as field adaptations, quality/yield studies, clarification etc. were delivered to Areo breeding team.
- Expansion of the proprietary seed portfolio continues. 4 new Bread Wheat varieties bred in HEKTAŞ R&D Center were registered with the names of Süngü, Gazi 38, Kahraman and Ulubaş and added to the national variety list, after the 14-chromosome Einkorn wheat named Atasiyez and Mergüze, whose production and sales rights were previously obtained. The standard registration process of durum wheat variety candidates whose breeding studies were completed continues in official institutions.

4

New Bread Wheat Varieties

11

New Products (Plant Protection)

3

New Products (Animal Health)

- In the field of plant protection, license was obtained for 5 new formulations whose R&D studies were completed and the 11 new products offered for sale as project output during the year contributed to the turnover.
- Licenses have been obtained for 3 new products developed in the Animal Health business line.
- License has been obtained for 1 new product developed in the Public Health business line.
- The Agricultural Spraying drone has been added to the drone fleet.
- Operating on the basis of a multidisciplinary structure, the center creates fast and effective solutions with its competent research staff. Contributions to scientific studies and to the literature have been continued with congress participations and paper presentations.

At Areo Seed Technologies R&D Center;

Areo Tohumculuk assists in the reduction of Turkey's foreign dependency and increase its export volume in seed products through its R&D studies carried out for seed breeding. Thanks to Areo Tohumculuk, HEKTAŞ began to increase its competitive power with international brands, by developing varieties that are in line with market conditions and meet producers' needs.

100% Capacity

Molecular marker laboratories continue their activities with an almost 100% capacity.



- The Speed Breeding system, which was developed through the R&D studies in order to meet astronauts' food needs on-site for Nasa's Mars mission, has been established. For example, the variety development time required for wheat has been reduced from 6 years to 600 days.
- The Facility is comprised of a Biotechnology laboratory, Molecular Marker analysis laboratory, Plant Tissue Culture laboratory and Phytopathology laboratories. Molecular marker analyzes are used intensively by being optimized as a cost-reducing and capacity-enhancing method that is patented with the Real Time PCR device. Molecular marker laboratories, where genetic resistance against pathogens in breeding materials is tested, continue their activities with an almost 100% capacity.
- Trial studies for cotton in Nazilli, Adana and Şanlıurfa; Einkorn wheat, barley, chickpea, peas in Ankara; corn in Sakarya; sunflower in Edirne; and tomato, pepper and cucumber vegetable group in Orhangazi and Antalya are carried out using modern technologies.

—
**Areo Tohumculuk
assists in the
reduction of Turkey's
foreign dependency
and increase its
export volume in
seed products
through its R&D
studies carried out
for seed breeding.**

- For cotton, more than 2,000 genetic lines, 1389 single plant field observations and generation skipping processes, 32 micro yield trials and field observations and 15 broad field observations and yield performance studies are ongoing in Aydın, Nazilli and Şanlıurfa, while 8 types of broad field observation and yield performance studies are continuing in Şanlıurfa.
- The double haploid method is used in selected peppers, cucumbers and eggplants.
- Hybrid trials of varieties that can meet market demands such as disease resistance, different fruit types and quality of the Middle East, South America, Europe (Italy, Spain) and countries such as Mexico and Morocco were established by increasing the numbers of genetic materials in the vegetable group.
- Disease resistance analyses and breeding activities are carried out for 11 different tomato types.
- The registration stages of cultivars with high genetic resistance and adaptability to different regions are being carried out.

R&D Studies

Areo Tohumculuk conducts the registration stages of cultivars with high genetic resistance and adaptability to different regions.

- Breeding, adaptation, resistance to regional diseases and registration activities are continuing for 16 types of pepper.
- Breeding, adaptation, resistance to regional diseases and registration activities are continuing for 5 types of cucumber.
- We continue our optimization studies to be able to carry out wheat breeding the facility, using the Double Haploid technology.
- Pre-yield trials with a large number of plant seeds at various stages in the Vegetable Breeding program, large-scale farmer trials of cultivar candidates (second screen), large farmer demonstration trials before commercialization (registration), etc. have been set up and the efforts have been commenced according to the plan. Extensive farmer trials of pre-commercial hybrid cultivar candidates from the product groups studied in the vegetable breeding program continue. In addition, thousands of hybrid variety candidates were obtained by using newly developed lines (Parents) whose genetic analyzes were completed in different vegetable groups.
- Prominent varieties have been determined as a result of broad farmer trials for hybrid variety candidates in the last period and applications to register these varieties have been made. Seed productions are planned for 2 cherry tomato, 3 green pepper, 3 bell

2

New Cotton Varieties

For sunflower, negotiations continue for the development of commercial oil sunflower seed varieties in cooperation with the Trakya Research Institute Sunflower Branch.

pepper and 1 cucumber variety, whose registration procedures were completed in October 2022.

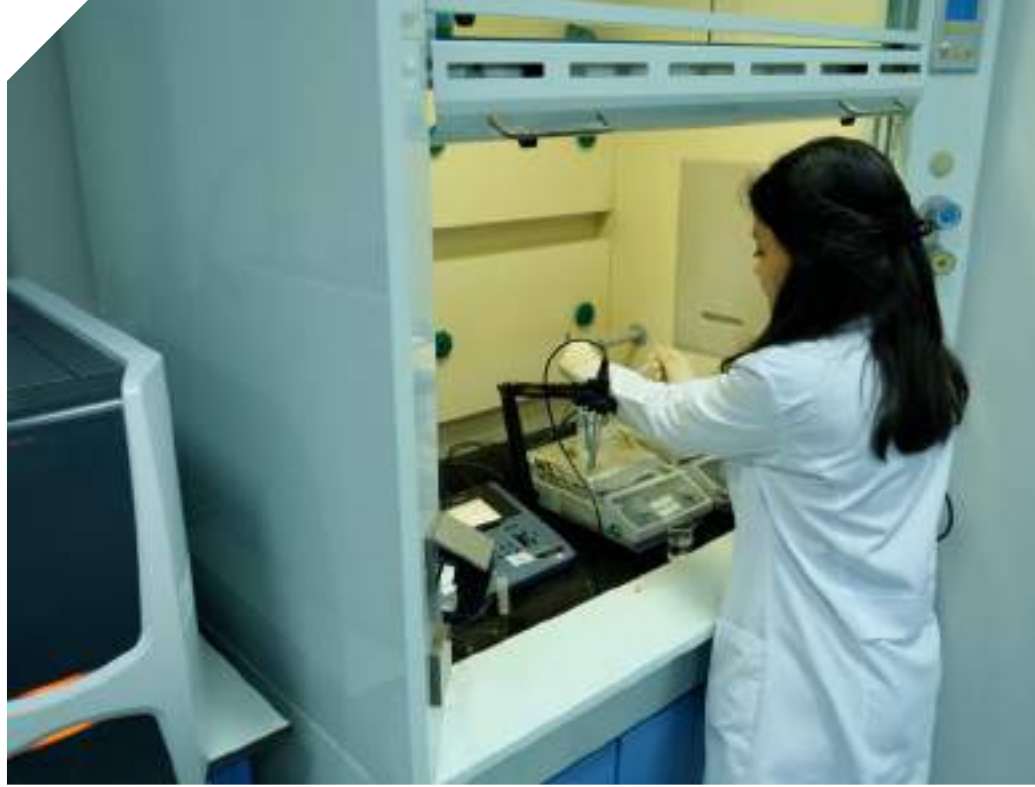
- Production and sales rights of 2 cotton varieties obtained from the project carried out jointly with Nazilli Cotton Research Institute, namely Volkan and Selçuk Bey, have been received. Commercial seeds of 2 cotton varieties registered as R&D project outputs were produced as 40,000 kilograms on 250 decares of land in 2 different regions.
- Aydın's Söke district was determined as the central location, and equipment setup efforts were started for product storage and R&D studies, and the rental process for the warehouse was initiated.
- For wheat, observation, analysis and evaluation studies of more than 2000 different genetic materials in terms of yield, disease and quality continue on an area of 100 decares at Ankara University Faculty of Agriculture Haymana Research Farm.
- International trials are being conducted for the development of drought tolerant varieties and disease resistance in wheat breeding areas.
- Elite seed production of two einkorn wheat varieties (Atasiyez and Mergüze) whose sales rights belong to HEKTAŞ was performed by the General Directorate of Agricultural Research and the seeds were received after 2022 harvest. Production of einkorn seeds started at ORJ1 level. Planting was carried out in October 2022 and it is

planned that the harvest to be yielded after planting will be ready for sale in June and July 2023 as 25 tons in each month.

- For sunflower, negotiations continue for the development of commercial oil sunflower seed varieties in cooperation with the Trakya Research Institute Sunflower Branch. Inbreeding studies for 15 different commercial IMI herbicide resistant F1 sunflower varieties and 14 Orobanche resistant (OR) sunflower varieties continue (to save time in winter conditions), and studies to create genetic materials for sunflower breeding are ongoing.
- For chickpeas, 72 yield trials were completed in the yield trial stage and 70 yield trials were completed in the F4 stage.
- For corn, haploid seed selection with the in vivo Maternal Haploid technique continues, and 26 DH lines have been developed. Inbreeding studies are continuing in 192 plant and cob selections and 293 corn lines. Yield trial results for early corn yield trial (74 candidate varieties), medium late corn yield trial (77 candidate varieties), late corn yield trial (46 candidate varieties), and silage corn yield trials (44 candidate cultivars) in sown silage and grain corn yield trials in Sakarya, Aydın, Konya and Şanlıurfa have been evaluated and 59 candidate varieties have been selected.

At Ankara High Technology Center;

In the last quarter of 2019, HEKTAŞ established the “High Technology Center” in Sincan district of Ankara in order to provide our country with value-added products that will minimize foreign dependency, reduce imports, and support food and environmental health by reducing the use of conventional chemical products in the fertilizer market through the development of liquid fertilizers, microbial products and organic acids. Established by using regional incentives, the facility is the most equipped and high-capacity facility in Turkey in terms of agricultural microbiological products. Thanks to the strategic products aimed to be developed as a result of R&D and P&D activities at the facility, it is planned to produce products which have high imports, high



HEKTAŞ established the “High Technology Center” in Sincan district of Ankara in order to provide our country with value-added products that will minimize foreign dependency, reduce imports, and support food and environmental health by reducing the use of conventional chemical products in the fertilizer market through the development of liquid fertilizers, microbial products and organic acids.

added value and whose supply chain is at risk in the short term, and to continue to develop new products in the long term.

There are ongoing efforts at the facility to give the formulations slow-release properties increasing the mineral uptake level of the plants, in order to ensure that organomineral fertilizers, which are called new generation fertilizers, have added value and to differentiate them in plant nutrition products. Furthermore, the Plant Nutrition product portfolio is expanded with product development and microbial fertilizer definition studies concerning biostimulant and liquid foliar fertilizers. In the ‘High Technology Center’, which was implemented in the Sincan district of Ankara, studies and R&D activities are carried out to produce organomineral liquid fertilizers and composite liquid fertilizers containing amino acids, bacteria and enzymes.

Trial production started in the first quarter of 2021, and license documents are pending for the mass production of the developed products.

Sales Activities

Increasing market share locally and globally

HEKTAŞ continued its growth based on “TL” and “Profitability” in the plant nutrition business line in 2022, thanks to its strategic and foresighted efforts.

Examination of the Company’s sales of the first 12 months indicates an increase in sales revenue 159% compared to 2021.

The positive impacts created in the revenue increase by the Tradite Organomineral Fertilizer and Yara Premium Fertilizer Groups, which are served in the Plant Nutrition business, continued in the rest of the year.

The correct penetration of new product groups into the field, proactive marketing efforts, campaigns held for the right products at the right time for the products already in the portfolio, the right pricing and the correct positioning of the sales points were factors impacting these revenue increases, while the effective works carried out by the sales and marketing teams in the manufacturer and dealer channels also had a great impact.

159%
Increase in Sales

Sales and marketing teams carried out effective works in the manufacturer and dealer channels.

Again, the impact of global developments continue on the Plant Nutrition business line. The Russia-Ukraine war has played a decisive role in the current supply-demand imbalance. In the light of these developments, severe volatility has been observed in the fertilizer market in Turkey and around the world in the 4th quarter, just as in the rest of the year. Increases in the natural gas prices in the global market have maximized particularly the production costs in Europe.

In the light of all these developments, excessive supply and significant price falls were observed in the market, particularly in the last quarter.

Regardless of these negative developments, HEKTAŞ continued its growth based on TL and Profitability in the Plant Nutrition business line cumulatively at 2022 yearend, thanks to its strategic and foresighted efforts, just as in 2021.



In addition to the extensive channel management strategy carried out in the Animal Health business line, both new employments and regional positioning were realized in the sales team and brand awareness was reinforced in customer management thanks to the congresses and symposiums attended. Availability study was carried out by the Commercial Marketing Animal Health Channel Operations Team in the Animal Health business line throughout Turkey and target customer visits, regional reports and competitor analysis reports were prepared within this framework. Furthermore, 3 organizations were held at the HEKTAŞ Agricultural Innovation Training and Experience Center where academicians from the leading veterinary faculties of our country, pioneer farm managers, physicians and clinician veterinarians were hosted.

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**Sales of Plant
Protection products
rose from the bottom
rank to the top.**

As a positive result of all these activities are mentioned above, despite the contraction in the sector due to the economic uncertainty and the increase in raw material inputs in our country's animal husbandry, HEKTAŞ increased the sales of veterinary medical products year after year.

As a positive development, the sales of Herbicide class Plant Protection products, which are the product group with the most global and local usage and whose use is least affected by seasonal and climatic conditions, rose from the bottom rank to the top and the product group, which has low volatility, accounts for a bigger share in the sales data in 2022.

Marketing Activities

Customer-oriented service approach

HEKTAŞ proceeds with a customer-oriented management structure and strategy, continuing to develop and maintain innovative applications that provide its customers with top-level experience.



Customer Club

Customers are one of the most important resources of companies. In order not to limit the life of companies with the life of those who manage the company, and to increase sustainability, the importance and value of the customer should be well understood.

Well-focused sales methods and attention to individual details increase customers' loyalty to the company. Thanks to the bond established with the customers, the expectations of the customers from the company are determined and steps are taken to provide good service.

HEKTAŞ proceeds with a customer-oriented management structure and strategy, continuing to develop and maintain innovative applications that provide its customers with top-level experience during their journey with HEKTAŞ.

567

Number of Customer Club Members

HEKTAŞ Customer Club is a social network that HEKTAŞ has established with its selected retail customers and includes many activities and different opportunities offered by the HEKTAŞ world.

The aim of the customer club, which constitutes a first in the sector and was created since annual March 2018 in order to boost the communication between the customers, one of the most valuable assets of HEKTAŞ, and the Company, was develop and enhance the bond established with trade, by determining the customers' sensitivities towards activities, purchase habits and communication activity.

HEKTAŞ Customer Club is a social network that HEKTAŞ has established with its selected retail customers and includes many activities and different opportunities offered by the HEKTAŞ world.

The HEKTAŞ Customer Club completed its 5th year in 2022, and the total number of members was updated to 567, with 510 retailers and 57 sub-retailers. The club allows us to analyse data from many aspects, such as its members' sensitivity to events, buying habits, communication activities. Members on the platform; By the end of the 4th quarter of 2022, they have spent 131 thousand 234 minutes. By the end of the 4th quarter of 2022, members have participated and interacted 7171 times in the communication modules. As a result of all these interactions, from 2018 to the end of the 4th quarter of 2022, 2825 gifts were awarded to members, with points earned through product purchases.

18,000 farmers

Within the scope of the Productivity in Agriculture Movement project, 18,000 farmers were visited.



CRM Efforts

Turning all the developments and competitor activities in the sector into data, HEKTAŞ ensured that this data transferred to CRM systems was correctly analyzed by expert teams and transformed into meaningful and added value information.

Productivity in Agriculture Movement

Within the scope of the "Productivity in Agriculture in Movement", which was implemented at the beginning of 2022 in order to reach every point where agricultural production is carried out, the field teams of 30 agricultural engineers visited producers all over Turkey one-on-one, explaining how they can increase their productivity with practical examples, and introducing products most suitable for regions and crops. Within the scope of the Productivity in Agriculture Movement project, 18,000 farmers were visited in their production areas and an area of 4,379,154 decares was recorded in geographic information systems throughout the year.

Two new local cotton seeds named 'Volkan' and 'Selçuk Bey' of Areo Tohumculuk, were introduced to the producers during the field day events held in Aydın's Söke and Şanlıurfa's Suruç districts, which are cotton production centers.

Launches

- Two new local cotton seeds named 'Volkan' and 'Selçuk Bey' of Areo Tohumculuk, the HEKTAŞ company operating in the field of seeds, were introduced to the producers during the field day events held in Aydın's Söke and Şanlıurfa's Suruç districts, which are cotton production centers, in September and October. In the events hosting approximately 1,000 cotton producers, information was provided about the activities of HEKTAŞ and Areo in the field of cotton seeds and plant protection and plant nutrition solutions in cotton. The launch activities were shared with the public on October 7, "World Cotton Day".

Marketing Activities

The purpose of the activities carried out with the customers is to strengthen customer loyalty, promote HEKTAŞ products and make them memorable.



Press Releases

- With the press releases titled "HEKTAŞ will grow with the investment of Uzbekistan", "HEKTAŞ is in the 'Large Scale Companies Index'", "HEKTAŞ announced two national seeds on World Cotton Day", "HEKTAŞ continues to grow while increasing its profitability", and "Producers of Yavrudoğan increase productivity with HEKTAŞ's support", the company was mentioned in the written press on a total of 63 media outlets (43 national and 20 local) and in 790 news on the digital media. Approximately 11 million people were reached.

Fair and Congress Participation (Agriculture)

- Growtech 2022 - Antalya
- Caspian Agro – Baku, Azerbaijan
- Dlg Tomato Days – Bursa
- Dlg Karaevli Agriculture and Technology Fair - Tekirdag
- Ankara University Faculty of Agriculture – International Agriculture Congress
- Fethiye Agriculture Fair - Muğla
- Söğüt Agriculture Fair – Antalya

75+
million

Digital Advertising Access

790

News on the Digital Media

11
million

People Reached via
Digital Media

Market and Brand Perception Research

- Pet Food Awareness and Brand Perception Research and Focus Group / Packaging Concept activities were completed.
- "HEKTAŞ Satisfaction and Brand Perception Survey 2022", which is renewed every two years, is currently ongoing.

Digital Marketing Activities

- The posts shared and digital advertising efforts resulted in more than 75 million access in 2022. (Approximately 55 million of the access was driven through digital advertising efforts focused on interest, region and crop.)

The purpose of the activities carried out with the customers is to strengthen customer loyalty, promote HEKTAŞ products and make them memorable. The aim of sales promotion activities and strategic target orientations is to ensure that customers rise to a higher segment in HEKTAŞ's turnover and to increase the level of experience they have with HEKTAŞ through the privileges offered to them.

Honors and Awards

Successful projects crowned with awards

In the “Fortune 500 Turkey 2021 Survey” announced in 2022, HEKTAŞ rose 53 steps and ranked 294th.



We were awarded for the fourth time in a row at the 2021 İKMIİB Stars of Exportation Awards, organized by the Istanbul Chemicals and Chemical Products Exporters' Association (İKMIİB).

The Company ranked 341st in the “Turkey's Top 500 Industrial Enterprises Research” prepared by the Istanbul Chamber of Industry (İSO) in 2021, ranking among the top 500 for the 4th time in a row.

In the “Fortune 500 Turkey 2021 Survey” announced in 2022, the company rose 53 steps and ranked 294th.

The “Reconstruction with Soil” project was honored with given the “Green Transformation” award in the social responsibility award program “Ortak Yarınlar” organized by the Confederation of Turkish Employers' Unions (TİSK).



The Company was given the ‘Green Transformation’ award in the social responsibility award program ‘Ortak Yarınlar’ organized by the Confederation of Turkish Employers' Unions (TİSK), due to the ‘Reconstruction with Soil’ project.

According to the results of the “Corporate Perception and Customer Satisfaction Survey” conducted every 2 years together with an independent and accredited research institution, HEKTAŞ ranked no lower than 100% in brand awareness and 90% in satisfaction rate among its target audience, surpassing global brands.

Social Responsibility Projects

Activities that add value to society

Achieving almost 40% efficiency increase by means of the Reconstruction with Soil project, farmers started to use organomineral fertilizers, which support the rehabilitation of soil.



“Thanks to My Farmer” Awareness Campaign

In order to embrace 14 May World Farmers' Day, the “Thanks to My Farmer” awareness project, which was implemented in order to give farmers the thanks they deserve, to strengthen the bond between farmers and city people, and to explain the efforts of the farmers to all segments of the society, was realized for the second time in 2022 and became a tradition. 48 million displays were achieved as a result of the communication efforts made specifically for the sector through the commercial prepared with the concept “From Soil to Table - Close your Eyes.”

48

million displays

“From Soil to Table -
Close your Eyes”
Commercial Film

150

decares

Supported Greenhouse
Production Area by the
Reconstruction with
Earth Project

40%

Efficiency Increase
Realized by the
Reconstruction
with Earth Project

“Reconstruction with Earth” Project

After the fires that took place in July in 2021, which affected agricultural production areas as well as forest areas, HEKTAŞ implemented the “Reconstruction with Soil” project for ecological and agricultural rehabilitation. Carrying out damage assessment studies and meeting with producers right after the fire, HEKTAŞ field teams chose the most suitable plant nutrition products for the ecological and agricultural rehabilitation of the region, and took an important step so that agricultural production in the region could continue more efficiently. Plant nutrition product support was provided to all producers suffering damages caused by the fire in the Yavrudoğan Neighborhood of Antalya's Manavgat district, which was determined as the pilot area as per the field analyses conducted and where the most greenhouse areas affected by the fire were located. HEKTAŞ teams on the field also provided technical support to producers in the process from production to harvest, in order to strengthen the lands in the greenhouse production area of approximately 150 decares and to ensure more efficient production, which enabled them to carry out more efficient and informed production activities. Farmers who had learned about and applied correct agricultural applications achieved almost 40% efficiency increase, while organomineral fertilizers, which are important for sustainable agriculture and support the rehabilitation of soil also started to be used.



Barrier-Free Agriculture Project

HEKTAŞ also provided consultancy and seedling support to the “Barrier-Free Agriculture” project implemented for students with special needs under the coordination of Bursa Orhangazi District Governor’s Office. With the “Agriculture without Barriers” project, which will include greenhouse areas, agricultural workshops, classrooms and a product sales office, students with special needs will be involved in agriculture and receive vocational training. In 2022, the students made their first harvest in the field of production.

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HEKTAŞ Smart Assistant enables producers to detect diseases in crops, access stock market prices and land satellite images with their mobile phones.

“HEKTAŞ Smart Assistant” Mobile Application

HEKTAŞ has made a difference in the sector by enabling producers to detect diseases in crops and access stock market prices and land satellite images, using only their mobile phones, with “Smart Assistant”, an artificial intelligence supported mobile application that has been transformed into a digital assistant during the pandemic. Striving to make the application the most comprehensive in the sector according to the needs of the age, HEKTAŞ plans to introduce the new version of the application to users in 2023.

Smart Kids Magazine

“HEKTAŞ Smart Kids” magazine, which has been published once a year (within the scope of 23 April National Sovereignty and Children’s Day) for the last 5 years, in order to make children love and teach agriculture, came together with the children of producers and HEKTAŞ employees in 2022.

Investor Relations Department and Its Activities

The Investor Relations Unit reports to the Company's Finance Directorate. It fulfills the information requests of shareholders and investors within the framework of the legislation, articles of association, Corporate Governance Principles and Disclosure Policy. The department is also among the members of the Corporate Governance Committee.

The duties and authorities of Investor Relations are regulated in Article 11 of the Corporate Governance Communiqué (II-17.1), which was published in the Official Gazette dated 03.01.2014 and numbered 28871.

Corporate information, reports, financial statements for the relevant period and material disclosures that investors need are available on the Investor Relations section of the Company's corporate website (www.hektas.com.tr).



Name-Surname	Duty	Undergraduate	E-Mail	Telephone
Tuba BEKTAŞ	Investor Relations Department Manager	CMB Level 3 License, Corporate Governance Rating License, Derivative Instruments License, Credit Rating License	tuba.bektas@hektas.com.tr	0 262 751 14 12
Füsun DÖNERTAŞ	Investor Relations Assistant Manager		fusun.donertas@hektas.com.tr	0 262 751 14 12
Investor Relations E-mail Address			investorrelations@hektas.com.tr	

(1) Mr. Uğur Akbaş, who was working as the Finance Director in our company, was also working as the Investor Relations Department Supervisor in our company. Füsun Dönertaş was appointed as the Manager of the Investor Relations Department, replacing Uğur Akbaş, as of 31.08.2022, due to his new assignment in another company operating within the Oyak Food Agriculture and Animal Husbandry Group.

The Investor Relations department establishes the link between the investors and the Company and implements a fair, accountable and transparent management approach. It represents the company before the Capital Markets Board (CMB), Borsa Istanbul, MKK and other regulatory bodies.

It acts in line with the regulations required by the legislation in terms of submitting information not within the scope of inside information to the relevant persons and institutions plainly and in a timely manner.

The Investor Relations department urgently responds to private investors' verbal and written questions without providing insider information, establishing transparent communication with the investors.

During the year, meetings were held with corporate investors such as many Portfolio Companies and Investment Institutions, helping Investment Institutions and Portfolio Management Companies become more familiar with HEKTAŞ and analyze its stock. In this context, a large-scale meeting was held on May 24, 2022 for Institutional Investors, at the Orhangazi Agricultural Innovation, Training and Experience Center with the participation of the company's senior management. At the meeting, developments regarding the company were explained and a tour was organized for the investors at the R&D center in Orhangazi. Furthermore, their questions about HEKTAŞ were answered. 87 corporate investors attended the meeting.

The Department held the Company's Ordinary General Assembly Meeting for 2021 and Extraordinary General Assembly meeting for 2022 within the framework of the relevant laws and regulations, in addition to the Paid and Unpaid Capital Increase procedures in 2022.



Identity of the Share

IPO Date
1981

Share In Capital
2,530,000,000

Free Float Rate
41.18%

Equity Code
HEKTS

ISIN Code
TRAHEKTS91E4R

**BIST Market where Company's
Capital Market Instruments are
Traded**
Outright Purchases &
Sales Market-(For Qualified
Investors) Star BIST

Indices that the Company is Included

BIST INDUSTRIALS / BIST ALL SHARES / BIST KOCAELI /
BIST 100 / BIST 50 / BIST 30 / BIST STARS / BIST CHEM., OIL,
PLASTIC

Performance of the Shares during the Year



Performance of the Shares during the Year

- HEKTAŞ stock increased by 7 times, generating 628% of profits for investors in 2022. Its maximum level was recorded as TL 51.25 during the year.
- The Company's market value increased 7 times within a year, from TL 12.788.200.000 at the beginning of 2022, to 95.178.600.000 at the year end.
- It was included in BIST30 index in 2022.
- It rose 2 steps in the FTSE index traded on the London Stock Exchange, thereby rising from the small-scale companies index to the "Large Scale Companies" index.

- With the statement made by MSCI on November 11, 2022, HEKTAŞ switched from "MSCI Global Small Cap Index" to "MSCI Turkey Index" as of November 30, 2022. MSCI index is one of the most important indices accepted for global capital markets outside the USA.
- It achieved above-index success in the indices where it is included.
- It became one of the most talked about and preferred stocks by individual investors throughout the year.
- It reached very high trading volumes.

Factors Affecting the Market Value of HEKTAŞ;



The Company is included in **OYAK Group**



Sector leader with 66-years of experience



Managed by **visionary and experienced leaders**



As a **pioneer of smart agriculture**, drives Turkish agriculture **with domestic production and domestic capital**



Develops **agricultural technologies based on efficiency**



Generates **628% profit** for its **domestic and foreign** investors on an annual basis



Carries out **strategic company acquisitions**



Achieves the targets set at the beginning of each year



Increased its profitability by **152%** and its sales by **159%** compared to the previous year



Being listed in the **BIST30, MSCI and FTSE** Developing European Countries indices



Having **above-index returns** in the indices in which it is included



Always pursuing **new stories** on its path

Credit Ratings

2019	Short Term Long Term	A-1+(Trk) AA (Trk)	The outlook on ratings set as "stable" Categorized as investible on national & international scale National rating limited to the country rating
2020	Short Term Long Term	A-1+(Trk) AA (Trk)	The outlook on ratings set as "stable" Categorized as investible on national & international scale National rating limited to the country rating
2021	Short Term Long Term	A-1+(Trk) AA (Trk)	The outlook on ratings set as "stable" Categorized as investible on national & international scale National rating limited to the country rating
2022	Short Term Long Term	J1+ (tr) AA (tr)	The outlook on ratings set as "stable" Categorized as investible on national & international scale National rating limited to the country rating

Sales by Quantity

The company's sales amount was approximately 150,000 tons in 2022.

HEKTAŞ provides services from 1.259 sales points in total, comprised of 1000 retail, 164 private entities, 71 wholesale and 24 export points in 2022.

The company's sales amount was 149,983,989 kg in 2022.

HEKTAŞ;

Supplying the products and services needed by producers to every point of Turkey with agricultural production via its 6 regional directorates, HEKTAŞ provides services from 1.259 sales points in total, comprised of 1000 retail, 164 private entities, 71 wholesale and 24 export points in 2022.

Ferbis;

Supplying the products and services needed by producers to every point of Turkey with agricultural production via its 3 regional directorates, Ferbis provides services from 328 sales points in total, comprised of 298 retail, 14 private entities, 14 wholesale and 2 distributors in 2022.

328

Ferbis Sales Points

3,360

Arma Sales Points

Arma;

Supplying the products and services that Turkey needs in the field of animal health and veterinary medicines via its 6 regional directorates and 19 animal health sales representatives, Arma provides services from 3.360 sales points in total, comprised of 3310 retail, 30 private entities, 17 wholesale and 3 export points in 2022.

Digital Transformation

We're digitally transforming the agriculture sector

HEKTAŞ continues to add value to Turkish agriculture by launching new projects and promoting current ones among their farmers

Since day one, HEKTAŞ has upheld sustainability, efficiency, and quality as core values. They stand by farmers in the name of "the Pioneer of Smart Agriculture". They add value to Turkey's agriculture sector in a variety of ways:

- Sensors in all greenhouses of the Orhangazi Agricultural Innovation Training and Experience Centre
- Hi-tech agriculture drones
- Food Safety Traceability System based on Blockchain technology
- HEKTAŞ Smart Assistant, an AI-based mobile app that accompanies farmers whenever and wherever they wish
- Launching new projects and promoting current ones among their farmers

Farmers, who download the app and scan the QR codes printed on packages, can identify authenticity of the product.



Smart Assistant

Smart Assistance is an AI-based mobile app developed by HEKTAŞ engineers that helps farmers rapidly detect and identify plant diseases with the simple click of their phone cameras. It also offers spray programs as well. Farmers have to download the app and scan the QR codes printed on packages to identify authenticity. They can also upload images of their fields on the app, and get the latest weather reports for the area. It is also possible to check plants' health with the assistant of NDVI technology.



TURNA; This is a project to nationalize remote monitoring and application systems (drone) used in precision agriculture, developed by HEKTAŞ, the Pioneer of Smart Agriculture.

TURNA
YOUR EYES ON THE FIELD

Turna

As part of "Nationalization of Remote Imaging and Application Systems for Agriculture" project of HEKTAŞ, it maintains to use the first and only IHA-2 HEKTAŞ Turna drone certified by the Turkish General Directorate of Civil Aviation to survey and spray fields throughout Turkey. HEKTAŞ also added IHA-2 DJI Agras T30 drone to its fleet this year and both drones help farmers provide agricultural protection faster and more effectively.

Drone spraying, one of the leading applications of digital agriculture, allows farmers to save time and plant protection products they apply. During drone spraying, the unmanned aerial vehicle that flies over the field simultaneously monitors the health of plants and determines the need for water or fertilizer by making observations with infrared cameras. Drones, which can scan and map acres of fields in a short period of time, keep farmers abreast through the photos they capture. A drone can spray

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With Turna, Turkey's first and only agricultural spraying drone certified by the Turkish General Directorate of Civil Aviation, HEKTAŞ continued to realize drone survey and spraying activities.

up to 500 decares of field per day, depending on weather and field conditions (slope, wire, poles, etc.)

Due to the effects of climate change, an increase in pest populations has been observed in certain regions of Turkey this year. HEKTAŞ drones with "IHA-2" status was actively used in fields to fight against meadow caterpillar, starting from the Thrace region and spread across 18 provinces including Istanbul. Agricultural spraying drones, which offer great convenience to farmers in difficult field conditions, have also minimized the time lost in pest control. This new form of aerial intervention has protected the crops without crushing them, thereby reducing product loss without the need to intervene in the cultivation/planted areas with tractors.

The company continued its imaging and application activities with HEKTAŞ Turna, Turkey's first and only agricultural spraying drone approved by the General Directorate of Civil Aviation.

Information About the Industry Where the Enterprise is Active

Increase in agricultural production data

According to the data collected by the Ministry of Agriculture and Forestry and published by TURKSTAT, there was an increase in grains and other plant products and fruits compared to the previous year.

Agricultural Production Data

Agricultural products producer price index (Agriculture-PPI) increased annually by 151.03% and monthly by 4.82%.

In December, the Agriculture - PPI (2015=100), increased by 4.82% compared to the previous month (November), by 151.03% compared to December in the previous year and by 132.18% compared to 12-month averages.

In terms of sectors, there was a decline of 3.45% in forestry products and relevant services, an increase of 5.03% in agricultural and hunting products and relevant services and an increase of 5.37% in fish and other fishery products compared to the previous month (November). In the main groups, there was a decline of 1.67% in one-year plant products, an increase of 7.81% in live animals and a 15.90% increase in perennial plant products, compared to the previous month.

According to TÜİK data, the subgroups with low annual increase were fibrous plants with 82.94% and sheep and goats and their unprocessed milk and fleece with 91.54%. On the other hand, the subgroups with high annual increase were citrus fruits with 309.17%, and vegetables and melon-watermelon, roots and tubers, with 191.66%, respectively.

132.18%

Increase

**Agricultural Products
Producer Price Index**

15.90%

Increase

Herbal Products

20.4%

Increase

**Amount of Ornamental
Plants Production**

According to the data collected by the Ministry of Agriculture and Forestry and published by TURKSTAT on December 30, 2022, there was an increase in grains and other plant products and fruits compared to the previous year.

In 2022, the production amounts of grains and other plant products (except feed plants) increased by 14.6% and fruits, beverage and spice plants increased by 7.7%, whereas vegetables declined by 0.5% compared to the previous year. Accordingly, the realized production quantities were approximately 70.2 million tons for grains and other crops, 31.6 million tons for vegetables and 26.8 million tons for fruits, beverages and spice crops in 2022.

With respect to the production quantities in the fruits group, apples, grapes, peaches and nectarines, plums, strawberries and olives increased by 7.2%, 13.5%, 13%, 4.9%, 8.8% and 71.2% respectively, compared to the previous year. Furthermore, the production of figs increased by 9.4% and the production of bananas increased by 12.9%.

Vegetable production volumes decreased by 0.5% in 2022 compared to the previous year and amounted to approximately 31.6 million tons.

The amount of ornamental plants production increased by 20.4% in 2022 compared to the previous year.

22.7 billion dollars

According to the Turkish Food and Beverage Industry Associations Federation (TGDF) Digital Data Panel, 22.7 billion dollars of exports were realized in the agriculture, food and beverage sector.



Growth in Agriculture

Since year-end data have not been announced yet: The first estimated GDP for the third quarter of 2022 increased by 3.9% compared to the same quarter of the previous year as chained volume index.

In terms of the activities constituting the GDP, financial and insurance activities; information and communication activities; professional, administrative and support service activities; public administration, education, human health and social service activities; service activities; other service activities; real estate activities; agriculture, forestry and fishery; and industry increased by 21.6%, 13.9%, 12.6%, 7.6%, 6.9%, 4.9%, 4.1%, 1.1% and 0.3% respectively, as chained volume index compared to the previous year in the third quarter of 2022. The construction sector, on the other hand, decreased by 14.1%.

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According to the data of the Turkish Exporters Assembly (TIM), Turkey's agricultural exports increased by 15.3 percent in 2022 compared to the previous year, reaching 34 billion 246 million dollars.

Exports of Agricultural Products

According to the Turkish Food and Beverage Industry Associations Federation (TGDF) Digital Data Panel, 22.7 billion dollars of exports and 18.6 billion dollars imports were realized in the first 11 months of 2022, in the agriculture, food and beverage sector.

According to the data of the Turkish Exporters Assembly (TIM), Turkey's agricultural exports increased by 15.3 percent in 2022 compared to the previous year, reaching 34 billion 246 million dollars.

In the said period, the highest export sales of all times were achieved in grains, pulses, oil seeds and products (11 billion 473 million dollars), fruit and vegetable products (2 billion 525 million dollars), olive and olive oil (495 million 838 thousand dollars), aquaculture and animal products (4 billion 66 million dollars), and furniture, paper and forest products (8 billion 440 million dollars).

Information About the Industry Where the Enterprise is Active

According to the statement made by Prof. Dr. Vahit Kirişçi, the Minister of Agriculture and Forestry, a total of 40.4 billion TL support payments were made in 2022.

Iraq was a prominent country in the exports. According to the same data, grains, pulses, oil seeds and products worth 2 billion 333 million dollars, fruit and vegetable products worth 379 million 167 thousand dollars, aquaculture and animal products worth 772 million 312 thousand dollars, and furniture, paper and forest products worth 1 billion 40 dollars were exported to Iraq.

The olive and olive oil sector, on the other hand, exported 110 million 385 thousand dollars of products to the USA.

Supports

According to the statement made by the Minister of Agriculture and Forestry, a total of 40.4 billion TL support payments were made in 2022 together with the agricultural support payments of 79 million 164 thousand TL made in December.

The first fire fighting helicopter produced jointly by TUSAŞ and Sikorsky was included in the OGM inventory.

According to TUIK's estimations, the total crop production increased by 9.1 percent compared to the previous year, rising from 117.9 million tons to 128.6 million tons in 2022.

The 8,6 billion TL diesel support was paid in November, on an earlier date than the planned date, to 1 million 152 thousand farmers in 2023.

128.6

million tons

Plant Production

8.6

TL billion

Diesel Support

496

TL million

Zero-Interest Loans and Grants

Within the scope of TARSIM, agricultural asset insurance of 276.3 billion TL was carried out.

A grant of 966 million TL was given within the scope of the Support Program for Economic Investments Based on Agriculture.

496 million TL zero-interest loans and grants were provided to 9,688 forest villager families and 7 agricultural development cooperatives.

53 honey forests were established. 525 million saplings were planted in forest areas damaged by fires. With the water investments made, 105 thousand 293 hectares of agricultural land were opened to irrigation. Yusufeli Dam and Hydroelectric Power Plant, which is the 1st in Turkey and the 5th in the world, was put into service.

Land consolidation was carried out in an area of 759 thousand 365 hectares.

1.8 billion TL grant was given to farmers within the scope of IPARD projects.

There was an increase of 73% in the purchase of fresh tea and 130% in the supports provided for them.



Developments in Agriculture:

The IPARD III Program to be implemented between 2021 and 2027 was accepted pursuant to the decision taken by the European Commission. The IPARD III Program, prepared by the Ministry of Agriculture and Forestry General Directorate of Agricultural Reform as the Managing Authority, will remain in effect for the next 7 (+3) years. In the IPARD III Program, for which a fund of 430 million Euros has been allocated by the European Commission, the amount of grant to be distributed to the beneficiaries in return for the project will be approximately 555 million Euros, with the addition of the national contribution. It is expected that the total amount of investment to be brought to the economy will exceed 1 billion Euros. The program will be implemented in 42 provinces in our country. The program will start to be implemented in the last quarter of 2022 with the signing of the Framework Agreement, the Sectoral Agreement and the Financial Agreement.

The Department of Supply Security has been established under the Directorate of Strategy Development of the Ministry of Agriculture and Forestry.

Within the scope of the Artificial Recharge of Groundwater and Underground Dams Action Plan managed by the Ministry of Agriculture and Forestry, 150 groundwater recharge facilities will be completed by 2023.

Applications to the farmer registration system can now be made via the e-government system.

The “Department of Supply Security” has been established under the Directorate of Strategy Development of the Ministry of Agriculture and Forestry.

It was announced that the Agriculture Forest Youth Council would be established by the Ministry of Agriculture and Forestry.

The decision to fix fertilizer and feed prices until the end of April 2023 was announced in December.

Contributions Made by HEKTAŞ to Its Industry Within the Year

Supporting the country's agriculture with innovative services

HEKTAŞ moves forward uninterruptedly on the path of sustainable growth with realistic predictions, plans and innovative projects.

HEKTAŞ, which has been driving and leading the sector by adopting the domestic and national agricultural ideology for 66 years, continued its innovative structure in 2022 with its staff that always renews itself according to the needs of the sector and its target audience and does not hesitate to take a step forward. HEKTAŞ moves forward uninterruptedly on the path of sustainable growth with realistic predictions, plans and innovative projects.

With its long history of 66 years and driving the sector with its activities in the fields of plant protection, plant nutrition, seeds, animal health and smart agriculture technologies, HEKTAŞ has once again proven that it is taking firm steps towards becoming a world company with its activities and global investments in 2022.

Considering the increase in population, seasonal conditions and the reduction of agricultural production areas, efficient agricultural practices and access to food become more important every day. For this reason, agricultural production and food security, which have strategic importance, will continue to be the most important agenda item for all countries as long as the world exists.

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HEKTAŞ continues to be the most reliable company in the eyes of producers and dealers with its professional engineer staff.

—
While assuming the leadership of the Agriculture 4.0 transformation in Turkey, HEKTAŞ builds its future strategy according to Agriculture 5.0.

Expanding its portfolio in the agricultural sector with innovative and distinctive products and services by utilizing inorganic and organic growth opportunities, HEKTAŞ maintains its steady growth with its investments in strategic areas such as plant nutrition, animal health and seeds.

HEKTAŞ always stands by producers with its R&D activities as well as different field activities and continues to be the most reliable company in the eyes of producers and dealers with its professional engineer staff. Preferred in every field of agricultural production activities with its strong sales network and experienced sales staff, HEKTAŞ sustains customer satisfaction at the maximum level, thanks to the yield-enhancing products offered to the market for innovative and sustainable agricultural production. As the initiator of digitalization in the agricultural sector in Turkey, HEKTAŞ, carries out activities in line with the trends in the world and continues to carry out projects that drive the sector with the motto, "Pioneer of Smart Agriculture". The company carries out efficiency-oriented studies with smart greenhouses, sensors, imaging, analysis and artificial intelligence systems. While assuming the leadership of the Agriculture 4.0 transformation in Turkey, HEKTAŞ builds its future strategy according to Agriculture 5.0.

1.

HEKTAŞ maintained its market leadership in plant protection and organomineral fertilizer business lines in 2022.



Developing new products and services for the development and expansion of sustainable agriculture in accordance with Turkey's ecological structure, HEKTAŞ continues to raise awareness among and support Turkish farmers in order to increase the amount of product obtained from the unit area, i.e., productivity.

HEKTAŞ' agricultural engineers in the field visited 18,000 farmers in different regions of Turkey in their production areas within the scope of the 'Productivity in Agriculture Movement' launched in 2022 and started to monitor all their production processes by registering them through geographic information systems. Turkey's Agricultural Database will be created through the studies that will continue in the following years.

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Having visited 18,000 farmers, HEKTAŞ will create Turkey's Agricultural Database.

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HEKTAŞ maintained its market leadership in plant protection and organomineral fertilizer business lines in 2022.

As a company that analyzes producers' expectations and needs, always listens to them, and stands by them in case of need, HEKTAŞ maintained its market leadership in plant protection and organomineral fertilizer business lines in 2022.

Establishing a bond with its customers with its service and solution-oriented approach, HEKTAŞ not only performs sales-enhancing activities, but also carries customer satisfaction and experience one step further, with applications that would make them feel privileged.

Sustainability Activities

Digital investments for sustainable agriculture

HEKTAŞ is implementing its R&D and training project, which is the first and only one in its field in Turkey and involves more than 320 varieties of 40 plant species.

In its simplest sense, sustainability can be described as the ability to be permanent. In other words, sustainability is our ability to meet our own needs without compromising the needs of future generations.

In an aging world with ever-depleting resources, the only way to ensure that resources are used efficiently and passed on to future generations without being depleted is to achieve sustainability awareness. In this regard, companies, as well as societies have responsibilities.

Being aware that digital technologies and artificial intelligence are essential parts of the future of sustainable agriculture, HEKTAŞ integrates artificial intelligence and remote monitoring applications into plant protection, plant nutrition and seed development activities in order to reinforce the Turkish agricultural sector and reduce foreign dependency.

HEKTAŞ has continued its activities non-stop since 1956 and established an organic bond with its notion of sustainability years ago.

HEKTAŞ, which has been implementing smart agriculture practices for years, has assumed it as its mission to transfer its knowledge and experience to domestic and foreign producers at the Orhangazi Agricultural Innovation Training and Experience Center. Deterioration in a single link of the agricultural production, food safety and ecological chain adversely affects the whole system. In addition to science-based targets and clear plans, activities on significant environmental impacts at the value chain level are carried out at this center for mitigating the said adverse effects. Smart farming practices are the most effective method to minimize the damage of climate change and protect agricultural production. HEKTAŞ is implementing its R&D and training project, which is the first and only one in its field in Turkey and involves more than 320 varieties of 40 plant species. Experiences in innovative agricultural practices are shared with all customers at the center. R&D studies focused on new technologies, products and agricultural methods are carried out with universities.



90% water saving

Orhangazi facility contributes to sustainability, in terms of achieving zero waste and water saving.



HEKTAŞ plans to start its works on establishing a Robotic - Bioponics - Aquaponic - Aeroflow Vertical Agriculture and Shrimp Production facility in an area of 1,472 m² at Orhangazi Agricultural Training and Experience Center in 2023.

In this facility, which will be the first of its kind in Turkey, it is planned to establish a healthy, reliable and traceable production system that is 8-10 times more efficient than conventional systems, can produce 365 days a year, uses zero pesticides and saves 90% water by operating with zero waste, and is fully automated from seed planting to harvest. The facility will also contribute to the efficient use of resources, namely sustainability, in terms of achieving zero waste and water savings.

Thanks to the HEKTAŞ Traceable Safe Food Platform, the journey of food from seed to table is recorded in an unalterable way and all these processes are presented to the end consumer via digital platforms.

As resources are depleting every day in the world, particularly food safety emerges as a very important phenomenon. Factors that threaten human health in many areas, especially access to food, harm the health of all living things.

In order to create a more livable and safer world, resources must be used rationally. Companies that adopt the notion of sustainability will prevail in the long run. Thanks to the HEKTAŞ Traceable Safe Food Platform, the journey of food from seed to table is recorded in an unalterable way and all these processes are presented to the end consumer via digital platforms. Having developed awareness on this issue, HEKTAŞ has continued its activities non-stop since 1956 and established an organic bond with its notion of sustainability years ago.



Sustainability Activities

HEKTAŞ evaluates the social, economic and environmental impacts in all its activities and takes measures accordingly. Based on its mission and vision, it develops projects and makes investments that can contribute to the sustainability goals of our country in line with the UN sustainable development goals.

Through the production of organomineral fertilizers, HEKTAŞ ensures that the country's soils, which grow barren every day, gain fertility and the minerals lost in the soil are restored and offers long-term solutions by increasing the efficiency in agriculture. The organomineral fertilizer production project, which was conducted with the awareness that the soil is our most valuable asset, enriches the soils by reducing the use of chemical fertilizers.

In line with the United Nations Sustainable Development Goals; Proving once again the importance it attaches to all living things and the environment, HEKTAŞ contributes to sustainable and efficient agricultural production, increasing the productivity of agricultural lands that are becoming barren day by day due to chemical fertilization, and to the protection of groundwater polluted due to chemical fertilizers, with the organomineral fertilizer production.

The infertility of the country's lands and the decline in fresh water resources also reduce agricultural production. Furthermore, drought and floods caused by climate change negatively affect agricultural production. The most important of the many techniques developed to ensure that the life chain continues in a healthy way, that the living standards of all living things remain the same despite the changing conditions, and that the food supply remains

In order to increase the current female workforce from 20% to 30% in 2023 and to increase the employment of female employees in areas such as production, warehouse and logistics with from a gender equality perspective, new projects will be started.

capable of meeting the needs of all living things, is dry farming. HEKTAŞ aims to keep agricultural productivity at the maximum level by adopting the dry farming approach and developing drought resistant seeds with Agriventis Technologies.

In addition, HEKTAŞ both reduces the amount of waste and contributes to recycling based on its zero waste principle, by preferring recyclable packaging materials made of polyethylene for the products to be produced in the Manyas Pet Food production facility, which is at the stage of establishment.

With the biological preparations to be developed at the Ankara High Technology Center, Turkish agriculture will be introduced to new generation plant nutrition and plant protection products.

There are 17 Sustainable Development Goals (SDGs) in the 2030 Agenda for Sustainable Development adopted by the United Nations Member States. Sustainability criteria help evaluate the environmental risks that may be encountered and how these risks are managed.



HEKTAŞ evaluates the social, economic and environmental impacts in all its activities and takes measures accordingly. Based on its mission and vision, it develops projects and makes investments that can contribute to the sustainability goals of our country in line with the UN sustainable development goals.

Adhering to the strategies set forth by OYAK, “Climate Change Risks” are evaluated, and in this context, studies are carried out for projects which will reduce carbon emissions, determine the measures to be taken by evaluating the impact on the ecosystem, and reduce water consumption, such as development of seeds.

All facilities are renewed with modern technologies for more efficient and safe production. Within the scope of the targets of reducing carbon emissions with accessible and clean energy and accessing safe energy at the facilities, studies are carried out on the installation of solar power plants in order to meet all energy consumption from renewable sources.

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Within the scope of the targets of reducing carbon emissions with accessible and clean energy and accessing safe energy at the facilities, studies are carried out on the installation of solar power plants in order to meet all energy consumption from renewable sources.

Furthermore, special development maps and individual development plans are created with the “Talent Management” efforts that prioritize the training and development of employees for qualified training. In addition, new projects will be started in order to increase the current female workforce from 20% to 30% in 2023 and to increase the employment of female employees in areas such as production, warehouse and logistics with from a gender equality perspective, taking into account the working conditions in the sector.

All blue-collar personnel were provided with private health insurance as a fringe benefit in 2022 within the scope of healthy and quality life.

In conclusion, raising awareness on this matter, HEKTAŞ takes its steps with the awareness of having understood the value of being sustainable.

Investments Made and Incentives Received

The Company made investments in the amount of TL 1.233.333.029 as of 2022.

The Company benefits from incentives received within the scope of Investment Incentive Certificate, R&D incentive and the incentive received with respect to the deduction of the interest arising from cash capital increase.

As it can be understood from the names of the first two incentives, the aim is to incentivize investments and R&D. Cash capital increase incentive is obtained to enhance the capital structures of capital companies.



Internal Control Systems

The risk management and internal control systems created by the company are carried out in accordance with international standards and local legislation. Based on the principle that an internal control system will be stronger in a good corporate environment, ownership and support are provided for these processes at all management levels, especially the Board of Directors and the Top Management.

Within the scope of the Corporate Governance Principles published by CMB, the Audit Committee was established and its working directive were created in June 2012. Pursuant to the Company's Board of Directors decision dated 24.07.2012 the Early Detection of Risk Committee was established to ensure compliance with the article 378 of the Turkish Commercial Law no. 6102 which

became effective on 1 July 2012 and was declared with a special situation statement dated 24.07.2012 on PDP. The directives pertaining to these committees are available on the web site of the Company.

There is Internal Audit Department 3 staffs in the company and a manager is in charge of the department.

Risk Management

The Company has 8 “Risks Arising from Financial Instruments”, namely capital risk, financial risk, credit risk, liquidity risk, market risk, currency risk and price risk. Having the ability to easily manage these risks, HEKTAŞ takes action plans by regularly convening its Board of Directors. The Early Detection of Risk Committee identifies both financial and operational risks related to the company in advance and takes measures to eliminate these risks at the right place and time.

Management of Risks Arising from Financial Instruments

Capital Risk: The Company aims to increase its profit by using the debt and equity balance in the most efficient way, while also trying to ensure the continuity of its activities. The Company aims to balance the capital risk by obtaining new loans or repaying existing debts. The Board of Directors convenes regularly to discuss the capital structure and indebtedness and sustain the balance of the capital risk.

Financial Risk: The Company is exposed to market risk (exchange rate risk and price risk), credit risk and liquidity risk due to its activities. It also uses derivative products occasionally as protection against financial risks.

Credit Risk: The Company's credibility is high due to its position as an Oyak Group company and one of the important dynamics of its sector. The Group is able to reduce the credit risk as it conducts transactions only with parties with credit reliability and chooses to obtain sufficient guarantee where possible, while also carrying our credit assessments constantly over customers' balance receivable accounts.

Guarantees consist of the letters of guarantee, guarantee notes and mortgages received from customers.

Liquidity Risk: The Board of Directors manages the liquidity risk, by regularly monitoring the estimated and actual cash flows and ensuring the continuity of sufficient funds and borrowing reserves, by matching the maturities of financial assets and liabilities. The Board of Directors minimizes the liquidity risk through a suitable liquidity risk management for the short medium and long-term funding and liquidity requirements of the Group Management.

Market Risk: The Company occasionally uses forward foreign exchange purchase / sale contracts in order to keep the risks associated with foreign exchange rates under control.

Exchange Rate Risk: The Company manages the exchange rate risk through forward foreign exchange purchase / sale contracts concluded based on approved policies.

Interest Rate Risk: The Company's financial liabilities are comprised of variable and fixed rate instruments in order to keep its risk against changes in interest rates at a very low level in order to provide financing.

Price Risk: The price risk is managed naturally by ensuring the receivables and payables of the same currency and assets and liabilities bearing interest meet each other.

Prospective Risks

The Early Detection of Risk Committee of the Board of Directors regularly analyzes the risks to be encountered in the future by the company. In the evaluations made as of the reporting period, no risks that could affect the company's future activities could be detected.



A photograph of three business professionals in a meeting, overlaid with a teal color filter. A woman in the center holds a document, while two men on either side look on. Laptops are visible on a table in the foreground.

Corporate Governance

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General Assembly

Under the Article 21 of the Company's Articles of Association, the Ordinary General Assembly convenes within three months from the end of the Company's operating period and at least once a year, discussing and taking decisions on the issues on the agenda. The Extraordinary General Assembly meets in accordance with the provisions in the law and this Articles of Association and takes the necessary decisions when required by the Company's business.

Ordinary General Assembly Meeting for the Year 2021

The ordinary general assembly meeting of HEKTAŞ Ticaret Türk Anonim Şirketi for the year 2021 has been held on 01 April 2022 at 10:30, at the company's head office address Gebze Organize Sanayi Bölgesi Mah. 700. Sokak No:711/1 41400 Gebze/Kocaeli and under the supervision of Veysi UZUNKAYA, the Ministry Representative, assigned with the letter dated 01.04.2022 no. E-80122446-431.03-00073273965 of Kocaeli Trade Provincial Directorate.

As a result of the review of the list of individuals who attended the meeting physically and electronically, it was concluded that 353.779.162,05 shares representing the capital amount of TL 3.537.791,6205 were represented in person, while 2.296.125.100 shares representing the capital amount of TL 505.843.050,965 were represented by the representatives who deposited them, 53.234.209.358,55 shares representing the capital amount of TL 532.342.093,5855 in total were present in the meeting and therefore it was understood that the minimum meeting quorum was present in line with the provisions in the relevant laws and the company's articles of association.

Thereupon, Uğur AKBAŞ opened the meeting and the agenda began to be discussed.

The aim was to ensure the participation of everyone who wished to attend the General Assembly as a spectator, and of stakeholders, media representatives and all stakeholders in general. In addition, the General Assembly Meeting was broadcast live via MKK and E-GKS, and a list of electronic attendees was prepared, as well as a list of physical attendees. The call for the meeting was published and announced in the Turkish Trade Registry Gazette, the Public Disclosure Platform (KAP) and the E-General Assembly System, as stipulated in the Turkish Commercial Code and the Articles of Association and including the agenda as well. It was also simultaneously submitted for information to the shareholders on the website www.hektas.com.tr.

Before the General Assembly, a disclosure document is prepared regarding the agenda items and disclosed to the public via the Public Disclosure Platform and the corporate website. Financial Statements and Reports, including the Activity Report, Corporate Governance Compliance Report, Dividend Distribution Proposal if profit is to be distributed, Independent External Audit Reports and Statutory Auditor's Report, the amendment text and its justification, if the Articles of Association will be amended, the Disclosure Policy and the Remuneration Policy are kept open for inspection at the Company's headquarters and on the website in a manner allowing the easiest access by shareholders, three weeks in advance of the General Assembly meeting.

For those who will have themselves represented by proxy prior to the General Assembly Meeting, samples of the power of attorney are made available to the shareholders through newspaper advertisements and on the website. Shareholders are informed of the voting procedure to be applied at the meeting through material disclosures on the website and on the Public Disclosure Platform.

It is the most natural right for the shareholders to ask questions and take the floor and express their opinions on the subject at the General Assembly meetings, and this right is strictly observed. In this respect, the right of our Company's Shareholders to ask questions at the General Assembly or to present proposals on agenda items or to speak about their suggestions or current issues is duly provided by the Board of Directors and necessary records are kept. At the Ordinary General Assembly Meeting for 2021 held on April 01, 2022, we did not receive any notification from the Company's shareholders to add an item to the agenda for discussion and resolution.

The minutes of the General Assembly Meetings held are published on our Company's website and on the "Public Disclosure Platform", in the "Electronic General Assembly" system of MKK, in a manner allowing easiest access by our shareholders within the statutory periods. At least one member of the Board of Directors, one auditor, at least one of the officials responsible for the preparation of the financial statements, and at least one authorized person who is knowledgeable on the subject were present at the General Assembly meeting in order to provide explanations on the special issues in the agenda.

Along with the general assembly meeting announcement, the following issues are announced to the shareholders, as well as the notifications and explanations required by the Company's legislation, on the website of our company:

- The total number of shares and voting rights reflecting the shareholding structure of the Company as of the date of the announcement,
- If there is a dismissal, replacement or election of the members of the board of directors on the agenda of the General Assembly Meeting, the grounds for dismissal and replacement, information about the persons to be nominated for Membership of the Board of Directors,
- If the agenda includes amendment to the articles of association, the related Board of Directors Decision, as well as the former and new versions of the amendments to the articles of association,
- CVs of the individuals to be nominated for Board of Directors membership and information about the duties they carried out in the last ten years.

Agenda of the Ordinary General Assembly

1. Opening, establishment of the meeting chairmanship and a moment of silence,
2. Authorizing the meeting chairman to sign the minutes and other documents of the general assembly meeting,
3. Reading and discussing the "Board of Directors Activity Report" for the fiscal year 2021 and submitting it for approval,
4. Reading the "Independent Audit Report" for the fiscal year 2021,
5. Reading, discussing and submitting for approval the 2021 Financial Position Statement, Profit Loss accounts for the fiscal year 2021,
6. Discussing and deciding on the release of the members of the Board of Directors for the fiscal year 2021,
7. Discussing and deciding on the proposal of the Board of Directors regarding the profit distribution for the fiscal year 2021 and the profit distribution date,
8. Election of Independent Members of the Board of Directors and determination of their terms of office in accordance with the provisions of the relevant legislation
9. Determining the remuneration of the members of the Board of Directors,
10. Permitting the members of the Board of Directors to carry out the works specified in Articles 395 and 396 of the Turkish Commercial Code,
11. Discussing and deciding on the proposal of the Board of Directors regarding the selection of an independent external audit firm for the audit of the accounts and transactions for the year 2022 in accordance with the Turkish Commercial Law and the Capital Markets Law,
12. Providing information on the income or benefits obtained through guarantees, pledges, mortgages and sureties given in favor of third parties,
13. Submitting the grants and donations made in 2021 for information and deciding on the donation limit for the fiscal period 01.01.2022- 31.12.2022,
14. Wishes and intentions,
15. Closing.

General Assembly

Extraordinary General Assembly Meeting for the Year 2022

The Extraordinary General Assembly Meeting of HEKTAŞ Ticaret Türk Anonim Şirketi for the year 2022 has been held on 03 June 2022 at 10:30, at the company's head office address Gebze Organize Sanayi Bölgesi Mah. 700. Sokak No:711/1 41400 Gebze/Kocaeli and under the supervision of Veysi UZUNKAYA, the Ministry Representative, assigned with the letter dated 27.05.2022 no. E-80122446-431.03-00074993488 of Kocaeli Trade Provincial Directorate.

As a result of the review of the list of individuals who attended the meeting physically and electronically, it was concluded that; of the paid-in capital of our company amounting to TL 860.000.000, 22.640.640,1 shares representing the capital amount of TL 226.406,401 were represented in person, while 2.374.745.899.4 shares representing the capital amount of TL 23.747.458,994 were represented by the representatives who deposited them, 50.584.305.096,50 shares representing the capital amount of TL 505.843.050,965 were represented by other representatives; thus 52.981.691.636,00 shares representing the capital amount of TL 529.816.916,36 in total were present in the meeting and therefore it was understood that the minimum meeting quorum was present in line with the provisions in the relevant laws and the company's articles of association. Thereupon, Uğur AKBAŞ opened the meeting and the agenda began to be discussed.

The aim was to ensure the participation of everyone who wished to attend the General Assembly as a spectator, and of stakeholders, media representatives and all stakeholders in general. In addition, the General Assembly Meeting was broadcast live via MKK and E-GKS, and a list of electronic attendees was prepared, as well as a list of physical attendees. The call for the meeting was published and announced in the Turkish Trade Registry Gazette, the Public Disclosure Platform (KAP) and the E-General Assembly System, as stipulated in the Turkish Commercial Code and the Articles of Association and including the agenda as well. It was also simultaneously submitted for information to the shareholders on the website www.hektas.com.tr.

Before the General Assembly, a disclosure document is prepared regarding the agenda items and disclosed to the public via the Public Disclosure Platform and the corporate website. Financial Statements and Reports, including the Activity Report, Corporate Governance Compliance Report, Dividend Distribution Proposal if profit is to be distributed, Independent External Audit Reports and Statutory Auditor's Report, the amendment text and its justification, if the Articles of Association will be amended, the Disclosure Policy and the Remuneration Policy are kept open for inspection at the Company's headquarters and on the website in a manner allowing the easiest access by shareholders, three weeks in advance of the General Assembly meeting.

For those who will have themselves represented by proxy prior to the General Assembly Meeting, samples of the power of attorney are made available to the shareholders through newspaper advertisements and on the website. Shareholders are informed of the voting procedure to be applied at the meeting through material disclosures on the website and on the Public Disclosure Platform.

It is the most natural right for the shareholders to ask questions and take the floor and express their opinions on the subject at the General Assembly meetings, and this right is strictly observed. In this respect, the right of our Company's Shareholders to ask questions at the General Assembly or to present proposals on agenda items or to speak about their suggestions or current issues is duly provided by the Board of Directors and necessary records are kept.

At the Extraordinary General Assembly Meeting for 2022 held on June 03, 2022, we did not receive any notification from our Company's shareholders to add an item to the agenda for discussion and resolution.

The minutes of the General Assembly Meetings held are published on our Company's website and on the "Public Disclosure Platform", in the "Electronic General Assembly" system of MKK, in a manner allowing easiest access by our shareholders within the statutory periods.

At least one member of the Board of Directors, one auditor, at least one of the officials responsible for the preparation of the financial statements, and at least one authorized person who is knowledgeable on the subject were present at the General Assembly meeting in order to provide explanations on the special issues in the agenda.

Along with the general assembly meeting announcement, the following issues are announced to the shareholders, as well as the notifications and explanations required by the Company's legislation, on the website of our company:

- The total number of shares and voting rights reflecting the shareholding structure of the Company as of the date of the announcement,
- If there is a dismissal, replacement or election of the members of the board of directors on the agenda of the General Assembly Meeting, the grounds for dismissal and replacement, information about the persons to be nominated for Membership of the Board of Directors,
- If the agenda includes amendment to the articles of association, the related Board of Directors Decision, as well as the former and new versions of the amendments to the articles of association,
- CVs of the individuals to be nominated for Board of Directors membership and information about the duties they carried out in the last ten years.

Extraordinary General Assembly Agenda

1. Opening, establishment of the meeting chairmanship and a moment of silence,
2. Authorizing the meeting chairman to sign the minutes and other documents of the general assembly,
3. Discussing, submitting for approval and agreeing on the amendment of the article 7 titled "Capital" of the Company's Articles of Association in order to increase the Authorized Capital Cap from TL 1.000.000.000 to TL 3.000.000.000 and to authorize the Board of Directors to perform Capital Increase from 2022 to 2026 (5 years),
4. Closing.

General Assembly

ANNEX 1- Amendment Text

HEKTAŞ TİCARET TÜRK ANONİM ŞİRKETİ ARTICLES OF ASSOCIATION AMENDMENT TEXT

CURRENT VERSION CAPITAL ARTICLE 7

The Company adopted the authorized capital system as per the provisions of the Capital Market Law (CML) and started to implement this system based on the permission dated 13.10.1988 no. 547 of the Capital Market Board.

The authorized capital cap of the Company is TL 1.000.000.000 and is divided into 100.000.000.000 shares, each with a nominal value of 1 (one) Kurus. The authorized capital cap permission granted by the Capital Market Board is valid for the years 2021- 2025 (5 years). Even if the authorized capital cap which is permitted cannot be reached at the end of 2025, in order for the board of directors to take a capital increase decision after 2025, authorization must be obtained for a new period not exceeding 5 years from the general assembly, by obtaining permission from the Capital Market Board for the cap previously permitted or a new cap amount. If the aforementioned authorization cannot be obtained, capital increase cannot be applied with a board of directors decision.

The company's issued capital is in the amount of 860.000.000 (eight hundred sixty million) Turkish Liras which is wholly paid, comprised of 86.000.000.000 (eighty six billion) shares, each with a nominal value of 1 (one) Kurus.

The Board of Directors is authorized to increase the issued capital by issuing registered shares or bearer's shares up to the authorized capital cap when deemed necessary, in accordance with the provisions of the Capital Market Law, between 2021 and 2025.

The Board of Directors is authorized to issue shares exceeding the nominal value or restrict the shareholders' rights to acquire new shares, provided that the provisions of the Turkish Commercial Law and Capital Market Law are not violated.

The authority to restrict new share acquisition cannot be exercised by creating inequality among shareholders.

The shares representing the capital are recognized in dematerialized form, within the framework of the principles on dematerialization.

Each share grants 1 voting right.

NEW VERSION CAPITAL ARTICLE 7

The Company adopted the authorized capital system as per the provisions of the Capital Market Law (CML) and started to implement this system based on the permission dated 13.10.1988 no. 547 of the Capital Market Board.

The authorized capital cap of the Company is TL 3.000.000.000 and is divided into 300.000.000.000 shares, each with a nominal value of 1 (one) Kurus. The authorized capital cap permission granted by the Capital Market Board is valid for the years 2022- 2026 (5 years). Even if the authorized capital cap which is permitted cannot be reached at the end of 2026, in order for the board of directors to take a capital increase decision after 2026, authorization must be obtained for a new period not exceeding 5 years from the general assembly, by obtaining permission from the Capital Market Board for the cap previously permitted or a new cap amount. If the aforementioned authorization cannot be obtained, capital increase cannot be applied with a board of directors decision.

The company's issued capital is in the amount of 860.000.000 (eight hundred sixty million) Turkish Liras which is wholly paid, comprised of 86.000.000.000 (eighty six billion) shares, each with a nominal value of 1 (one) Kurus.

The Board of Directors is authorized to increase the issued capital by issuing registered shares or bearer's shares up to the authorized capital cap when deemed necessary, in accordance with the provisions of the Capital Market Law, between 2022 and 2026.

The Board of Directors is authorized to issue shares exceeding the nominal value or restrict the shareholders' rights to acquire new shares, provided that the provisions of the Turkish Commercial Law and Capital Market Law are not violated.

The authority to restrict new share acquisition cannot be exercised by creating inequality among shareholders.

The shares representing the capital are recognized in dematerialized form, within the framework of the principles on dematerialization.

Each share grants 1 voting right.

Principles of Operation of the Committees

Internal Directives for the Corporate Governance Committee

Purpose

The purpose of this Internal Directive ("Internal Directive") is to determine the procedures and principles relating to the duties, authorities, responsibilities and works of the Corporate Governance Committee (the "Committee") which was established pursuant to the Board of Directors decision dated 22.06.2012 no. 2012/32 for reliable fulfillment of its duties and responsibilities by the Board of Directors of HEKTAŞ TİCARET T.A.Ş. the "Company"), in accordance with the Capital Market Board's Communiqué on the Determination and Implementation of the Corporate Governance Principles within the Company.

Considering the structure of the Company's Board of Directors, the authority, duty and responsibility for performing the tasks prescribed for the Nomination Committee and Remuneration Committee under the Communiqué were also assigned to the Corporate Governance Committee, pursuant to the Board of Directors Decision dated 22.06.2012 no. 2012/32.

The purpose of the Committee is to monitor the structure and efficiency of the Company's Board of Directors within the framework of corporate governance principles, to carry out improvement works in this regard and to propose recommendations to the Board of Directors.

Authority and Scope

Within the scope of the purpose prescribed above, the Committee has been assigned the following tasks, which will constitute a part of the Company's governance and oversight process;

- To oversee the activities of the relations with shareholders department,
- To work on establishing a transparent system for determining, evaluating and training candidates suitable for the Board of Directors and determining policies and strategies in this regard,

- To make regular evaluations about the structure and efficiency of the Board of Directors and to present its recommendations regarding the changes that can be made in these matters to the Board of Directors; to determine and oversee the approaches, principles and applications regarding the performance assessment and career planning of the Board of Directors members and senior directors,
- To determine the recommendations of the Board of Directors members and senior executives regarding remuneration principles, taking the Company's long-term goals into account, and acts based on its own authority and responsibility; the responsibility for final decisions on the other hand always belongs to the Board of Directors.

The Committee reviews and evaluates the adequacy of this Internal Directive and presents the related recommendations for change to the Board of Directors for approval.

Structure of the Committee

Committee members are appointed annually by the Board of Directors and the majority of the Committee members are members of the Company's Board of Directors. If the committee is comprised of two members, both of these members, and if it has more than two members, majority of the members are comprised of non-executive Board members. The Chief Executive Officer and the General Manager may not take part in committees. The Chairman of the Committee is elected from among the Independent Board Members.

The Committee may appoint a Deputy Chairman to take office in the absence of the person who assumes the Chairmanship.

Within the framework of the purpose and scope above, the Committee may obtain consultancy services from independent experts or organizations on matters it deems necessary regarding its activities, at the expense of the Company, and may invite any director it deems necessary to its meetings and obtain their opinions.

The Committee is responsible to the Board of Directors.

Committee Meetings

Meetings of the Committee are held once in every quarterly period and at times harmonious with the ordinary meetings of the Board of Directors, in order to ensure that the Committee fulfills its duties effectively.

However, the Committee may convene as often as deemed necessary for the effectiveness of the works.

All kinds of resources and support required for the Committee to fulfill its duties are provided by the Board of Directors. The Committee may be summoned to meeting upon the demand of the Committee Chairman or a Committee member. Committee meetings will be held in accordance with the agenda distributed by the Corporate Governance Secretariat (the "Secretariat") before the meeting. Decisions taken at committee meetings are written down and archived by the Secretariat. In this context, after each meeting, a written report on the activities of the Committee is submitted to the Board of Directors together with a summary of the minutes. Meeting minutes are kept at the Secretariat. The Committee may also meet by teleconference or by any other means.

The Committee takes its decisions with a quorum of absolute majority of its members. The Committee performs an assessment of its objectives, duties and performance and reports the results of this assessment to the Board of Directors on an annual basis.

Principles of Operation of the Committees

Duties and Responsibilities

- The Committee ensures that the Board of Directors is informed about the matters within its field of authority and responsibility,
 - It develops and reviews the Company's Corporate Governance Principles annually or more often if necessary and notifies the Board of Directors about its proposals for changing these principles,
 - The Committee oversees the effective implementation of corporate governance practices, identifies conflicts of interest arising from the incomplete implementation of these principles and offers solutions to the Board of Directors.
 - The Committee makes recommendations to the Board of Directors regarding the number of members of the Board of Directors and the structure of its committees,
 - The Committee carries out studies regarding the search and determination of individuals who are qualified to be a member of the Board of Directors and/or to fill the vacancies in the Board of Directors, determines candidates for the new term as well as candidates for positions that become vacant before the expiry of the term of office and candidate(s) for the new term if demanded by the Board of Directors and presents them to the Board of Directors.
 - The Committee prepares and regularly updates criteria according to which potential members' character, integrity, background and reputation regarding professional experience, how they can complement the variety of experience and experience areas of the other Board Members, their availability to allocate enough time to their Board duties and suitability for other criteria to be developed by the Board of Directors, in order to assess the candidate members for the Board.
 - The Committee also makes recommendations for members of other Board committees and recommends suitable candidates for vacancies in the Committees. The Committee ensures that the members of the committee meet the independence criteria and other criteria determined by the laws, rules and legislation in every area of application.
- In recommending a member of the Board of Directors for re-election, the Committee takes into account the person's attendance at past meetings and contributions to the work of the Board of Directors and the Committee.
 - The Committee assists the Board of Directors in evaluating the annual performance of senior executives. The evaluation must be based on objective criteria, including, but not limited to business performance, achievement of long-term strategic purposes and development of the management.
 - It must be based on objective criteria, including, but not limited to matters relating to the development of management.
 - A performance evaluation is carried out at least annually with respect to whether the committee works effectively,
 - The Committee develops the existing remuneration policy regarding the remuneration to be paid to the Board members and senior directors, based on the level of achievement of the criteria set by the Board of Directors and presents its recommendations to the Board of Directors.
 - The Committee prepares and examines a succession plan for the Company's senior directors and gives advice to the Board of Directors about these plans.
 - In the works carried out to identify members suitable for the Board of Directors; The Committee ensures that the Board of Directors is informed about the matters within its field of authority and responsibility,
- The Committee examines the CVs of the candidates within the framework of the criteria determined in the Corporate Governance Principles and may request all kinds of information and documents from the candidates, within the periods stipulated by the legislation.
 - The committee keeps a personal file of information and documents on which its evaluation is based for each candidate.
- The Committee presents its examination and evaluation of the candidates, its views on whether the candidates are suitable for membership, in order of preference if necessary, to the Board of Directors with a report with justification within the period to be required by the Board of Directors.
 - The Committee also receives a "Declaration of Independence" from the candidates that it determines to be in line with the criteria and adds the declaration to their personal files.
 - The Board of Directors examines the status of candidates in the light of the report and reaches a conclusion regarding their membership. This decision may be in line with the opinions of the Committee or may involve re-examination of the status of the candidates by the Committee. However, if the opinions formed as a result of re-examination by the Committee are not accepted, the Board of Directors takes a decision directly.
 - With respect to a proposed candidate member, the Board of Directors may decide to accept the membership of a candidate, or reject their membership based on a just reason.

Amendments to the Internal Directive

Proposals for amendments to this directive are submitted to the Board of Directors by the committee.

The proposals prepared are put on the agenda in the first meeting of the Board of Directors.

Enforcement

This Directive shall become effective on the date of its approval by the Board of Directors.

Internal Directives for the Early Detection of Risk Committee

Purpose

The purpose of this Internal Directive ("Internal Directive") is to determine the procedures and principles relating to the duties, authorities, responsibilities and works of the Early Detection of Risk Committee (the "Committee") which was established pursuant to the Board of Directors decision dated 24.07.2012 no. 2012/34 for reliable fulfillment of its duties and responsibilities by the Board of Directors of HEKTAŞ TİCARET T.A.Ş. (the "Company"), in accordance with the Capital Market Board's Communiqué on the Determination and Implementation of Corporate Governance Principles within the Company (the "Communiqué") and the article 378 of the Turkish Commercial Law which became effective on 1 July 2012.

The purpose of the Early Detection of Risk Committee (the Committee) is to achieve early detection of the risks which may endanger the Company's presence, development and continuity within the framework of the legal legislation and this regulation, as well as the application of the necessary measures for the risks detected and risk management.

Authority and Scope

All kinds of resources and support required for the Committee to fulfill its duties are provided by the Board of Directors. The committee may invite any director that it deems necessary to its meetings and obtain their opinions.

The Committee benefits from the opinions of independent experts on the issues it deems necessary regarding its activities. Costs of consultancy services required by the Committee are covered by the Company.

Committee members are re-determined every year at the first Board of Directors meeting to be held after the Ordinary General Assembly meeting.

The Committee reviews and evaluates the adequacy of this Internal Directive and presents the related recommendations for change to the Board of Directors for approval.

The Committee evaluates the risk situation, indicates the dangers, if any, and demonstrates the remedies in the report that it will submit to the Board of Directors once in every two months. The report is submitted to the auditor as well.

Structure of the Committee

Majority of the members of the Committee consist of the Independent Board Members of the Company. If the committee is comprised of two members, both of these members, and if it has more than two members, majority of the members are comprised of non-executive Board members. The Chief Executive Officer and the General Manager may not take part in committees. The Chairman of the Committee is elected from among the Independent Board Members.

Committee Meetings

Meetings of the Committee are held once in every two months and at times harmonious with the ordinary meetings of the Board of Directors, in order to ensure that the Committee fulfills its duties effectively. However, the Committee may convene as often as deemed necessary for the effectiveness of the works.

The Committee may be summoned to meeting upon the demand of the Committee Chairman or a Committee member. Committee meetings will be held in accordance with the agenda distributed by the Corporate Governance Secretariat (the "Secretariat") before the meeting. Decisions taken at committee meetings are written down and archived by the Secretariat. In this context, after each meeting, a written report on the activities of the Committee is submitted to the Board of Directors together with a summary of the minutes. Meeting minutes are kept at the Secretariat. The Committee may also meet by teleconference or by any other means.

The Committee takes its decisions with a quorum of absolute majority of its members.

The Committee performs an assessment of its objectives, duties and performance and reports the results of this assessment to the Board of Directors on an annual basis.

Duties and Responsibilities

The Committee carries out the following tasks; in the light of the risk appetite determined by the Board of Directors and the opinions of the Board of Directors:

- Evaluation and definition of all risks that may endanger the existence, development and continuation of the company, and the probability and impacts of such risks,
- Establishing risk measurement models and risk management systems and reviewing their effectiveness at least once a year,

- Informing the Board of Directors and making necessary warnings regarding the measurement and monitoring of risks and the use of risk factors in decision processes,
- Making recommendations to the Board of Directors to improve risk management practices and models.

It carries out the necessary studies on the adoption and implementation of risk management policies and practices by all departments and employees of the Company.

It meets at least six times a year. Meeting minutes are kept in writing. Meeting results are submitted to the Board of Directors in a report. The meetings may also be held by using technological means, if the committee members cannot convene.

Amendments to the Internal Directive

Proposals for amendments to this directive are submitted to the Board of Directors by the Committee. The proposals prepared are put on the agenda in the first meeting of the Board of Directors.

Enforcement

This regulation, as well as amendments and updates regarding the regulation become effective upon the decision of the Board of Directors.

Internal Directives for the Audit Committee

Purpose and Scope

The purpose of this Internal Directive ("Internal Directive") is to determine the procedures and principles relating to the duties, authorities, responsibilities and works of the Audit Committee (the "Committee") which was established pursuant to the Board of Directors decision dated 22.06.2012 no. 2012/31 for reliable fulfillment of its duties and responsibilities by the Board of Directors of HEKTAŞ TİCARET T.A.Ş. (the "Company"), in accordance with the Capital Market Board's Communiqué on the Determination and Implementation of Corporate Governance Principles within the Company.

Principles of Operation of the Committees

The Audit Committee evaluates the issues determined within the framework of the assessments it makes to assist the Board of Directors in the supervision of the Company's accounting system, public disclosure of financial information, independent auditing and the operation and effectiveness of the internal control system, in accordance with the Capital Market legislation and the principles in this regulation.

Structure of the Committee

The committee consists of at least 2 members. All members of the Committee consist of the Independent Board Members of the Company.

The Committee may appoint a Deputy Chairman to take office in the absence of the person who assumes the Chairmanship.

The Committee may obtain consultancy services from independent experts or organizations on matters it deems necessary regarding its activities, at the expense of the Company, and may invite any director it deems necessary to its meetings and obtain their opinions.

Committee Meetings

The Committee convenes at least four times a year, at least once in every three months, in order to ensure that the Committee fulfills its duties effectively. Minutes are drawn up regarding results of the meetings and submitted to the Board of Directors. The Committee meetings are held at times harmonious with the ordinary meetings of the Board of Directors.

However, the Committee may convene as often as deemed necessary for the effectiveness of the works. The Committee takes its decisions with a quorum of absolute majority of its members.

All kinds of resources and support required for the Committee to fulfill its duties are provided by the Board of Directors. The Committee may be summoned to meeting upon the demand of the Committee Chairman or a Committee member. Committee meetings will be held in accordance with the agenda distributed by the Audit Committee Secretariat (the "Secretariat") before the meeting. Decisions taken at committee meetings are written down and archived by the Secretariat.

In this context, after each meeting, a written report on the activities of the Committee is submitted to the Board of Directors together with a summary of the minutes. Meeting minutes are kept in the Secretariat. The Committee may also meet by teleconference or by any other means.

If it deems necessary, the Committee may delegate some of its duties to one or more subcommittees consisting of two or more members.

The Committee performs an assessment of its objectives, duties and performance and reports the results of this assessment to the Board of Directors on an annual basis.

Duties and Responsibilities

They oversee the Company's accounting system, public disclosure of financial information, independent audit, and the functioning and efficiency of the internal control system. The selection of the independent audit firm, the preparation of independent audit contracts and the initiation of the independent audit process, and the works of the independent audit firm at all stages are carried out under the supervision of the Committee.

The independent audit firm from which the company will receive services and the services to be received from these organizations are determined by the Committee and submitted to the Board of Directors for approval.

The committee in charge of audit determine the methods and criteria applicable in the review and conclusion of the complaints communicated to the Company regarding the Company's accounting and internal control system and independent auditing, as well as the evaluation of the Company's employees' notifications about accounting and independent audit matters within the framework of the confidentiality principle.

The Committee receives the opinions of the responsible managers and independent auditors of the Company regarding the accuracy of the annual and interim financial statements to be disclosed to the public and their compliance with the actual situation as well as the accounting principles followed by the Company, and submits them to the Board of Directors in writing, together with their own assessments.

The Committee immediately notifies the Board of Directors in writing of its findings and suggestions regarding its task and area of responsibility.

The duty and responsibility of the Committee does not eliminate the responsibility of the Board of Directors arising from the Turkish Commercial Code.

Amendments to the Internal Directive

Proposals for amendments to this directive are submitted to the Board of Directors by the Committee. The proposals prepared are put on the agenda in the first meeting of the Board of Directors.

Enforcement

This regulation, as well as amendments and updates regarding the regulation become effective upon the decision of the Board of Directors.

Company Policies

Profit Distribution Policy

The Company has principally adopted the policy of distributing the entire distributable profit of the period in cash to the extent permitted by the prospective free cash generation expectation, including investment / financing needs and market projections, and financial leverage ratios, within the framework of the applicable legislation and the provisions of the Company's Articles of Association. The profit distribution policy is reviewed annually by the Board of Directors, in the light of the national and global economic circumstances, the projects on the company's agenda and the status of its funds.

Dividends are paid by December 15 of the related calendar year in installments with equal or different amounts within the framework of the legislative provisions, by authorizing the Board of Directors in the general assembly meeting where the distribution is decided.

Within the framework of the provisions of the relevant legislation, the General Assembly is authorized to distribute Advance Dividends.

Remuneration Policy

Executives with Administrative Liability

The "Remuneration Policy for Executives with Administrative Liability" has been established by taking into account the practices that have been tried and developed by many companies in the world and in Turkey, as a result of scientific studies, researches and examinations.

In this context, while determining the remuneration level, the structure and competitive conditions of the sector where the Company operates, production and sales activities carried out, prevalence

of activity points, activities carried out abroad, structure of the affiliates owned and their weight in the total, the level of knowledge required to carry out the activities and number of employees criteria are taken into account.

The remuneration of executives with administrative liability have been graded based on the level of knowledge, skills, competence and experience required by the job, the scope of liability and problem solving criteria within the framework of the diversity and volume of the Company's activities. While determining the monthly fixed remuneration of executives with Administrative Liability according to the grades determined, efforts are made to protect internal balances and remuneration researches involving leading companies in Turkey are used. Thus, remuneration that is fair in the Company and competitive in the market is ensured.

The Corporate Governance Committee ensures that the long-term goals of the Company are also taken into account in addition to the criteria above, in determining the remuneration principles and criteria for executives with Administrative Liability and in establishing remuneration proposals.

Board of Directors Members

In the determination of the remuneration levels of the board of directors members, the responsibility taken by the board member in the decision making process, the level of knowledge, skills, competence and experience that is required of them, as well as the time they spend are taken into account in addition to corporate practices and comparisons are made with the remuneration levels of board of directors members of similar companies in the sector.

While determining the remuneration levels of the independent members of the board of directors, in addition to the above criteria, care is taken to ensure that the remuneration to be determined is at a level capable of protecting the member's independence and payment plans based on dividends, share options or the Company's performance are not used within the framework of the Corporate Governance Principles.

In the determination of the remuneration principles and criteria for the board of directors and formulation of proposals regarding remuneration, the Corporate Governance Committee takes the Company's long-term goals into account, in addition to the criteria above.

The remuneration to be paid to the members of the Board of Directors is determined pursuant to decisions taken by the general assembly.

Compensation Policy

Employees of the Company are subject to the Labor Law and related legislative provisions.

Disclosure Policy

Purpose and Scope

The purpose of the Disclosure Policy of HEKTAŞ Ticaret T.A.Ş. ("HEKTAŞ") is to ensure continuous, effective and transparent communication by sharing all kinds of information that is not in the nature of trade secrets, as well as the Company's past performance and future expectations equally with all stakeholders such as domestic/ foreign shareholders, potential investors, employees, customers and related authorized institutions in a complete, fair, accurate, timely, comprehensible and easily accessible manner, within the

Company Policies

framework of the provisions of the Capital Market Legislation, Corporate Governance Principles and the Articles of Association of the Company.

The Company's disclosure policy is implemented in the light of the issues within the scope of the Capital Market Legislation, decisions of the Capital Market Board and other relevant legislation and the matters required to be disclosed within this framework are announced to the public on time, accurately and fully.

The Disclosure Policy covers all employees active within HEKTAŞ.

Authority and Liability

Our Company's Disclosure Policy is established and implemented under the authority of the Board of Directors. The Board of Directors also reserves the authority to amend this policy from time to time as per relevant regulations. The disclosure policy and amendments to be made in the policy are published on the Company's web site upon the approval of the Board of Directors.

The Investor Relations Department of our Company is responsible for adhering to and following this Disclosure Policy.

All written and visual press releases to be made within the scope of this Policy are announced to the public by the Company's authorities including the Chairman of the Board of Directors, General Manager, Assistant General Managers and the Head of the Investor Relations Department. The provision of the article 10/a of the Special Cases Communiqué no. II-15.1 of the CMB which states that, "Prospective evaluations may be disclosed to the public provided that they are subject to a

decision of the board of directors, or the written approval of the authorized person, if an authority is granted by the board of directors," is reserved.

Disclosure Methods and Instruments

The disclosure methods and instruments used by our Company within the framework of this Disclosure Policy are as follows.

- Financial statements, independent auditor's reports and declarations periodically entered in the Public Disclosure Platform (PDP)
- Annual Activity Reports
- Web Site of the Company
- Special case disclosure forms
- Declarations and announcements made in the Trade Registry Gazette and daily newspapers
- Communication methods by means of communication tools such as telephone, e-mail, fax

Principles Regarding Presentations and Reports Announced at Information Meetings or Press Conferences

Demands for information communicated to the Company from shareholders, investors and analysts are replied to in writing, verbally or through disclosure meetings in line with the principle of equality and in an accurate and complete manner by the Investor Relations Department, within the framework of the publicly disclosed information.

Press and media organs, press conferences and/or press releases or other means of communication may also be used to publicly announce matters subject to special cases, including prospective evaluations. Before or simultaneously with these announcements, a statement is also made on the Public Disclosure Platform and is also posted on the Company's website.

The Company's authorities may occasionally attend national and international conferences or meetings to share information with investors and analysts. The presentations used in these events may also be posted on the Company's web site.

Principles for the Follow-Up of News and Comments About the Company in the Press and Media Organs or on the Internet as well as Making Statements Relating to Such News and Comments

The Company follows the news and comments in the national or international press and media organs or other communication channels via a media monitoring company, and in the event of news or comments with content different than the information previously disclosed to the public or disclosed to the public for the first time, the Company evaluates their impact on the value and price of the Company's shares or investors' investment decisions within the framework of its internal regulations. In cases where deemed necessary, a public statement is made immediately within the framework of the principles determined under the capital market legislation regarding whether they are accurate or adequate, even if a decision of postponement had been made. The Company may wish to make statements regarding news and comments that appear in the press and media organs, but that do not give rise to an obligation to make special case disclosures. These statements may be in the form of written or verbal communication via the press and may also be announced to the public via the Company's web site (www.hektas.com.tr).

With respect to comments, analyses, evaluations and estimations made based on publicly disclosed information, via press and media organs and other means of communication, the Company is not obliged to make statements to the public regarding their accuracy and adequacy.

Measures Taken to Ensure Confidentiality Until Special Cases Are Disclosed to the Public

The Company's executives and their spouses, children or household members may not conduct transactions on the Company's shares or capital market instruments based on these shares within the period starting from the day that follows the end of the fiscal period when the financial statements and reports drawn up by the Company and independent audit reports are prepared, until the public disclosure of these statements and reports in accordance with the legislation. Executives of the Company's subsidiaries and controlling partnerships, as well as persons who have inside information or permanent information due to ownership of shares in the Company and its subsidiaries and controlling partnerships are also covered by this prohibition.

The Company may postpone the public disclosure of the inside information in order to prevent harm to its legitimate interests, provided that this does not result in the investors being misled and is capable of ensuring the confidentiality of the information. In these cases, the Company takes all kinds of measures to ensure the confidentiality of the inside information under the capital market legislation.

The Company informs its executives and employees about the liabilities stipulated in the law and the relevant legislation with respect to inside information as well as sanctions relating to the misuse or dissemination of such information, through in-service trainings. The Company takes the necessary measures by obtaining confidentiality commitments that prevent the access of employees other than those in the list of persons with access to inside information and third parties providing services and through similar methods.

Persons with access to inside information on the other hand are informed about the sanctions relating to the misuse or dissemination of such information, in writing and by obtaining their signatures, by ensuring the acknowledgment of their obligations in the law and the relevant legislation regarding inside information.

Principles Used in Determining the Persons with Administrative Liability

Under the Capital Market Legislation, "Persons with Administrative Liability" are described as the Company's Board of Directors members and persons who are not members of the board of directors, but who regularly access the issuer's inside information directly or indirectly and have the authority to take administrative decisions that affect the issuer's future development and business goals.

The Persons with Administrative Liability in our Company are determined as Members of the Board of Directors, General Manager and Assistant General Managers, Accounting and Budget Manager, Finance Manager, Domestic Sales Manager, Purchasing Manager, Human Resources Manager, R&D and Quality Control Manager, Production Manager, Foreign Sales Manager, Plant Protection P&D Manager, Information Technologies Manager, Animal Health Licensing and P&D Manager, Project and Maintenance Manager, Logistics Manager, Product Manager, Commercial Marketing Manager, Human Resources and Quality Systems Coordinator.

Principles Regarding the Disclosure of Prospective Evaluations

Evaluations that include plans and estimations in the nature of prospective inside information or providing investors with insight about the issuer's future activities and financial situation and performance may be disclosed to the public within the framework of the principles specified in the capital market legislation.

Prospective evaluations are based on reasonable assumptions and estimations and in the event of deviations due to unpredictable risks and developments, a public statement is made by specifying the reasons for differences as well, if there are significant differences between the matters previously disclosed to the public and the actual situations.

The Chairman of the Board of Directors and the General Manager are authorized by the Company's Board of Directors to disclose the Company's prospective evaluations.

Company Policies

Prospective evaluations may be made through special case disclosures, media organs, press conferences, press releases, national and international conferences or meetings, and other means of communication, within the framework of the principles stipulated in the capital market legislation.

All questions regarding the application principles and procedures of this policy should be directed to the Investor Relations Department.

Grants and Donations Policy

HEKTAŞ Ticaret T.A.Ş. carries out its activities with a focus on the Company's sustainable development, achievement of long-term goals and protection of all stakeholders' rights.

Within this framework, grants and donations that may divert the Company from the principle of protecting the rights of shareholders are avoided. However, within the framework of the Company's social responsibility approach, certain grants and donations approved by the Board of Directors may be made provided that they are in line with the provisions of the capital market legislation and are within the framework of Group practices.

The limit of the donation to be made is determined annually by the general assembly. The Capital Market Board is authorized to introduce an upper limit for donation amounts. Information about donations made is provided annually in General Assembly meetings.

Human Resources Policy

Acting with the awareness that the most valuable resource behind its success is people, HEKTAŞ acts on the basis of innovation and sustainability which;

- Values employees,
- Thrives on the excitement of employees and is empowered by their creativity,
- Is open to change and development,
- Creates career opportunities,
- Respects people, environment and nature,
- Complies with quality standards,
- Is based on innovation and sustainability.

Information Security Policy

As HEKTAŞ, in order to manage all kinds of risks to business continuity and information assets, we manage our activities for;

- Documenting and continuously improving our information security management system to meet the requirements of the ISO 27001 standard,
- Complying with all legal regulations and contracts related to information security,
- Systematic management of risks to information assets,
- Carrying out trainings to develop technical and behavioral competencies in order to increase information security awareness,
- Strategic target, design, production, sales, supply resources related to our products and services,
- Protecting the confidentiality of critical data such as customer and employee information,
- Granting access rights in accordance with the need-to-know principle, preventing unauthorized access,

- Creating appropriate physical and electronic environments for the security of information assets,
- Providing the necessary plans and technical infrastructure for the continuity assurance of information technology services,
- in an integrated manner with other applied management systems in order to detect situations that violate information security in a timely manner and intervene immediately.

Integrated Management System Policy

Adopting Quality, Environment and Occupational Health and Safety as its basic philosophy, HEKTAŞ aims to focus on customer satisfaction with all its employees in the headquarters, regions and subsidiaries, while meeting and exceeding customer expectations at every stage of the product and environmental life cycle. HEKTAŞ is a proud pursuer of the mission of being the "Pioneer of Smart Agriculture".

The main objectives of HEKTAŞ for sustainable growth while giving utmost attention to customer satisfaction are as follows;

- To be a dynamic company that is preferred in every segment of the market in the fields of Agriculture and Animal Health with its product and service quality,
- To increase the performance of all our processes to an internationally competitive level, in line with the approach of continuous improvement with the involvement of all employees,
- To provide the necessary resources to ensure the sustainability of management systems,

- To set measurable targets by taking into account the good practices in the sector and in the world and to regularly review their achievement, the purpose of continuous improvement of Quality, Environment and Occupational Health and Safety Integrated Management Systems;
- To fulfill all relevant sectoral, national and international legislation requirements and other applicable conditions while providing products and services; to increase the performance of the Integrated Management System, with precise adherence to compliance obligations,
- To protect biodiversity and ecosystem by taking into account climate change through efficient use of resources in all processes with a sustainable development perspective, to take care to prevent pollution and to develop recycling methods by reducing waste at its source, to encourage recycling and to add continuous positive value to the environment,
- To work in line with the Zero Work Accident principle by providing safe and healthy working conditions and ensuring the consultation and participation of employees and their representatives in all processes,
- To prevent risk at its source, to minimize occupational diseases with a risk-oriented approach,
- To increase awareness by cooperating with all stakeholders on Quality, Environment and Occupational Health and Safety,

As HEKTAŞ, we undertake to achieve these by creating added value to stakeholders, society and producers by working as a team at every stage of the activities, sharing information and constantly improving our processes, with the aim of ensuring the sustainability of the Integrated Management System, within the framework of the policy.

Ethical Rules

Purpose and Scope

Ethics Rules and Working Principles cover “HEKTAŞ Türk Ticaret Anonim Şirketi (HEKTAŞ and Group Companies)”, as well as all third parties and employees acting on behalf of these companies. The main purpose of these rules is to release the ethics principles and standards, to which the entire HEKTAŞ and Group Companies’ employees should comply with, in an intelligible manner. The rules stipulated here should be evaluated by handling along with the other corporate documents (policy, regulation, circulars, directive, etc.).

Ethic Codes of Conduct

- Integrity
Integrity and honesty are the prioritized values in all business processes and relationships of the employees of HEKTAŞ and Group Companies. The employees of HEKTAŞ and Group Companies act with integrity and honesty in their relations with the other employees and stakeholders.

- Avoiding Conflicts of Interest
Conflict of interest means all kinds of benefits that the employees can provide to themselves, their relatives, friends, or relevant third parties or organizations in return for a subject within their job description, status or scope of authority, or for a knowledge and skill that they own.

The employees of the company meticulously avoid actions that will result in a conflict of interest, as well pay due diligence to protect the benefit of the company during the execution of their duties, and avoid any action and behavior that may mean gaining benefits for themselves or their relatives.

- Avoiding Actions in Favor of Self or Close Relatives

In HEKTAŞ and Group Companies, it is essential that spouses and employees with a relative relation (including in-laws), including third degree, do not have a reporting relationship with each other within the same organization or take part in decision-making mechanisms together.

The employees of HEKTAŞ and Group Companies or their family members should not have any financial interest in any company that has a business relationship with HEKTAŞ and Group Companies.

Company Policies

It is essential that the employees of HEKTAŞ and Group Companies do not work directly or indirectly in any work that requires them to be considered as 'traders' or 'craftsman, and not to work for another person and/or entity under any name during or outside working hours in return for a wage or similar benefit.

Issued by Judicial or Administrative authorities arbitration, mediation, expert witness duties temporarily appointed under personnel are excluded from this restriction.

- Former Employees Doing Business with HEKTAŞ

In order to allow the employees who resigned from HEKTAŞ and Group Companies to do business with HEKTAŞ and Group Companies as a seller, contractor, consultant, broker, representative, dealers or similar;

- Must not have a disciplinary record in the company where s/he worked before,
- There should be no conflict of interest due to previous duties.

Furthermore, if the employee who resigned has held a position that provides access to sensitive information and commercial decision-making mechanisms at HEKTAŞ and Group Companies and wants to do business in the same or similar field of activity as his/her position within HEKTAŞ and Group Companies, then it is essential not to enter into a business relationship before 3 years from the date of resignation.

The Ethics Committee is authorized to evaluate and approve the exceptional cases. Provided that these conditions are met, a report that will be prepared by the manager of the relevant unit in order to enable the employee resigned

to conduct business with HEKTAŞ and Group Companies must be approved by the Ethics Committee.

- Trading with Equities of HEKTAŞ

It is possible for employees to perform investment transactions with HEKTAŞ shares in the stock exchange under the conditions that have been specified in the regulations of the Capital Markets Board. However, the employees know that trying to obtain benefit by using all kinds of confidential information belonging to HEKTAŞ and Group Companies or disclosing it to third parties, including directly or indirectly trading shares from stock exchanges, is accepted as insider trading and that these behaviors are considered illegal by law.

The in-house procedures established to implement the regulations of the Capital Markets Board are implemented with precision, and the employees stated in the "insider" list are expected to be in full compliance with the relevant legislation, policies and procedures.

- Attending Representation and Organization Invitations

Employees of HEKTAŞ and Group Companies are not allowed to attend invitations, outdoor organizations, artistic and sports activities, local and overseas trips, etc. Activities that are carried out by third persons or entities with which they have direct or indirect business relations, that may affect the decision-making process, that may create a potential conflict of interest or be perceived as such by the other party, exceptional cases are subject to the approval of the CEO.

The participation offers, such as free conference, promotional meeting, training, etc., the organizations open to general participation, sports and similar activities received from third parties, customers or potential customers can be accepted with the approval of a senior manager.

Organizations such as business lunches, conferences, receptions, promotional events and seminars open to general participation are excluded from this scope.

- Receiving and Giving Gifts

The employees of HEKTAŞ and Group Companies should not ask for gifts, gains, aid, entertainment, special discounts, commissions or discounts that may affect their impartiality, decisions and behaviors, or should not accept such offers for their own benefit.

Except for gifts that have no doubt about symbolic meaning, are given in accordance with commercial traditions, customs, or are promotional/souvenir gifts, and have an approximate value of which does not exceed 1 quarter of the net minimum wage, the gifts from persons or entities with whom we have commercial relations, including customers, suppliers and dealers, are not accepted.

It is essential that gifts that have to be accepted due to commercial relations and that do not comply with the above-mentioned criteria are reported to the Ethics Committee and then recorded in the fixed assets records of the company.

It is essential that the employees of HEKTAŞ and Group Companies do not accept gifts in cash or cash equivalents (such as gift certificates, commissions, etc.) or borrow money from suppliers, consultants, dealers or competitors, regardless of their amount.

The employees cannot give gifts to entities and persons with whom they have a business relationship, other than the gifts that the company has prepared for promotional purposes.

- Political Activities

In their individual and voluntary political activities, the employees of HEKTAŞ and Group Companies should stay away from situations that may create a conflict of interest in their current duties and responsibilities.

The company's name, title within the company and company's resources are not allowed to be used in individual political activities.

It is not allowed to make political propaganda during the working hours and in the workplace environment, it is not allowed to ask the employees to be members of a political party in any way, and the time of other employees cannot be taken for such activities.

- Club and Association Memberships

It is essential that the employees of HEKTAŞ and Group Companies do not engage in social activities that are incompatible with their interests and benefits. However, they can take charge in foundations, associations for professional and social purposes, provided that they do not disrupt their working hours and order. In case they take charge in the management level in the specified places, it is essential that the employees inform the "Ethics" communication channels. Association and/or club activities must not be discriminatory or contrary to the public interest in any way.

Confidentiality and Protection of Trade Secrets

Information is one of the most significant assets that will be used to actualize the vision of HEKTAŞ and Group Companies. To use information effectively, to share it correctly and to ensure the confidentiality, integrity and accessibility of information in this process is the common responsibility of all our companies and employees.

The information and documents, trade secrets, non-public financial and other information provided by the company due to its location or that are likely to be accessed or learned at the workplace, confidential information regarding employees' personal rights and agreements concluded with third parties are evaluated within the framework of confidentiality and protection of trade secrets.

Each employee is committed to the confidentiality of company information and not allowed to disclose such information without permission or necessary written authorization. The protection and confidentiality of all financial and commercial information, agreements and employees' information belonging to the company is essential.

All official statements are announced to investors, partners and the public in a complete, simultaneous and understandable manner and in accordance with the principle of equality through the units determined by the companies.

It is not allowed to share the passwords for computers, telephones, tablets, all devices and software that store data with anyone inside or outside the company.

The employees are responsible for the data security of desktop and/or laptop computers, mobile phones and tablets, which are debited to them, as well as personal information accessed for business purposes. They are used in accordance with the Personal Data Protection Law.

Internal Audit Senior Management is the only unit that is authorized to inspect the devices and software records (notebook, external data storage device, mobile phone, tablet, e-mail, Skype, SMS) given to employees by HEKTAŞ and Group Companies, if deemed necessary. Related records can be subject to review upon a written request from the Information Systems Senior Management.

If information should be shared with third parties and/or entities for the benefit of the company, then a non-disclosure agreement is signed initially or a written commitment of confidentiality is obtained from the other party in order to ensure that the responsibilities of these persons and entities regarding the security and protection of the shared information are well-understood. It is essential to get the support of legal units in such practices.

The wages, fringe benefits, etc. personal information that reflect the company's policy and are personal are confidential and should not be disclosed to anyone other than the authorities. The information belonging to the employee is delivered privately. The employees are not allowed to disclose this information to others or apply pressure to other employees to disclose the information.

Company Policies

The persons who are authorized to make evaluations, express opinions, and make written or verbal press releases on behalf of the company are the Chairman of the Board of Directors and the CEO (with the approval of the Chairman of the Board of Directors), as well as the persons to be assigned by them.

Our Responsibilities

Our Legal Responsibilities

HEKTAŞ and Group Companies executes all its domestic and abroad activities and proceedings within the frame of the Republic of Turkey laws and international laws, and it is essential to present accurate, complete and comprehensible information to the legal regulatory entities and organizations on time.

Responsibilities to Our Employees

HEKTAŞ and Group Companies do not discriminate by basing on race, ethnicity, nationality, religion, or gender. By providing equal opportunities to people under equal conditions, take performance and efficiency criteria in remuneration, appointment and promotion as basis.

The practices of the company comply with all applicable laws and regulations regarding the employment and working life. The employees of the company also fulfil all legal requirements within the scope of their activities and act in accordance with legal regulations.

Violation of immunity in any way by means of physical, sexual and/or emotional harassment against our employees or our stakeholders with whom we have a business relationship, at the workplace or at any place where they are due to work, is not tolerated. Possible negative attitudes and behaviors towards those who report such violations or assist during the investigation are considered as violations of our ethics rules.

An affirmative and harmonious working environment that supports cooperation is created within the company and clash environments are prevented, thus people with different beliefs, thoughts and opinions work in harmony, and it is not allowed to make religious propaganda in the workplace environment.

HEKTAŞ and Group Companies ensure the necessary participation in Occupational Health and Safety (OHS) trainings for a safe and healthy working environment and pay utmost care to take measures in this regard. Our employees notify the possible dangers and risks they recognize in the workplace to their unit supervisors and/or workplace OHS units through the relevant notification forms.

The trainings aimed at improving the professional knowledge and skills of the employees as well as their personal abilities are realized with the principle of equality.

Systematic and planned behaviors that aim to alienate the targeted person from work, decrease his performance, and cause him to resign in a manner that will be evaluated within the scope of psychological harassment (mobbing) will not be tolerated.

Responsibilities to Our Shareholders

By giving priority to sustainability and acting in accordance with the goal of creating value for their shareholders, HEKTAŞ and Group Companies take their operation related decisions by basing on known economic criteria, and attach importance to the most efficient management of resources with an understanding of financial discipline and accountability.

In the statements made to the public and shareholders, timely, accurate, complete and comprehensive information about financial statements, strategies, investments and risk profile are provided. All meetings to be held with the parties such as the investors, financial analysts, members of the press, etc. are regulated by the relevant in-house regulations, no verbal or written statement is made on behalf of HEKTAŞ and Group Companies unless a task is granted.

Responsibilities to Our Customers

HEKTAŞ and Group Companies work with a proactive approach that focuses on customer satisfaction and responds to the needs and demands of the customers in the shortest time possible. Offers services on time and under promised conditions; approaches its customers within the framework of respect, honor, justice, equality, and courtesy rules. It is essential that the employees carefully protect the confidential information of the customers.

We are sensitive to the requirements and demands of our customers. We continuously improve our products, services, technology and business processes in order to ensure quality, energy efficiency and development at every phase of our activities.

Responsibilities to Our Suppliers/Business Partners

We select all our suppliers with objective criteria among the companies that are experts in their fields of business, that fulfil their legal obligations, and that do not have an unfavorable reputation.

We behave fairly and respectfully as expected from a good customer, take the necessary care to fulfil their obligations in a timely manner, and carefully protect the confidential information of the people and entities with which we do business, as well as our business partners.

Responsibilities to Our Competitors

We do not engage in agreements and behaviors aimed at preventing, distorting or restricting competition, directly or indirectly, with competitors or other persons and entities in the areas in which we operate.

As HEKTAŞ and Group Companies, we never allow situations that prevent competition, such as working or collaborating in order to determine the market and price, or exchanging information.

Responsibilities for Social Media

Except for employees who are expressly authorized by job description and authority, all types of posts and personal comments shared in social networking sites, blogs, e-mail groups and that may negatively affect the corporate position, sectoral and social reputation and competition of HEKTAŞ and Group Companies cause obligations for the employee. No employee other than those assigned can make a verbal or written statement on behalf of HEKTAŞ and Group Companies.

Implementation

The access to ethics notifications is only under the authority of the Head Office and the Internal Audit Senior Management. Security, confidentiality and management of all channels fall within the purview of the Internal Audit Senior Management. The decision to subject the notifications to the review in the Ethics Committee is taken by the CEO following the preliminary examination to be carried out by the Internal Audit Senior Management.

Ethics Committee

HEKTAŞ and Group Companies Ethics Committee is the competent authority for ethics issues within the company. Presents recommendations to senior management on all ethics issues and draws attention to risky situations aspects of ethics.

Ethics Committee is comprised of the CEO, COO and the Human Resources Director. Internal Audit Manager acts as the rapporteur of the Ethics Committee. The Ethics Committee is chaired by the CEO and has the authority to replace the members of the Ethics Committee.

Working Principles of Ethics Committee

The Ethics Committee ensures that all employees are informed about the Code of Ethics, and answers the questions of all employees regarding the implementation of the Code of Ethics with the utmost confidentiality.

It keeps the reports or complaints or the identity of those who report or complain confidential. Adopts a policy to prevent possible retaliatory attitudes and behaviors towards employees or persons who report ethics violations, and conducts the investigation within the framework of confidentiality principles.

It has the right to request information, documents and evidence related to the investigation directly from the related business unit. It can examine all kinds of information and documents it has obtained only within the scope of the investigation.

The investigation is handled promptly and reached to the result as quickly as possible, and the decisions taken by the Ethics Committee are immediately put into practice by informing the relevant authorities about the results. The investigation process is recorded in a written report from the beginning and the information, evidence and documents are attached to the report and it is signed by the Chairman and the Members.

While performing their duties, the Chairman and members of the committee act independently and unaffected by the department managers and the hierarchy within the organization. They are not allowed to be subject to repression or any suggestions.

In case the employees recognize an unethical practice, they can report this via the Ethics Line established within our Group (www.remedetikhat.com.tr web address, hektas@etikhat.com e-mail address and (0212) 403 34 53 numbered telephone formed within the scope of ethics line).

Other Issues

Legal Issues

Lawsuits

There are no ongoing material lawsuits filed against our Company.

Administrative-Judicial Sanctions

There are no material administrative sanctions or penalties imposed on the Company and the Board of Directors Members due to practices against legislative provisions.

Information about Legislative Amendments that may Significantly Affect the Company's Activities

There are no legislative changes such as incentives, taxes, etc. which may significantly affect the financial statements of the Company.

Explanations Regarding Private Auditing and Public Auditing

The activities of the Company are regularly and periodically audited by the Independent External Auditor and Auditors designed by the General Assembly. For 2022, the independent audit activities will be carried out by DRT Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi (Member of Deloitte Touche Tohmatsu Limited).

Information that must be Submitted to the Shareholders Regarding Related Party Transactions and their Balances

Information about the transactions conducted by the Company with related parties is provided in the footnote no. 34 of our financial statements of 31.12.2022.

Information about the Conflicts of Interest Occurring between the Company and Institutions Providing Services to the Company in Matters such as Investment Advisory and Rating and the Measures Taken by the Company to Prevent such Conflicts

None

Corporate Governance Principles Compliance Report, Corporate Governance Information Form and Sustainable Principles Compliance Report

The "Corporate Governance Principles" published by the Capital Market Board were complied with and implemented in 2022 January- December period as well. Corporate Governance Principles Compliance Report, Corporate Governance Information Form and Sustainable Principles Compliance Report are provided in Appendix-2.

Donations Made

The Company made donations in the amount of TL 37,500 as of 2022.

Events Occurring form Out of Period

Commercial Paper Issue & Redemption Announcements

1,200 million commercial paper were issued to qualified investors in January 2023 and and 1,064 million issued commercial papers in 2022 were redemped in this period.

Capital Increase of Ferbis Tarım Ticaret Anonim Şirketi

The capital of Ferbis Tarım Ticaret ve Sanayi Anonim Şirketi was increased from 3,000,000.00 TL to 40,500,000.00 TL on 02.02.2023. The application for amending the articles of association regarding the public offering to trade, was filed to the Capital Market Board (CMB) and it was announced in public disclosure platform (PDP) on 15.02.2023.

About Legal Entity Board Member Representatives

As per the Board Decision taken by our Company's Legal Person Board of Directors Member, OYTAŞ İÇ VE DIŞ TİCARET ANONİM ŞİRKETİ, During our Company's Board of Directors Meeting dated 07.02.2023, Volkan ÜNLÜEL was appointed in place of (the natural person Baran ÇELİK acting on behalf of), OYTAŞ İÇ VE DIŞ TİCARET ANONİM ŞİRKETİ, Legal Person Board of Directors of our Company, as of 07.02.2023 and the CV of Volkan ÜNLÜEL is presented in the attachment.

As per the Board Decision taken by our Company's Legal Person Board of Directors Member, AKDENİZ CHEMSON KİMYA SANAYİ VE TİCARET ANONİM ŞİRKETİ, During our Company's Board of Directors Meeting dated 07.02.2023, İrem ATALAY was appointed in place of (the natural person Aslıhan DÖĞER acting on behalf of), AKDENİZ CHEMSON KİMYA SANAYİ VE TİCARET ANONİM ŞİRKETİ, Legal Person Board of Directors of our Company, as of 07.02.2023 and the CV of İrem ATALAY is presented in the attachment.

Declarations of Independence of the Independent Board of Directors Members

STATEMENT OF INDEPENDENT MEMBER OF BOARD OF DIRECTORS

09.03.2022

I accept, undertake and declare that I read and understand the Corporate Governance Principles included in Serial No. II-17.1 Communique on Corporate Governance of Capital Markets Board and I fully meet all criteria for being an Independent Member of Board of Directors mentioned in the principle in question and also attached to this statement.

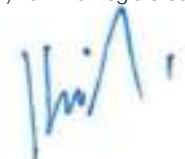


KAMİL DERECE

STATEMENT OF INDEPENDENCE

I am a candidate to be assigned as "independent member" in Board of Directors of HEKTAŞ TİCARET T.A.Ş in scope of the criteria mentioned in Communique on Corporate Governance of Capital Markets Board, legislation and articles of incorporation and in this framework, I declare that:

- a) I do not have a relationship between themselves, or their spouse and relatives by blood or marriage up to second degree, and the corporation, companies where the corporation holds management control or significant influence, and shareholders who hold management control of the corporation or have significant influence in the corporation, and legal entities in which these shareholders hold management control, in terms of employment at an administrative level to take upon significant duties and responsibilities within the last five years, not to own more than 5% of the capital or voting rights or privileged shares jointly or solely, or not having established a significant commercial relation,
- b) I am not a shareholder (5% and more), an employee at an administrative level to take upon significant duties and responsibilities, or member of board of directors within the last five years in companies that the corporation purchases or sells goods or services at a significant level within the framework of contracts executed, especially on audit (including tax audit, statutory audit, internal audit), rating and consulting of the corporation, at the time period when the corporation purchases or sells services or goods,
- c) I have professional education, knowledge and experience in order to duly fulfill the duties assigned for being an independent board member.
- d) I am not a full-time employee of public authorities and institutions after being elected, except being an academic member at university provided that is in compliance with the relevant legislation.
- e) I am a resident in Turkey in accordance with the Income Tax Law dated 31 December 1960 and numbered 193.
- f) I am capable to contribute positively to the operations of the corporation, to maintain their objectivity in conflicts of interests between the corporation and the shareholders, to have strong ethical standards, professional reputation and experience to freely take decisions by considering the rights of the stakeholders.
- g) I am able to allocate time for the corporation's business in order to follow up the activities of the corporation and duly fulfill the allocated duties.
- h) I did not become a member of the board of directors for more than a period of six years within the last ten years.
- i) I am not an independent member of the board of directors in more than three corporations where the corporation or the controlling shareholders of the corporation hold management control, and in more than five corporations admitted to trading on the exchange in total.
- j) I am not registered and announced as a board member representing a legal entity.



KAMİL DERECE
09.03.2022

Declarations of Independence of the Independent Board of Directors Members

STATEMENT OF INDEPENDENT MEMBER OF BOARD OF DIRECTORS

09.03.2022

I accept, undertake and declare that I read and understand the Corporate Governance Principles included in Serial No. II-17.1 Communique on Corporate Governance of Capital Markets Board and I fully meet all criteria for being an Independent Member of Board of Directors mentioned in the principle in question and also attached to this statement.



KADRI ÖZGÜNEŞ

STATEMENT OF INDEPENDENCE

I am a candidate to be assigned as "independent member" in Board of Directors of HEKTAŞ TİCARET T.A.Ş in scope of the criteria mentioned in Communique on Corporate Governance of Capital Markets Board, legislation and articles of incorporation and in this framework, I declare that:

- a) I do not have a relationship between themselves, or their spouse and relatives by blood or marriage up to second degree, and the corporation, companies where the corporation holds management control or significant influence, and shareholders who hold management control of the corporation or have significant influence in the corporation, and legal entities in which these shareholders hold management control, in terms of employment at an administrative level to take upon significant duties and responsibilities within the last five years, not to own more than 5% of the capital or voting rights or privileged shares jointly or solely, or not having established a significant commercial relation,
- b) I am not a shareholder (5% and more), an employee at an administrative level to take upon significant duties and responsibilities, or member of board of directors within the last five years in companies that the corporation purchases or sells goods or services at a significant level within the framework of contracts executed, especially on audit (including tax audit, statutory audit, internal audit), rating and consulting of the corporation, at the time period when the corporation purchases or sells services or goods,
- c) I have professional education, knowledge and experience in order to duly fulfil the duties assigned for being an independent board member.
- ç) I am not a full-time employee of public authorities and institutions after being elected, except being an academic member at university provided that is in compliance with the relevant legislation.
- d) I am a resident in Turkey in accordance with the Income Tax Law dated 31 December 1960 and numbered 193.
- e) I am capable to contribute positively to the operations of the corporation, to maintain their objectivity in conflicts of interests between the corporation and the shareholders, to have strong ethical standards, professional reputation and experience to freely take decisions by considering the rights of the stakeholders.
- f) I am able to allocate time for the corporation's business in order to follow up the activities of the corporation and duly fulfil the allocated duties.
- g) I did not become a member of the board of directors for more than a period of six years within the last ten years.
- ğ) I am not an independent member of the board of directors in more than three corporations where the corporation or the controlling shareholders of the corporation hold management control, and in more than five corporations admitted to trading on the exchange in total.
- h) I am not registered and announced as a board member representing a legal entity.



KADRI ÖZGÜNEŞ
09.03.2022

STATEMENT OF INDEPENDENT MEMBER OF BOARD OF DIRECTORS

09.03.2022

I accept, undertake and declare that I read and understand the Corporate Governance Principles included in Serial No. II-17.1 Communique on Corporate Governance of Capital Markets Board and I fully meet all criteria for being an Independent Member of Board of Directors mentioned in the principle in question and also attached to this statement.



BÜLENT ŞAMİL YETİŞ

STATEMENT OF INDEPENDENCE

I am a candidate to be assigned as "independent member" in Board of Directors of HEKTAŞ TİCARET T.A.Ş in scope of the criteria mentioned in Communique on Corporate Governance of Capital Markets Board, legislation and articles of incorporation and in this framework, I declare that:

- a) I do not have a relationship between themselves, or their spouse and relatives by blood or marriage up to second degree, and the corporation, companies where the corporation holds management control or significant influence, and shareholders who hold management control of the corporation or have significant influence in the corporation, and legal entities in which these shareholders hold management control, in terms of employment at an administrative level to take upon significant duties and responsibilities within the last five years, not to own more than 5% of the capital or voting rights or privileged shares jointly or solely, or not having established a significant commercial relation,
- b) I am not a shareholder (5% and more), an employee at an administrative level to take upon significant duties and responsibilities, or member of board of directors within the last five years in companies that the corporation purchases or sells goods or services at a significant level within the framework of contracts executed, especially on audit (including tax audit, statutory audit, internal audit), rating and consulting of the corporation, at the time period when the corporation purchases or sells services or goods,
- c) I have professional education, knowledge and experience in order to duly fulfil the duties assigned for being an independent board member.
- ç) I am not a full time employee of public authorities and institutions after being elected, except being an academic member at university provided that is in compliance with the relevant legislation.
- d) I am a resident in Turkey in accordance with the Income Tax Law dated 31 December 1960 and numbered 193.
- e) I am capable to contribute positively to the operations of the corporation, to maintain their objectivity in conflicts of interests between the corporation and the shareholders, to have strong ethical standards, professional reputation and experience to freely take decisions by considering the rights of the stakeholders.
- f) I am able to allocate time for the corporation's business in order to follow up the activities of the corporation and duly fulfil the allocated duties.
- g) I did not become a member of the board of directors for more than a period of six years within the last ten years.
- ğ) I am not an independent member of the board of directors in more than three corporations where the corporation or the controlling shareholders of the corporation hold management control, and in more than five corporations admitted to trading on the exchange in total.
- h) I am not registered and announced as a board member representing a legal entity.



BÜLENT ŞAMİL YETİŞ
09.03.2022

Corporate Governance Principles Compliance Report

HEKTAŞ TİCARET T. ANONİM ŞİRKETİ CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT DECLARATION OF COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES

HEKTAŞ TİCARET T. ANONİM ŞİRKETİ is aware of its responsibilities to its stakeholders as a sector leader and one of the publicly listed companies with the most widespread sales network in the industry in Turkey. Within this framework, the Company has adopted the concepts of “equality”, “transparency”, “accountability” and “responsibility”, which constitute the basis of corporate governance, in its activities and pays utmost attention to compliance with the Capital Market Law (“CML”), as well as the secondary regulations and decisions of the Capital Market Board (“CMB”).

In this respect, in parallel with the corporate governance efforts, the corporate governance mechanisms began to be implemented within the Company in line with the principles, as of 27 February 2021.

HEKTAŞ TİCARET T. ANONİM ŞİRKETİ believes in the importance of full compliance with the Corporate Governance Principles. Our Company precisely adopted and implemented corporate governance principles which are provided in the annex to the Corporate Governance Communiqué and whose application is mandatory under the respective legislation in the operating period ending on 31 December 2022 as well. We also pay due diligence to compliance with optional principles, which are not mandatory under the respective legislation, and no conflict of interest has arisen to date between stakeholders with respect to those which have not been fully complied with yet.

Explanations about compliance with the corporate governance principles attached to the Corporate Governance Communiqué in the operating period ending on 31 December 2022 and about those with which compliance has not been achieved yet are provided in the activity report, the Corporate Governance Compliance Report (“CGCR”) and the Corporate Governance Information Form (“CGIF”) as well as other relevant sections of the report.

We will continue the efforts to ensure better implementation of the mechanisms within the framework of the said principles and to improve our corporate governance applications including the limited number of voluntary principles not yet implemented in the company’s corporate governance applications in the future.

When there is a change in the CGCR or CGIF within the period, these changes will be presented in the activity reports of interim periods, in addition to special situation disclosures.

Corporate Governance Compliance Report

	Compliance Status					Description
	Yes	Partial	No	Exempt	Irrelevant	
Corporate Governance Compliance Report						
1.1. FACILITATING THE EXERCISE OF SHAREHOLDERS' RIGHTS						
1.1.2 - Information and explanations that may affect the exercise of shareholder rights are made available to investors on the corporate website of the company.	X					
1.2. RIGHT TO OBTAIN AND REVIEW INFORMATION						
1.2.1 - The company's management has refrained from taking any action that would make it difficult to carry out a special audit.	X					
1.3. GENERAL ASSEMBLY						
1.3.2 - The Company has ensured that the agenda of the General Assembly is clearly expressed and each proposal is provided under a separate title.	X					
1.3.7 - Persons who have privileged access to partnership information have informed the board of directors that providing information about the transactions they have conducted within the scope of the company's field of activity on their own behalf in the general assembly			X			No demand has been received.
1.3.8-With respect to special issues in the agenda, members of the board of directors, other relevant persons, officials and auditors responsible for the preparation of the financial statements were present at the general assembly meeting.	X					
1.3.10-The amounts of all grants and donations as well as their beneficiaries were addressed under a separate item.	X					
The General Assembly meeting was held open to the public, including the stakeholders and the press, without the right to speak.	X					
1.4. VOTING RIGHT						
1.4.1 - There are no restrictions and applications hindering the exercise of voting rights by shareholders.	X					
1.4.2-The Company does not have any shares with privileged voting rights.		X				Owners of Founding Redemption Shares have 5% dividend rights arising from the company's articles of association.
1.4.3 - The Company has not exercised its voting rights in the General Assembly of any partnership with which it is in a mutual participation relationship that brings along a relationship of dominance as well.	X					Our Company does not have any partnerships with which it is in a mutual participation relationship.
1.5. MINORITY RIGHTS						
1.5.1- The Company has paid maximum attention to the exercise of its minority rights.	X					
1.5.2-Minority rights are also granted to those who have less than one twentieth of the capital under the articles of association, and the scope of minority rights has been extended by being regulated in the articles of association.			X			Although not regulated in the Articles of Association, the provisions of TCL No. 6102 and CML No. 6362 are implemented.
1.6. DIVIDEND RIGHTS						
1.6.1 - The dividend distribution policy approved by the general assembly has been disclosed to the public on the corporate website of the company.	X					
1.6.2 - The profit distribution policy contains the minimum information that will allow the shareholders to foresee the principles and procedures relating to the distribution of profits to be acquired by the company in the future.	X					
1.6.3 - Reasons for not distributing profits and the manner of using undistributed profits	X					
1.6.4 - The Board of Directors has reviewed whether a balance has been achieved between the interests of the shareholders and the interests of the partnership in the dividend distribution policy.	X					
1.7. SHARE TRANSFER						
1.7.1 - There are no restrictions hindering the transfer of shares.	X					

Corporate Governance Principles Compliance Report

	Compliance Status					Description
	Yes	Partial	No	Exempt	Irrelevant	
2.1. CORPORATE WEB SITE						
2.1.1 - The corporate web site of the company includes all elements in the corporate governance principle numbered 2.1.1.	X					
2.1.2-The shareholding structure (names, privileges, number and ratio of shares of natural person shareholders owning more than 5% of the issued capital) is updated at least once in every six months on the corporate web site.	X					
2.1.4 - The information on the company's web site has been prepared in the foreign languages selected according to needs to cover exactly the same content as the Turkish ones.	X					
2.2. ACTIVITY REPORT						
2.2.1 - The Board of Directors ensures that the annual activity report reflects the company's activities fully and accurately.	X					
2.2.2 - The annual activity report contains all elements required in the principle numbered 2.2.2.	X					
3.1. COMPANY'S POLICY REGARDING STAKEHOLDERS						
3.1.1- Rights of the stakeholders are protected within the framework of relevant regulations, agreements and rules of good faith.	X					
3.1.3 - Policies and procedures regarding the rights of stakeholders are published on the company's corporate web site.		X				Code of Ethics, Disclosure Policy, Dividend Policy, Compensation Policy, Remuneration Policy, Grants and Donations Policy
3.1.4 - Mechanisms necessary for stakeholders to notify transactions that are against the legislation and ethically inappropriate.	X					
3.1.5 - The Company addresses conflicts of interest between stakeholders in a balanced manner.	X					
3.2. SUPPORTING THE PARTICIPATION OF STAKEHOLDERS IN THE COMPANY'S MANAGEMENT						
3.2.1 - Participation of employees in the management is regulated with the articles of association or internal regulations.			X			There are no articles in the Articles of Association.
3.2.2 - Methods such as surveys, consultation, etc. have been applied to obtain the opinions of stakeholders in important decisions with consequences concerning stakeholders.		X				Demands and recommendations of clients, suppliers and shareholders are heard and recorded when necessary; no such demands were made in 2022.
3.3. HUMAN RESOURCES POLICY OF THE COMPANY						
3.3.1 - The company has adopted an equal opportunity employment policy and succession planning for all key managerial positions.	X					Succession plans are made for all key managerial positions within the company.
3.3.2 - The criteria for personnel recruitment have been determined in writing.	X					
3.3.3 - The company has a Human Resources Development Policy and within this scope, trainings for employees are organized.	X					
3.3.4 - Meetings have been held to inform employees about matters such as the company's financial situation, remuneration, career planning, education and health.		X				Employees are constantly informed about new developments by using online meetings and digital information channels.
3.3.5 - Decisions that may affect the employees have been notified to them and their representatives. Opinions of the relevant unions regarding these matters have also been obtained.		X				Our employees are directly notified, but there are no unions.
3.3.6 - Job descriptions and performance criteria were prepared in detail for all employees, announced to employees and used in remuneration decisions.	X					

	Compliance Status					Description
	Yes	Partial	No	Exempt	Irrelevant	
3.3.7 - Measures such as procedures, trainings, awareness raising, targets, monitoring and complaint mechanisms have been taken to prevent discrimination among employees and to protect employees against physical, mental and emotional ill-treatment.	X					
3.3.8 - The company supports the freedom of association and the effective grant of the right to collective bargaining.					X	Our company does not have a policy on this issue.
3.3.9 - A safe working environment is provided for the employees.	X					
3.4. RELATIONS WITH CUSTOMERS AND SUPPLIERS						
3.4.1-The company has measured customer satisfaction and operated with a focus on unconditional customer satisfaction.	X					
3.4.2 - If there are delays in processing customers' requests for goods and services purchased, such delays are notified to the customers.	X					
3.4.3 - The company adheres to quality standards for goods and services.	X					
3.4.4 - The Company has controls to protect the confidentiality of sensitive information of customers and suppliers within the scope of trade secrets.	X					
3.5. ETHICS AND SOCIAL RESPONSIBILITY						
3.5.1 - The Board of Directors has determined the Code of Ethical Conduct and published it on the corporate website of the company.	X					
3.5.2- The partnership is sensitive about social responsibility. It has taken measures for prevention of bribery and corruption	X					
4.1. FUNCTION OF THE BOARD OF DIRECTORS						
4.1.1-The board of directors ensures that the strategy and risks do not threaten the long-term interests of the company and that an effective risk management is implemented.	X					
4.1.2-Meeting agenda and minutes demonstrate that the board of directors discussed and approved the company's strategic goals, determined the resources needed, and the management's performance was supervised.	X					
4.2. OPERATION PRINCIPLES OF THE BOARD OF DIRECTORS						
4.2.1-The Board of Directors documented its activities and presented them for information to shareholders.	X					
4.2.2-The duties and authorities of the board of directors members are explained in the annual operating report.	X					
4.2.3 -The Board of Directors has established an internal control system in line with the company's scale and the complexity of its activities.	X					
4.2.4-Information about the operation and effectiveness of the internal control system is provided in the annual activity report.	X					
4.2.5 - Duties of the chairman of the board of directors and chief executive officer (general manager) are separated and defined.	X					
4.2.7-The Board of Directors ensures the effective functioning of the investor relations department and the corporate governance committee and has worked in close collaboration with the investor relations department and the corporate governance committee in resolving disputes between the company and the shareholders and communicating with the shareholders.	X					
4.2.8 - The Company has taken out a director's liability insurance for an amount exceeding 25% of the capital, in relation to the damages that the members of the board of directors may cause during their duties in the company.	X					
4.3. STRUCTURE OF THE BOARD OF DIRECTORS						
4.3.9- The Company set a minimum women member ratio of 25% in the board of directors and has created a policy to attain this target. The structure of the board of directors is reviewed annually and the nomination process is carried out in accordance with this policy.			X			There is no policy.
4.3.10 - At least one member of the audit committee has 5 years of experience in audit/accounting and finance.	X					

Corporate Governance Principles Compliance Report

	Compliance Status					Description
	Yes	Partial	No	Exempt	Irrelevant	
4.4. FORM OF BOARD OF DIRECTORS MEETINGS						
4.4.1 - All board of directors members physically or as electronic attended most of the board of directors meetings.	X					
4.4.2 - The board of directors has defined a minimum time period for submission of information and documents about the issues in the agenda to all members before meetings.	X					
4.4.3 - Opinions of the member who could not attend the meeting, but who notified the board of directors about their opinions in writing.	X					
4.4.4 - Each member has a voting right in the board of directors.	X					
4.4.5 - The manner in which board of directors meetings will be held are put down in writing with internal regulations.	X					
4.4.6 -Minutes of the board of directors meeting demonstrates that all items in the agenda were discussed and the decision minutes are prepared by including dissenting opinions as well.	X					
4.4.7 - Members of the board of directors are restricted from taking on other duties outside the company. Duties assumed by the members of the board of directors outside the company were presented to the information of the shareholders at the general assembly meeting.			X			There are no restrictions, information was provided to the shareholders at the General Assembly Meeting.
4.5. COMMITTEES ESTABLISHED WITHIN THE BOARD OF DIRECTORS						
4.5.5 - Each member has a voting right in the board of directors.			X			Due to the number of our Board of Directors members, one member serves on more than committee.
4.5.6-The committees have invited the persons whose opinions were considered necessary to the meetings and obtained their opinions.	X					
4.5.7 - Information about the independence of the person/entity from whom the committee receives advisory services is provided in the annual activity report.					X	No such advisory has been received.
4.5.8 - A report was drawn up regarding the results of committee meetings and submitted to the board of directors members.	X					
4.6. FINANCIAL BENEFITS PROVIDED TO MEMBERS OF THE BOARD OF DIRECTORS AND EXECUTIVES WITH ADMINISTRATIVE LIABILITY						
4.6.1 - The board of directors carried out a performance assessment to evaluate whether the board of directors fulfilled its liabilities effectively.			X			Performance assessment is not performed
4.6.4 - The Company did not extend loans or borrowed money to any member of the board of directors or executives with administrative liability, nor did it extend the term or improve the conditions of a loan borrowed; it did not extend loans under the title of a personal loan through third parties, nor did it provide guarantees such as surety in their favor.	X					
4.6.5 - Remunerations paid to the members of the board of directors and directors with administrative liability are disclosed on individual basis in the annual activity report.		X				The remunerations are paid cumulatively rather than on individual basis.

Corporate Governance Information Form

1. SHAREHOLDERS	
1.1. Facilitation of the Exercise of Shareholding Rights	
Number of investor conferences and meetings organized by the company throughout the year.	Investors' meeting held with the attendance of 87 people and the meeting held with 12 investment institutions
1.2. Right to Obtain and Review Information	
Number of private auditor requests	0
Number of private auditor requests approved in general assembly meeting	0
1.3. General Assembly	
Link to the KAP disclosure where the information demanded within the scope of the principle 1.3.1(a-d) is declared	https://www.kap.org.tr/tr/Bildirim/1008859
Whether the English versions of documents relating to the general assembly meeting are submitted simultaneously with the Turkish versions	No such transaction
Links of the KAP disclosures regarding transactions where there is no unanimity or approval of the majority of independent members within the scope of the principle 1.3.9	No such transaction
Links of KAP disclosures regarding the related party transactions conducted within the scope of the article 9 of the Corporate Governance Communiqué (II-17.1)	No exceeding transactions
Links of KAP disclosures regarding the related party transactions conducted within the scope of the article 10 of the Corporate Governance Communiqué (II-17.1)	KAP disclosure dated XX.XX.2023 regarding related party transactions
Name of the section containing the policy on grants and donations on the company's corporate web site	https://hektas.com.tr/bagis-ve-yardim-politikasi/
Link to the KAP disclosure containing the general assembly minutes where the policy on grants and donations is accepted	https://www.kap.org.tr/tr/Bildirim/1015244
Number of the article regulating the participation of stakeholders in the general assembly in the articles of association	None
Information about the stakeholders participating in the general assembly	There are no restrictions on the participation of stakeholders in the General Assembly.
1.4. Voting Rights	
Whether the voting rights are privileged	No.
If the votes are privileged, owners of privileged shares and the ratio of their shares	None
Shareholding ratio of the biggest shareholder	% 58.82
1.5. Minority Rights	
Whether the minority rights are expanded (in terms of content or ratio) in the company's articles of association	No.
Please specify the number of the articles of association article where minority rights are expanded in terms of content and ratio	None
1.6. Dividend Rights	
Name of the section containing the profit distribution policy on the corporate web site	https://hektas.com.tr/kar-dagitim-politikasi/
If the board of directors proposes the general assembly that the profit should not be distributed, the reasons for this proposal and the text of the minutes pertaining to the general assembly agenda item which specifies the manner of using the undistributed profits	<p>"Activities of the fiscal year 2021 generated gross profits in the amount of TL 241.654.900,48 according to the calculations made under the provisions of the Tax Procedures Law and the Corporate and Income Tax Laws, and gross profit in the amount of TL 334.330.223,00 according to the calculations made under the Communiqué no. II-14.1 of the Capital Market Board. After setting aside the Primary Reserves which must be set aside under the provisions of the Corporate Tax and Turkish Commercial Law, net distributable profit in the amount of TL 229.572.155,46 remains under the provisions of the Tax Procedures Law and Corporate and Income Tax Laws and net distributable profit in the amount of TL 313.674.270,98 remains under the Communiqué no. II-14.1 of the Capital Market Board.</p> <p>Given the terms stipulated in the profit distribution policy of the Company, the distributable profit of the period pertaining to FY 2021 should not be distributed and the amount remaining after setting aside the primary reserves should be booked under extraordinary reserves, in order to support our growing balance sheet in FY 2021,</p> <p>This version of the profit distribution proposal of the Board of Directors should be submitted for approval to the Ordinary General Assembly of 2021 to be held on 01 April 2022."</p> <p>At the end of the voting, the following have been accepted with 532.341.691,8445 affirmative votes against 401,741 negative votes by majority of the votes.</p>
Link to the KAP disclosure containing related general assembly minutes if the board of directors proposes to the general assembly that profits should not be distributed	https://www.kap.org.tr/tr/Bildirim/1015244

Corporate Governance Information Form

General Assembly Meetings

General Assembly Date	Number of additional disclosure requests communicated to the company regarding the general assembly agenda	Shareholders' rate of participation in the general assembly	Ratio of shares directly represented	Ratio of shares represented by proxy	The name of the section on the company's corporate website where the minutes of the general assembly meeting are included, with the positive and negative votes for each agenda item displayed	The name of the section on the corporate website that includes all the questions asked at the general assembly meeting and the answers given to them	Article or paragraph number of the general assembly meeting minutes regarding related parties	Number of people who have privileged access to partnership information and who report to the board of directors (Insiders list)	Link to the general assembly disclosure published on KAP
01/04/2022	0	% 61,90	% 0,41	% 61,49	https://hektas.com.tr/Investor Relations / General Assembly Meetings	General Assembly Meeting Minutes and Attendance Sheet	12	335	https://www.kap.org.tr/tr/Bildirim/1015244

2. PUBLIC DISCLOSURE AND TRANSPARENCY

2.1. Corporate Web Site

Names of the sections containing information demanded in the corporate governance principle numbered 2.1.1. on the corporate web site	Investor Relations Department
Section of the corporate web site containing the list of natural person shareholders directly or indirectly owning more than 5% of the shares	https://hektas.com.tr/yatirimci-iliskileri/kurum-kimligi-ve-yonetimi/ortaklik-yapisi/
Languages in which the corporate web site is available	Turkish-English

2.2. Activity Report

Number of the pages or names of sections in the activity report which contain the information specified in the corporate governance principle numbered 2.2.2.	
a) Number of the page or name of the section which contain information about the duties performed by the board of directors members and managers outside of the company and the members' declarations of independence	Page 67 /Annex -1 Declarations of Independence of the Independent Board of Directors Members
b) Number of the page or name of the section containing information about the committees established in the Board of Directors	MANAGEMENT STRUCTURE/ COMMITTEE STRUCTURE CORPORATE GOVERNANCE/ PRINCIPLES OF OPERATION OF THE COMMITTEES
c) Number of the page or name of the section containing information about the number of board of directors meetings within the year and attendance of members in the meetings	MANAGEMENT STRUCTURE / BOARD OF DIRECTORS MEMBERS
c) Number of the page or name of the section about legislative amendments that may significantly affect the company's activities	CORPORATE GOVERNANCE/OTHER ISSUES / Information about Legislative Amendments that may Significantly Affect the Company's Activities
d) Number of the page or name of the section containing information about the significant lawsuits filed against the company and their potential consequences	CORPORATE GOVERNANCE /OTHER ISSUES / Legal Issues
e)Number of the page or name of the section containing information about the conflicts of interest arising between the company and institutions from which it received services such as investment advisory and rating as well as measures taken to prevent them	CORPORATE GOVERNANCE /OTHER ISSUES / Information about the Conflicts of Interest Occurring between the Company and Institutions Providing Services to the Company in Matters such as Investment Advisory and Rating and the Measures Taken by the Company to Prevent such Conflicts
f) Number of the page or name of the section about mutual affiliates where the ratio of direct participation in the capital exceeds 5% web site	No such situation exists
g) Number of the page or name of the section containing information about corporate social responsibility activities pertaining to employees' social rights, professional training and activities of the Company which yield other social and environmental implications	MANAGEMENT STRUCTURE / HUMAN RESOURCES ACTIVITIES OF HEKTAŞ IN 2022 / SOCIAL RESPONSIBILITY PROJECTS

3. STAKEHOLDERS	
3.1. Company Policy Regarding Stakeholders	
Name of the section containing the compensation policy on the corporate web site	https://hektas.com.tr/tazminat-politikasi/
Number of judicial decisions finalized against the company due to the violation of employee rights	1
Title of the authority in charge of the notification mechanism	Ethics Committee
Information on access to the company's notification mechanism	(0212) 403 34 53
3.2. Supporting the Stakeholders' Participation in the Company's Management	
Section containing information about internal regulations concerning employees' participation in management bodies on the corporate web site	None.
Management bodies where the employees are represented	None.
3.3. Human Resources Policy of the Company	
Role of board of directors in the development of a succession plan for key manager positions	https://hektas.com.tr/insan-kaynaklari/kariyer-planlama/
Name of the section containing the human resources policy that covers the criteria for personnel recruitment and equal opportunities on the corporate web site or summary of the related articles of the policy	https://hektas.com.tr/insan-kaynaklari/insan-kaynaklari-politikamiz/
Whether there is an employee stock ownership program	None
Name of the section containing the human resources policy that covers measures to prevent discrimination and mistreatment on the corporate web site or summary of the related articles of the policy	https://hektas.com.tr/kurumsal/etik-kurallar/
Number of judicial decisions finalized against the company due to liability for job accidents	0
3.5. Ethics and Social Responsibility	
Name of the section containing the ethics policy on the corporate web site	https://hektas.com.tr/kurumsal/etik-kurallar/
Name of the section containing the corporate social responsibility report on the company's web site. If there is no corporate social responsibility report, measures taken with respect to environmental, social and corporate governance matters.	https://hektas.com.tr/kurumsal/entegre-yonetim-sistemi-politikasi/
Measures taken to combat all forms of corruption, including extortion and bribery	Unethical behaviors such as bribery, corruption, abuse of power are carefully avoided and efforts for elimination of such crimes are supported. Giving and receiving gifts, products and services which will affect decisions and activities, which aim to provide privileges and benefits not suitable for the course of the business and whose symbolic nature is doubtful are

4. BOARD OF DIRECTORS-I	
4.2. Operation Principles of the Board of Directors	
Date of the latest board of directors performance assessment	None.
Whether independent experts are involved in the board of directors performance assessment	No.
Whether all board of directors members are released	Yes
The names of the members of the board of directors to whom authorities are delegated, and the content of the said authorities.	We do not have any Executive Members with special authority.
Number of reports submitted by the internal control department to the supervisory board or other relevant committees	3
Name of the section or number of the page containing the evaluation on the effectiveness of the internal control system in the activity report	ACTIVITIES OF HEKTAŞ IN 2022 / INTERNAL CONTROL SYSTEMS
Name of the Board of Directors Chairman	OMSAN LOJİSTİK ANONİM ŞİRKETİ (represented by: Musa Levent ORTAKÇIER)
Name of the CEO/General Manager	Hakkı Zafer TERZİOĞLU
Link to the KAP disclosure explaining the reason why the board of directors chairman and the chief executive officer/general manager are the same person	Not the same person
Link to the KAP disclosure stating that the damages that may be caused for the company by the board of directors members due to their faults during the performance of their duties are insured at an amount exceeding 25% of the company's capital	None.
Name of the section providing information about the diversity policy aiming to increase the ratio of women board members on the corporate web site	None.
Number and ratio of women members	1 and 13%

Corporate Governance Information Form

Structure of the Board of Directors

Name/Surname of the Board Member	Whether they are Executive Members	Whether they are Independent Members	Date of Initial Election for the Board	Link to the KAP Disclosure Including the Independence Declaration	Whether the Independent Member has been Evaluated by the Nomination Committee	Whether there is a Member who is no Longer Independent	Whether they have at Least 5 Years of Experience in the Field of Audit, Accounting and/or Finance
OMSAN LOJİSTİK ANONİM ŞİRKETİ MUSA LEVENT ORTAĞÇIER	Not Executive	Not independent	19.04.2019				Yes
OYTAŞ İÇ VE DIŞ TİCARET ANONİM ŞİRKETİ VOLKAN ÜNLÜEL	Not Executive	Not independent	30.01.2019				Yes
OYAK PAZARLAMA HİZMET VE TURİZM ANONİM ŞİRKETİ ARIF ÇETİNKAYA	Not Executive	Not independent	06/04/2022				Yes
OYAK DENİZCİLİK VE LIMAN İŞLETMELERİ ANONİM ŞİRKETİ OKAN SIVRI	Not Executive	Not independent	31.03.2020				Yes
AKDENİZ CHEMSON KİMYA SANAYİ VE TİCARET ANONİM ŞİRKETİ İREM ATALAY	Not Executive	Not independent	30.01.2019				Yes
KAMİL DERECE	Not Executive	Independent Member	28.03.2016	https://www.kap.org.tr/Bildirim/1011612	Assessed	No	Yes
BÜLENT ŞAMİL YETİŞ	Not Executive	Independent Member	31.03.2020	https://www.kap.org.tr/Bildirim/1011612	Assessed	No	Yes
KADRİ ÖZGÜNEŞ	Not Executive	Independent Member	06.04.2022	https://www.kap.org.tr/Bildirim/1011612	Assessed	No	Yes

4. BOARD OF DIRECTORS-II	
4.4. Form of Board of Directors Meetings	
Number of board of directors meetings held physically during the reporting period	41
Average attendance rate to board meetings	% 99
Whether an electronic portal is used to facilitate the work of the board of directors	No.
The number of days before which the information and documents are submitted to the members before the meeting as per the principles of work of the board of directors	5 days
Name of the section containing information about intra-company regulations where the manner of holding board meetings	https://hektas.com.tr/yatirimci-iliskileri/kurum-kimligi-ve-yonetimi/anasozlesme/
Upper limit determined in the policy which restricts members from assuming other duties outside of the company	None.
4.5. Committees Established within the Board of Directors	
Number of the page or name of the relevant section in the operating report where information about board of directors committees are provided	MANAGEMENT STRUCTURE / COMMITTEE STRUCTURE CORPORATE GOVERNANCE / PRINCIPLES OF OPERATION OF THE COMMITTEES
Link to the KAP disclosure where the working principles of the committee are declared	None.

Board of Directors Committees-I

Names of Board of Directors Committees	Name of the Committee Specified as "Other" in the First Column	Name-Surname of Committee Members	Whether they are a Committee Chairman	Whether they are a Board of Directors Member
Audit Committee		Kamil DERECE	Yes	Board of Directors Member
Audit Committee		Kadri ÖZGÜNEŞ	No	Board of Directors Member
Corporate Governance Committee		Bülent Şamil YETİŞ	Yes	Board of Directors Member
Corporate Governance Committee		Kamil DERECE	No	Board of Directors Member
Corporate Governance Committee		Tuba BEKTAŞ	No	Not a Board of Directors Member
Early Detection of Risk Committee		Kadri ÖZGÜNEŞ	Yes	Board of Directors Member
Early Detection of Risk Committee		Bülent Şamil YETİŞ	No	Board of Directors Member

4. BOARD OF DIRECTORS-III	
4.5. Committees Established within the Board of Directors-II	
Please specify the section of the operating report or corporate web site where information is provided about the activities of the audit committee (page number or name of the section)	https://hektas.com.tr/yatirimci-iliskileri/kurum-kimligi-ve-yonetimi/komite-yonergeleri/
Please specify the section of the operating report or corporate web site where information is provided about the activities of the corporate governance committee (page number or name of the section)	https://hektas.com.tr/yatirimci-iliskileri/kurum-kimligi-ve-yonetimi/komite-yonergeleri/
Please specify the section of the operating report or corporate web site where information is provided about the activities of the nomination committee (page number or name of the section)	https://hektas.com.tr/yatirimci-iliskileri/kurum-kimligi-ve-yonetimi/komite-yonergeleri/
Please specify the section of the operating report or corporate web site where information is provided about the activities of the early risk detection committee (page number or name of the section)	https://hektas.com.tr/yatirimci-iliskileri/kurum-kimligi-ve-yonetimi/komite-yonergeleri/
Please specify the section of the operating report or corporate web site where information is provided about the activities of the remuneration committee (page number or name of the section)	https://hektas.com.tr/yatirimci-iliskileri/kurum-kimligi-ve-yonetimi/komite-yonergeleri/
4.6. Financial Benefits Provided to the Members of the Board of Directors and Directors with Administrative Liability	
Number of the page or name of the section in the operating report where information is provided about operational and financial performance goals and whether they are met	None
Name of the section on the corporate website including the remuneration policy regarding executive and non-executive members	https://hektas.com.tr/ucret-politikasi/
Number of the page or name of the section in the operating report where the remuneration paid and all other benefits provided to board members and managers with administrative liability are specified	MANAGEMENT STRUCTURE / BOARD OF DIRECTORS MEMBERS/ Financial Benefits Provided to Members of the Board of Directors and Senior Directors

Board of Directors Committees- II

Names of Board of Directors Committees	Name of the Committee Specified as "Other" in the First Column	Ratio of Non-executive Directors	Ratio of Independent Members in the Committee	Number of Physical Meetings held by the Committee	Number of Reports Submitted by the Committee to the Board of Directors about its Activities
Audit Committee		100%	100%	5	5
Corporate Governance Committee		66%	66%	7	1
Early Detection of Risk Committee		100%	100%	6	1

Sustainable Principles Compliance Report

If the compliance status is determined as “Yes” or “Partial”, information about/link of the report pertaining to the information disclosed to the public must be provided.

Explanations on compliance with the principles shall be provided under the column “Explanation”.

The scope under which the demanded information is presented on consolidated or solo basis must be specified under the “Explanation” column.

		Compliance Status				Explanation	Information on the Report Pertaining to Publicly Disclosed Data (Page Numbers Must be Specified as Well)/Link
		Yes	No	Partial	Irrelevant		
A. General Principles							
A1. Strategy, Policy and Targets							
A1.1	The board of directors of the partnership has identified environmental, social and corporate governance (ESG) related priority issues, risks and opportunities.	X				Process-based risk analyzes have been carried out in our company. Within the framework of business ethics rules, there are regulations regarding relations with shareholders, stakeholders and the public.	
	The board of directors of the partnership has set ESG policies (e.g. Environment Policy, Energy Policy, Human Rights and Employee Policy, etc.) and disclosed them to the public.	X				Integrated Management Systems Policy and Work Ethics principles are in place. A risk inventory has been established within the framework of the Corporate Risk Management.	
A1.2	Short and long-term goals determined within the scope of ESG policies have been disclosed to the public.			X		The ESG policy is specified in the Integrated Management Systems Policy and announced on our website.	
A2. Implementation/Monitoring							
A2.1	The committees and/or departments responsible for the implementation of ESG policies and the highest level officials in the partnership related to ESG issues and their duties have been identified and disclosed to the public.			X		Studies carried out on the subject by the company continue.	
	Activities carried out within the scope of policies by the responsible committee and/or department were reported to the board of directors at least once a year.			X		With respect to Corporate Governance, Early Detection of Risk, Audit and Corporate Governance Committees were established and disclosed to the public.	
A2.2	Practices and action plans in line with the ESG goals have been created and disclosed to the public.			X		Corporate Governance, Early Detection of Risk and Audit Committee decisions were taken with respect to Corporate Governance and specified in the annual report.	
A2.3	The ESG Key Performance Indicators (KPI) and the yearly level of achievement of these indicators have been disclosed to the public.			X		Studies carried out on the subject by the company continue.	
A2.4	Activities improving the sustainability performance for business processes or products and services have been disclosed.	X				KPIs regarding ESG have been determined and the KPIs have been assigned on the basis of departments and employees.	
A3. Reporting							
A3.1	Information about the sustainability performance, goals and actions have been provided comprehensively, accurately and adequately in the activity reports.	X				Issues such as Seed Breeding, Safe Food platform, Smart assistant mobile application are announced on the corporate website. In addition, information about R&D projects is provided at sector fairs. R&D studies are also announced to the stakeholders with the Smart Agriculture magazine.	
A3.2	Information about the United Nations (UN) 2030 Sustainable Development Goals with which its activities are related has been disclosed by the partnership to the public.			X		All disclosures are made objectively and transparently based on corporate governance principles.	
A3.3	Lawsuits about ESG which were filed and/or concluded against the company, which are important in terms of ESG policies and/or which would significantly impact the activities have been disclosed to the public.				X	The Sustainable Development Goals, which demonstrate our sectoral impact and contribution, are listed in the OYAK Annual Report. There are ongoing efforts specific to the company.	
						Our company is not a party to any lawsuit in this regard.	

		Compliance Status				Explanation	Information on the Report Pertaining to Publicly Disclosed Data (Page Numbers Must be Specified as Well)/Link
		Yes	No	Partial	Irrelevant		
	A4. Verification						
A4.1	The Partnership's ESG Key Performance measurements have been verified and publicly disclosed by a third party.		X			Information has not been shared within this scope.	
	B. Environmental Principles						
B1	The Partnership has publicly disclosed its policies and applications, action plans, environmental management systems (at ISO 14001 standard) and programs in the field of environment management.	X				Our Company has an ISO 14001 certificate. All policies, procedures and instructions have been prepared within the scope of the environmental management system.	
B2	With respect to the environmental reports prepared for the provision of information on environmental management, the scope of the report, reporting period, reporting date and restrictions regarding the reporting conditions have been disclosed to the public.	X				The list of external documents and the legislation to be followed have been determined and a system that monitors the changes in legislation on a daily basis has been established. All procedures and instructions have been prepared on the basis of relevant legislation.	
B3	Provided in A2.1.						
B4	Environmental targets included in the rewarding criteria within the scope of performance incentive systems on the basis of beneficiaries (such as board of directors members, executives and employees) have been disclosed to the public.			X		Partially disclosed in the Personnel Regulation. Studies are ongoing.	
B5	How environmental issues determined as priorities are integrated into business goals and strategies has been disclosed to the public.			X		Environmental priorities and sensitivities are embedded in business strategies. Improvement studies are ongoing.	
B6	Provided in A2.4.						
B7	The manner of management of environmental issues including suppliers and customers along the partnership's value chain including the operation process and the manner of their integration to business targets and strategies has been disclosed to the public.			X		Suppliers are selected according to the supplier evaluation procedure and the suitability of suppliers is checked through audits. Efforts to improve the process continue.	
B8	Whether the related institutions and non-governmental organizations are involved in policy-making processes regarding the environment and the cooperation activities with these institutions and organizations have been disclosed to the public.		X			There is no organization that we collaborate with regarding the environment.	
B9	Information on environmental impacts have been disclosed to the public periodically on a comparative basis, in the light of environmental indicators (Greenhouse gas emissions (Scope-1 (Direct), Scope-2 (Energy indirect), Scope-3 (Other indirect)), air quality, energy management, water and wastewater management.	X				Data on energy, water, wastewater and waste management are collected and reported.	
B10	Details of the standard, protocol, methodology, and base year used to collect and calculate data have been disclosed to the public.			X		They will be disclosed in the environmental management plan. Studies are ongoing.	
B11	Increases or decreases in the environmental indicators for the report year have been disclosed to the public comparatively with previous years.			X		Studies are ongoing.	
B12	Short and long term goals have been set to mitigate environmental impacts and these goals, as well as the progress achieved in terms of the goals set in previous years have been disclosed to the public.			X		Environmental priorities and sensitivities are embedded in business strategies. Improvement studies are ongoing.	
B13	The strategy to combat the climate crisis has been set and the planned actions have been disclosed to the public.	X				A study for determining climate risks has been carried out. All risks identified have been added to the Corporate Risk Inventory. Action plans regarding the risks have been created.	
B14	Programs and procedures have been established to prevent or minimize the potential adverse impacts of the products and/or services on the environment and disclosed to the public. Actions to achieve reduction in third parties' (e.g. Suppliers, subcontractors, dealers, etc.) greenhouse emissions have been taken and disclosed to the public.		X			No disclosure has been made in this regard.	
B15	The environmental benefits/gains and cost savings achieved through the initiatives and projects aimed at reducing environmental impacts have been disclosed to the public.	X				Investments reducing environmental impact are monitored and reported. They are reported in line with OYAK Sustainable Development Purposes Compliance and Contribution Report.	

Sustainable Principles Compliance Report

		Compliance Status				Explanation	Information on the Report Pertaining to Publicly Disclosed Data (Page Numbers Must be Specified as Well)/Link
		Yes	No	Partial	Irrelevant		
B16	Energy consumption (natural gas, diesel, gasoline, LPG, coal, electricity, heating, cooling, etc.) data are publicly disclosed as Scope-1 and Scope-2.			X		Total energy consumption data is monitored monthly and reported within the company. They are reported in line with OYAK Sustainable Development Purposes Compliance and Contribution Report.	
B17	A public disclosure has been made regarding the electricity, heat, steam and cooling produced in the reporting year.			X		Electricity, natural gas and water consumption are reported monthly within the company. They are reported in line with OYAK Sustainable Development Purposes Compliance and Contribution Report.	
B18	Studies on increasing the use of renewable energy and transition to zero or low carbon electricity have been carried out and have been publicly disclosed.		X			A project about the use of renewable energy is being developed. Feasibility studies have been conducted for the GES investment and preliminary works have been started.	
B19	Data on renewable energy production and use have been publicly disclosed.		X				
B20	Energy efficiency projects have been carried out and the energy consumption and emission reduction amount gained through these projects has been disclosed to the public.			X		Energy efficiency is increased through projects on monitoring and implementing new technologies.	
B21	Water consumption, and amounts, sources and procedures of water drawn, recycled and discharged from underground or above ground, if any, have been disclosed to the public.			X		It has been monitoring as monthly but it is not shared with public.	
B22	Whether its operations or activities are included in any carbon pricing system (Emissions Trading System, Cap & Trade or Carbon Tax) has been disclosed to the public.				X	The Company is not within the scope of the relevant legislation and initiative due to its activity.	
B23	Information and details of carbon credits accumulated or purchased during the reporting period has been disclosed to the public.				X	The Company is not within the scope of the relevant legislation and initiative due to its activity.	
B24	If carbon pricing is applied within the partnership, the details of this application have been disclosed to the public.				X	The Company is not within the scope of the relevant legislation and initiative due to its activity.	
B25	Platforms where the partnership discloses its environmental data has been disclosed to the public.				X	No disclosure has been made in this regard.	
C. Social Principles							
C1. Human Rights and Employee Rights							
C1.1	The Corporate Human Rights and Employee Rights Policy covering the Universal Declaration of Human Rights, ILO Conventions ratified by Turkey and other relevant legislation has been set and those responsible for the implementation of the policy have been determined and the policy and the responsible individuals have been disclosed to the public.			X		Principles of Business Ethics have been determined. A disclosure regarding the matter has been made on the corporate web site.	
C1.2	Issues relating to fair workforce, improvement of labor standards, women's employment and inclusion issues (non-discrimination in matters such as gender, race, religion, language, marital status, ethnic identity, sexual orientation, gender identity, family responsibilities, union activities, political opinion, disability, social and cultural differences, etc.) have been included in its policy on employee rights, considering the supply and value chain effects.	X				Hektaş Ticaret T.A.Ş. They are included in the Principles of Business Ethics.	
C1.3	Measures taken along the value chain regarding the observance of certain groups sensitive to economic, environmental, social factors (low income groups, women, etc.) or minority rights/equal opportunities have been publicly disclosed.		X			No disclosure has been made in this regard.	
C1.4	Developments regarding preventive and corrective practices against discrimination, inequality, human rights violations, forced and child labor have been disclosed to the public.	X				Hektaş Ticaret T.A.Ş. They are included in the Principles of Business Ethics. To date, there has been no application to the ethics committee on the subject. If there are any such applications, they will be reported.	

		Compliance Status				Explanation	Information on the Report Pertaining to Publicly Disclosed Data (Page Numbers Must be Specified as Well)/Link
		Yes	No	Partial	Irrelevant		
	Investment in employees (education, development policies), compensation, fringe benefits, right to unionize, work/life balance solutions and talent management issues are included in the employee rights policy.			X		They are provided in the relevant procedures.	
C1.5	Dispute resolution processes have been determined by establishing mechanisms for resolution of disputes and employee complaints.	X				They are explained in the Personnel Regulation. All kinds of disputes are resolved in the disciplinary committee.	
	Activities carried out within the reported period to ensure employee satisfaction have been disclosed to the public.	X				All kinds of services (training, organization, food, transportation, activity, etc.) offered to employees are measured.	
C1.6	Occupational health and safety policies have been established and disclosed to the public.			X		They are included in the Integrated Management System Policy. Disclosed on our corporate web	
	Measures taken to protect health and prevent occupational accidents and accident statistics have been disclosed to the public.			X		Accident statistics are kept and reported regularly. We have an ISO 45001 certificate.	
C1.7	Policies for the protection of personal data and data security have been established and disclosed to the public.	X				Forms for our internal and external customers have been created within the scope of KVKK and announced to the relevant parties. Disclosed on our corporate web site.	
C1.8	Ethics policy has been established and disclosed to the public.	X				Hektaş Ticaret T.A.Ş. Business Ethics Principles are available and have been announced on our website.	
C1.9							
C1.10	Informative meetings and training programs regarding ESG policies and practices have been organized for employees.			X		Trainings are organized for employees	
	C2. Stakeholders, International Standards and Initiatives						
C2.1	A customer satisfaction policy regarding the management and resolution of customer complaints has been prepared and disclosed to the public.			X		The process has been defined with the Customer Complaints Process.	
C2.2	Information about the communication with stakeholders (the relevant stakeholder, subject and frequency) has been disclosed to the public.	X				Internal communication is carried out with internal customers through the Hekinnova internal communication portal. All information pertaining to the company are shared within the public transparently.	
C2.3	The international reporting standards adopted in reporting processes have been disclosed to the public.			X		GRI standards are used as basis in line with OYAK Sustainable Development Purposes Compliance and Contribution Report.	
C2.4	The principles adopted with respect to sustainability, international institutions, committees and principles of which the company is a signatory or member have been disclosed to the public.		X			No disclosure has been made in this regard.	
C2.5	Improvements have been made and studies have been carried out to be included in the sustainability indices of Borsa Istanbul and/or international index providers.	X				Related work group has been established regarding the issue.	
	D. Corporate Governance Principles						
D1	Opinions of beneficiaries have been sought in the determination of measures and strategies in the field of sustainability.	X					
D2	Efforts have been made to raise awareness on the issue of sustainability and the importance of sustainability through social responsibility projects, awareness events and trainings.	X				The social responsibility projects are implemented on the basis of sustainability and are shared with the public through different communication channels (website, social media, press release, etc.). Agricultural and environmental sustainability is emphasized and the importance of sustainability is explained in the communication works, discourses, press releases and projects.	

**HEKTAŞ TİCARET TÜRİK ANONİM ŐİRKETİ (“Hektaş” or “the Company”)
AND ITS SUBSIDIARIES (“Hektaş Group” or “the Group”)**

CONSOLIDATED FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2022 AND
INDEPENDENT AUDITOR’S REPORT

(ORIGINALLY ISSUED IN TURKISH)

(CONVENIENCE TRANSLATION OF INDEPENDENT AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH)

INDEPENDENT AUDITOR'S REPORT

To the General Assembly of Hektaş Ticaret Türk Anonim Şirketi

A) Report on the Audit of the Consolidated Financial Statements

1) Opinion

We have audited the consolidated financial statements of Hektaş Ticaret Türk Anonim Şirketi ("the Company") and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Turkish Financial Reporting Standards (TFRS).

2) Basis for Opinion

We conducted our audit in accordance with the standards on auditing issued by Capital Markets Board and the Standards on Independent Auditing ("SIA") which is a part of Turkish Auditing Standards published by the Public Oversight Accounting and Auditing Standards Authority ("POA"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Code of Ethics for Independent Auditors ("Code of Ethics") published by the POA, together with the ethical requirements that are relevant to our audit of the consolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3) Key Audit Matters

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

Key Audit Matter	How the matter was addressed in the audit
<p>Revenue recognition</p> <p>Main operation of the Group comprises production and sale of products for plant nutrition, protection and animal health.</p> <p>The Group recognizes revenue according to the five-step model as described in IFRS 15 "Revenue from Contracts with Customers". Five step model comprises identification of contract, identification of performance obligations, determination and allocation of transaction price to performance obligations and recognition of revenue when these performance obligations are satisfied.</p> <p>As revenue is a measurement criterion for evaluating the results of the strategy implemented during the year and monitoring performance, and due to its unique nature, being susceptible to risks due to fraud and error, considered to be a material account balance. Determining when the related performance obligations are satisfied and recognition of revenue in the correct period has been identified as a key audit matter.</p> <p>The Group's accounting policies regarding revenue, revenue amounts, receivables and additional explanations regarding the risk levels of these receivables are presented in Note 2.5, Note 25, Note R and Note 35, respectively</p>	<p>During our audit, the following audit procedures have been applied regarding the revenue recognition:</p> <p>The revenue process of the Group has been evaluated, the relevant controls within this process have been determined, and the design and implementation of these controls have been understood.</p> <p>Satisfaction of performance obligations are assessed based on the timing for transfer of control of goods to customers. Revenue amounts recognized closed to year end, are tested by selecting samples and controlling proof of deliveries from supporting documents.</p> <p>With the additional substantive procedures performed, completeness and accuracy of the revenue recognized in the consolidated financial statements have also been tested.</p> <p>In addition to the procedures mentioned above, the adequacy of the disclosures in Note 8, Note 25 and Note 35 has been evaluated within the scope of the relevant IFRSs.</p>

3) Key Audit Matters (continued)

Recoverability of trade receivables

In the consolidated financial statements as of 31 December 2022, the Group sets allowance for doubtful receivables amounting to TL 10.081 702, for the trade receivables from third parties amounting to TL 4.087 873.994.

The Group management assesses recoverability of trade receivables and set allowance for the ones that there is collection risk. The allowance amount is based on expected loss to be incurred from the related receivable, as presented in Note 8. Due to the industry that the Group operates in, average collection days of the Group is 200 days and receivables are spread to many different customers. While assessing recoverability of these receivables, the Group management considers past payment performance, collateral levels, current financial strength based on market intelligence gathered, therefore the assessment is based on significant management estimates and assumptions.

As trade receivables constitutes significant part of the total assets of the Group, as the average collection periods are long, as the period between financial statement and report dates is limited and accordingly subsequent collection from these receivables are also limited and as the recoverability assessment of trade receivables include significant management estimates and assumptions, recoverability of trade receivables has been identified as key audit matter

The Group's accounting policies regarding receivables, receivable amounts and additional explanations regarding the risk levels of these receivables are presented in Note 2.5, Note 8 and Note 35, respectively.

During our audit, the following audit procedures have been applied regarding the recoverability of trade receivables:

The process and controls set for monitoring trade receivables have been evaluated

Aging of trade receivables and allowance calculation for doubtful trade receivables have been obtained from the Group management. Completeness and accuracy of the information used in these calculations have been controlled, assumptions used are evaluated and arithmetic accuracy has been tested.

Considering long collection period of the receivables, a further assessment is made by analyzing opening balances, sales and collections throughout the year and collateral level for individual customer and for the ones that are assessed to be risky additional information has been asked from the Group management and subsequent collection is controlled on sampling basis

In addition to the procedures mentioned above, the adequacy of the disclosures in Note 8 and Note 35 has been evaluated within the scope of the relevant TFRSs.

4) Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with TFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

5) Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Responsibilities of independent auditors in an independent audit are as follows:

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the standards on auditing issued by Capital Markets Board and SIA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the standards on auditing issued by Capital Markets Board and SIA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. (The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.)
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

5) Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

B) Report on Other Legal and Regulatory Requirements

In accordance with paragraph four of the Article 398 of the Turkish Commercial Code No 6102 ("TCC"), the auditor's report on the system and the committee of early detection of risk has been submitted to the Board of Directors of the Company on 15 February 2023.

In accordance with paragraph four of the Article 402 of TCC, nothing has come to our attention that may cause us to believe that the Group's set of accounts and financial statements prepared for the period 1 January-31 December 2022 does not comply with TCC and the provisions of the Company's articles of association in relation to financial reporting.

In accordance with paragraph four of the Article 402 of TCC, the Board of Directors provided us all the required information and documentation with respect to our audit.

The engagement partner on the audit resulting in this independent auditor's report is Volkan Becerik.

Additional paragraph for convenience translation to English

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

DRT BAĞIMSIZ DENETİM VE SERBEST MUHASEBECİ MALİ MÜŞAVİRLİK A.Ş.
Member of DELOITTE TOUCHE TOHMATSU LIMITED

Volkan Becerik, SMMM
Partner

Istanbul, 15 February 2023

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HEKTAŞ GROUP

AUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2022

(All amounts are indicated in Turkish Lira (“TL”).)

		<u>Current Period</u>	<u>Prior Period</u>	<u>Prior Period</u>
		<u>Audited</u>	<u>Audited</u>	<u>Audited</u>
			Restated	Restated
			(Note 2.4)	(Note 2.4)
		<u>31 December</u>	<u>31 December</u>	<u>31 December</u>
	<u>Notes</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
ASSETS				
Current Assets				
Cash and Cash Equivalents	4	1.531.398.060	107.447.303	78.797.880
Financial Investments	5	162.664	-	-
Trade Receivables	8a	4.088.020.488	1.654.632.440	751.807.699
<i>From Related Parties</i>	34	146.494	523.890	666.277
<i>From Third Parties</i>		4.087.873.994	1.654.108.550	751.141.422
Other Receivables	10a	38.019.424	3.561.437	22.024.438
<i>From Third Parties</i>		38.019.424	3.561.437	22.024.438
Derivative Instruments	6	29.155.226	169.694.609	48.868.820
Inventories	13	2.897.327.131	1.148.641.360	417.838.169
Prepaid Expenses	11	79.628.669	107.996.108	123.387.606
<i>From Related Parties</i>	34	3.797.666	870.800	-
<i>From Third Parties</i>		75.831.003	107.125.308	123.387.606
Current Tax Assets	21	63.725.652	1.079.923	583.486
Other Current Assets	23	259.313.796	89.499.203	33.258.559
		8.986.751.110	3.282.552.383	1.476.566.657
Non-Current Assets				
Trade Receivables	8a	1.506.305	8.623.198	-
Other Receivables	10a	1.507.922	851.455	458.785
Investment Properties	17	4.652.083	4.775.883	5.221.772
Property, Plant and Equipment	14	2.178.626.095	1.044.072.504	424.606.504
Intangible Assets		357.354.650	294.956.738	212.668.930
Goodwill	18	106.319.692	106.319.692	106.319.692
<i>Other</i>	16	251.034.958	188.637.046	106.349.238
Right-of-Use Assets	15	118.786.779	43.014.887	28.103.776
Prepaid Expenses	11	243.085.986	20.706.311	-
<i>From Related Parties</i>	34	-	11.789.746	-
<i>From Third Parties</i>	11	243.085.986	8.916.565	-
Deferred Tax Asset	32	333.349.705	31.248.152	29.946.481
		3.238.869.525	1.448.249.128	701.006.248
TOTAL ASSETS		12.225.620.635	4.730.801.511	2.177.572.905

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

HEKTAŞ GROUP

AUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2022

(All amounts are indicated in Turkish Lira (“TL”))

	Notes	Current Period	Prior Period	Prior Period
		Audited	Audited	Audited
			Restated (Note 2.4)	Restated (Note 2.4)
		31 December 2022	31 December 2021	31 December 2020
LIABILITIES AND EQUITY				
Current Liabilities				
Short-Term Borrowings	7	8,364,037,606	3,112,947,762	1,165,388,759
Lease Liabilities	7	7,030,082,685	2,195,583,914	878,061,599
Trade Payables	8b	47,374,578	14,477,381	16,398,374
<i>To Related Parties</i>	34	956,529,883	816,788,417	221,547,967
<i>To Third Parties</i>		61,344,940	15,696,283	6,033,082
		895,184,943	801,092,134	215,514,885
Payables Related to Employee Benefits	9	82,685,623	37,126,829	13,350,691
Other Payables	10b	26,698,448	26,276,907	28,058,692
<i>To Related Parties</i>	34	7,170,335	6,930,792	7,827,733
<i>To Third Parties</i>		19,528,113	19,346,115	20,230,959
Derivative Instruments	6	4,568,516	10,935,886	485,728
Deferred Income	12	196,910,593	2,817,455	2,997,040
Current Tax Liability	32	7,073,006	2,948,394	227,555
Short-Term Provisions	22a	12,114,274	5,992,579	4,261,113
<i>Related to Employee Benefits</i>		9,622,834	4,361,761	2,522,688
<i>Other</i>		2,491,440	1,630,818	1,738,425
Non-Current Liabilities		372,875,522	171,279,534	208,632,606
Long-Term Borrowings	7	138,000,000	30,245,588	145,563,600
Lease Liabilities	7	80,073,961	30,968,249	11,883,873
Other Payables	10b	70,779,296	52,848,957	16,307,898
<i>To Related Parties</i>	34	70,779,296	52,848,957	16,307,898
Long-Term Provisions		57,601,935	21,376,652	12,416,952
<i>Related to Employee Benefits</i>	22b	57,601,935	21,376,652	12,416,952
Deferred Tax Liability	32	26,420,330	35,840,088	22,460,283
EQUITY		3,488,707,507	1,446,574,215	803,551,540
Equity Attributable to the Parent				
Paid-in Capital	24	3,481,212,456	1,429,679,635	788,131,646
Effect of Mergers Involving Enterprises or Businesses Under Common Control		2,530,000,000	860,000,000	227,571,100
Premiums/Discounts Related to Interests		(19,852,274)	8,147,726	100,147,726
Other Comprehensive Income (Expenses) that will be Reclassified to Profit or Loss		22,834,203	5,203,762	2,256,362
- <i>Hedging Gains (Losses)</i>		14,721,609	25,192,601	9,168,782
- <i>Foreign Currency Translation Differences</i>		1,912,112	16,381,837	8,541,316
Other Comprehensive Income (Expenses) that will not be Reclassified to Profit or Loss		12,809,497	8,810,764	627,466
- <i>Defined Benefit Plans Remeasurement Losses</i>	24c	(27,602,071)	(7,685,734)	(2,871,565)
Restricted Reserves Appropriated from Profit	24b	59,011,345	46,485,140	38,087,444
Prior Years' Profit/Losses		99,809,935	172,945,200	235,115,190
Net Profit/Loss for the Period		802,289,709	319,390,940	178,656,607
Non-Controlling Interests		7,495,051	16,894,580	15,419,894
TOTAL LIABILITIES AND EQUITY		12,225,620,635	4,730,801,511	2,177,572,905

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

HEKTAŞ GROUP

AUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2022

(All amounts are indicated in Turkish Lira (“TL”).)

		<u>Current Period</u>	<u>Prior Period</u>	<u>Prior Period</u>
		<u>Audited</u>	<u>Audited</u>	<u>Audited</u>
			<u>Restated</u>	<u>Restated</u>
			<u>(Note 2.7)</u>	<u>(Note 2.7)</u>
	<u>Notes</u>	<u>1 January- 31 December 2022</u>	<u>1 January- 31 December 2021</u>	<u>1 January- 31 December 2020</u>
PROFIT OR LOSS				
Revenue	25a	5.237.435.134	2.020.718.336	1.013.719.129
Cost of Sales (-)	25b	(3.136.745.740)	(1.312.393.367)	(662.405.526)
GROSS PROFIT/LOSS		2.100.689.394	708.324.969	351.313.603
General Administrative Expenses (-)	26b	(202.894.547)	(87.414.515)	(49.867.097)
Marketing Expenses (-)	26a	(230.881.921)	(87.391.904)	(50.758.497)
Research and Development Expenses (-)	26c	(84.688.730)	(35.379.921)	(18.972.288)
Other Income from Operating Activities	28	38.390.050	5.187.259	3.962.665
Other Expenses from Operating Expenses (-)	29	(201.667.231)	(86.011.169)	(8.110.152)
OPERATING PROFIT/LOSS		1.418.947.015	417.314.719	227.568.234
Income from Investing Activities	30a	7.142.701	2.578.830	1.979.252
Expenses from Investing Activities (-)	30b	(560.078)	(181.144)	(386.217)
OPERATING PROFIT/LOSS BEFORE FINANCE EXPENSES		1.425.529.638	419.712.405	229.161.269
Finance Income (+)	31a	236.138.402	126.884.880	12.555.878
Finance Expenses (-)	31b	(1.116.982.497)	(225.369.779)	(94.803.259)
PROFIT/LOSS FROM CONTINUING OPERATIONS BEFORE TAX		544.658.543	321.227.506	146.913.888
Continuing Operations Tax (Expense) / Income		244.362.717	(7.952.991)	29.972.953
Current Tax Expense	32	(63.016.558)	(4.438.104)	(227.555)
Deferred Tax (Expense) / Income	32	307.379.275	(3.514.887)	30.200.508
PROFIT/LOSS FROM CONTINUING OPERATIONS		789.048.260	313.274.515	176.886.841
PROFIT/LOSS FOR THE PERIOD		789.048.260	313.274.515	176.886.841
Distribution of Profit/Loss for the Period				
Non-Controlling Interests		(13.241.449)	(6.116.425)	(1.769.766)
Parent Shares		802.289.709	319.390.940	178.656.607
		789.048.260	313.274.515	176.886.841
Earnings per share				
One Hundred Ordinary Stock (TL)	33	0,59	0,30	0,21
OTHER COMPREHENSIVE INCOME / (EXPENSE):				
Items that will not be Reclassified Subsequently to Profit or Loss				
Defined Benefit Plans Remeasurement Gains/Losses		(19.916.337)	(4.814.169)	(299.815)
Defined Benefit Plans Remeasurement Gains (Losses), Tax Impact		(24.895.421)	(6.017.711)	(374.769)
Items that will be Reclassified Subsequently to Profit or Loss		(6.629.072)	23.614.930	10.109.907
Other Comprehensive Income (Expense) Related to Cash Flow Hedging		4.979.084	1.203.542	74.954
Foreign Currency Translation Differences		(18.823.687)	10.598.468	10.676.645
Other Comprehensive Income (Expense) Related to Cash Flow Hedge, Tax Effect		7.840.653	15.774.409	1.568.591
		4.353.962	(2.757.947)	(2.135.329)
OTHER COMPREHENSIVE INCOME / (EXPENSE)		(26.545.409)	18.800.761	9.810.092
TOTAL COMPREHENSIVE INCOME		762.502.851	332.075.276	186.696.933
Distribution of Total Comprehensive Income:				
Non-Controlling Interests		762.502.851	332.075.276	186.696.933
Parent Shares		(9.399.529)	1.474.686	(828.640)
		771.902.830	330.600.590	187.525.573

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

HEKTAŞ GROUP

AUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2022

(All amounts are indicated in Turkish Lira (“TL”))

	Paid-in Capital	Effect of Mergers Involving Entities or Businesses Under Common Control	Share Issue Premiums / Discounts	Other Comprehensive Income and Expenses that will not be Reclassified Subsequently to Profit or Loss		Other Comprehensive Income and Expenses that will be Reclassified Subsequently to Profit or Loss		Retained Earnings			Non- Controlling Interests	Equity
				Accumulated Remeasurement Gains/Losses of Defined Benefit Plans	Foreign Currency Translation Differences	Hedging Gains / Losses	Restricted Reserves Appropriated from Profit	Prior Years' Profit / Losses	Net Profit / Loss for the Period	Equity Attributable to the Parent		
Balances as of 1 January 2020 (Previously Reported)	227.571.100	-	2.256.362	(2.571.750)	-	-	30.759.303	103.784.236	145.571.250	507.370.501	-	507.370.501
Transfers	-	-	-	-	-	-	7.328.141	138.243.109	(145.571.250)	-	-	-
Effect of Mergers Involving Entities or Businesses Under Common Control	-	100.147.726	-	-	-	-	-	-	-	100.147.726	16.248.534	116.396.260
Amount After Adjustments (Restated Note 2.4)	227.571.100	100.147.726	2.256.362	(2.571.750)	-	-	38.087.444	242.027.345	-	607.518.227	16.248.534	623.766.761
Total Comprehensive Income / (Expense)	-	-	-	(299.815)	627.466	8.541.316	-	-	178.656.606	187.525.573	(828.640)	186.696.933
<i>Profit / (Loss) for the Period</i>	-	-	-	<i>(299.815)</i>	-	<i>8.541.316</i>	-	-	<i>178.656.606</i>	<i>186.898.107</i>	<i>(1.769.766)</i>	<i>185.128.341</i>
<i>Other Comprehensive Income / (Expense)</i>	-	-	-	-	<i>627.466</i>	-	-	-	-	<i>627.466</i>	<i>941.126</i>	<i>1.568.592</i>
Dividend	-	-	-	-	-	-	-	(6.912.155)	-	(6.912.155)	-	(6.912.155)
Balances as of 31 December 2020 (Restated Note 2.4)	227.571.100	100.147.726	2.256.362	(2.871.565)	627.466	8.541.316	38.087.444	235.115.190	178.656.606	788.131.645	15.419.894	803.551.539
Balances as of 1 January 2021 (Restated Note 2.4)	227.571.100	100.147.726	2.256.362	(2.871.565)	627.466	8.541.316	38.087.444	235.115.190	178.656.606	788.131.645	15.419.894	803.551.539
Transfers	-	-	-	-	-	-	8.397.696	170.258.910	(178.656.606)	-	-	-
Effect of Mergers Involving Entities or Businesses Under Common Control (*)	-	(92.000.000)	-	-	-	-	-	-	-	(92.000.000)	-	(92.000.000)
Total Comprehensive Income / (Expense)	-	-	-	(4.814.169)	8.183.298	7.840.521	-	-	319.390.940	330.600.590	1.474.686	332.075.276
<i>Profit / (Loss) for the Period</i>	-	-	-	<i>(4.814.169)</i>	<i>8.183.298</i>	<i>7.840.521</i>	-	-	<i>319.390.940</i>	<i>319.390.940</i>	<i>(6.116.425)</i>	<i>313.274.515</i>
<i>Other Comprehensive Income / (Expense)</i>	-	-	-	<i>(4.814.169)</i>	<i>8.183.298</i>	<i>7.840.521</i>	-	-	-	<i>11.209.650</i>	<i>7.591.111</i>	<i>18.800.761</i>
Share Capital Increase	632.428.900	-	2.947.400	-	-	-	-	(232.428.900)	-	402.947.400	-	402.947.400
Balances as of 31 December 2021 (Restated Note 2.4)	860.000.000	8.147.726	5.203.762	(7.685.734)	8.810.764	16.381.837	46.485.140	172.945.200	319.390.940	1.429.679.635	16.894.580	1.446.574.215

(*) As of 28 July 2021, all of the shares representing the capital of Arma, the main activity of which is "production of veterinary drugs", controlled by our main shareholder, were taken over for a consideration of TL 92,000,000.

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

HEKTAŞ GROUP

AUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR INTERIM PERIOD 1 JANUARY – 31 DECEMBER 2022

(All amounts are indicated in Turkish Lira (“TL”).)

			Other Comprehensive Income and Expenses that will not be Reclassified Subsequently to Profit or Loss	Other Comprehensive Income and Expenses that will be Reclassified Subsequently to Profit or Loss		Retained Earnings						
	Paid-in Capital	Effect of Mergers Involving Entities or Businesses Under Common Control	Share Issue Premiums / Discounts	Accumulated Remeasurement Gains/Losses of Defined Benefit Plans	Foreign Currency Translation Differences	Hedging Gains / Losses	Restricted Reserves Appropriated from Profit	Prior Years' Profit / Losses	Net Profit / Loss for the Period	Equity Attributable to the Parent	Non- Controlling Interests	Equity
Balances as of 1 January 2022 (Restated Note 2.4)	860.000.000	8.147.726	5.203.762	(7.685.734)	8.810.764	16.381.837	46.485.140	172.945.200	319.390.940	1.429.679.635	16.894.580	1.446.574.215
Transfers	-	-	-	-	-	-	12.526.205	306.864.735	(319.390.940)	-	-	-
Total Comprehensive Income / (Expense)	-	-	-	(19.916.337)	3.998.733	(14.469.725)	-	-	802.289.709	771.902.380	(9.399.529)	762.502.851
<i>Profit / (Loss) for the Period</i>	-	-	-	-	-	-	-	-	802.289.709	802.289.709	(13.241.449)	789.048.260
<i>Other Comprehensive Income / (Expense)</i>	-	-	-	(19.916.337)	3.998.733	(14.469.725)	-	-	-	(30.387.329)	3.841.920	(26.545.409)
Effect of Mergers Involving Entities or Businesses Under Common Control (**)	-	(28.000.000)	-	-	-	-	-	-	-	(28.000.000)	-	(28.000.000)
Share Capital Increase (Not 24)	1.670.000.000	-	17.630.441	-	-	-	-	(380.000.000)	-	1.307.630.441	-	1.307.630.441
Balances as of 31 December 2022	2.530.000.000	(19.852.274)	22.834.203	(27.602.071)	12.809.497	1.912.112	59.011.345	99.809.935	802.289.709	3.481.212.456	7.495.051	3.488.707.507

(**) As of 12 January 2022, all of the shares representing the capital of Agriventis, the main activity of which is "agricultural seed technology development, seed improvement and production", controlled by Oyak Capital Investments A.Ş., the subsidiary of our main shareholder, were taken over for a consideration of TL 28,000,000.

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

HEKTAŞ GROUP

AUDITED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2022

(All amounts are indicated in Turkish Lira (“TL”).)

		<u>Current Period</u> <u>Audited</u>	<u>Prior Period</u> <u>Audited</u>	<u>Prior Period</u> <u>Audited</u>
			<u>Restated</u> <u>(Note 2.4)</u>	<u>Restated</u> <u>(Note 2.4)</u>
		<u>1 January-</u> <u>31 December</u>	<u>1 January-</u> <u>31 December</u>	<u>1 January-</u> <u>31 December</u>
	<u>Notes</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit/Loss for the Period		(2.495.274.129)	(450.920.673)	(154.785.873)
Adjustments Related to the Net Profit/Loss Reconciliation for the Period		789.048.260	313.274.515	176.886.841
Adjustments Related to Depreciation and Amortization	27	99.514.623	52.607.717	27.806.284
Adjustments Related to Impairment (Cancellation)		3.382.831	453.636	(237.943)
- Adjustments Related to Impairment of Receivables	8a	156.659	145.915	838.190
- Adjustments Related to Inventory Impairment	13	3.268.689	307.721	(1.076.133)
Adjustments Related to Provisions		19.624.208	6.784.242	4.036.172
- Provisions for Employee Benefits		18.763.586	6.891.849	3.829.419
- Litigation Provisions / (Cancellation)	22a	860.622	(107.607)	206.753
Adjustments Related to Interest (Income) / Expenses		850.917.763	188.961.854	86.293.696
- Adjustments Related to Interest Income	31	(92.232.138)	(16.468.467)	(2.507.809)
- Adjustments Related to Interest Expenses		943.149.901	205.430.321	88.801.505
Adjustments Related to Unrealized Foreign Currency Translation Differences		2.772.101	(14.434.428)	(2.056.055)
Adjustments Related to Fair Value Losses/Gains		4.568.516	(5.676.260)	485.728
Adjustments Related to Tax Expense	32	(244.362.717)	7.952.991	(29.972.953)
Adjustments Related to Loss/Gains on Disposal of Fixed Assets		(3.713.651)	(1.633.780)	(1.101.269)
Changes in working capital		(3.975.239.892)	(1.010.734.138)	(417.972.200)
Adjustments Related to Increase/Decrease in Trade Receivables		(2.426.538.764)	(911.684.716)	(284.324.691)
Adjustments Related to Increase/Decrease in Other Operating Receivables		(176.561.607)	(22.066.949)	(104.745.522)
Adjustments Related to Increase/Decrease in Inventories		(1.751.954.460)	(731.110.912)	(155.257.793)
Adjustments Related to Increase/Decrease in Trade Payables		139.741.466	595.240.451	126.987.856
Increase / (Decrease) in Payables Related to Employee Benefits		45.558.794	23.776.138	5.278.878
Adjustments Related to Increase/Decrease in Other Operating Payables		194.514.679	35.111.850	(5.910.928)
Cash Flows from Operations		(41.828.688)	11.522.978	1.045.826
Interest Received		81.770.688	16.468.467	2.507.809
Payments Related to Provisions for Employee Benefits		(2.172.651)	(2.110.787)	(918.546)
Collections from Doubtful Receivables	8a	110.950	90.862	40.049
Tax Payments / Refunds	32	(121.537.675)	(2.925.564)	(583.486)
CASH FLOWS FROM INVESTMENT ACTIVITIES		(1.321.454.970)	(747.316.816)	(243.787.872)
Cash Outflows for the Acquisition of Shares of Other Businesses or Funds or Debt Instruments	3	(28.000.000)	(92.000.000)	(57.860.398)
Cash Inflows from Sales of Property, Plant and Equipment and Intangible Assets		5.690.687	2.781.037	1.649.746
- Cash Inflows from Sales of Property, Plant and Equipment		5.690.687	2.745.444	1.606.135
- Cash Inflows from Sales of Intangible Assets		-	35.593	43.611
Cash Outflows from Purchase of Property, Plant and Equipment and Intangible Assets		(1.076.603.318)	(637.391.542)	(219.272.953)
- Cash Outflows from Purchase of Property, Plant and Equipment	14	(1.036.196.642)	(590.313.322)	(217.080.038)
- Cash Outflows from Purchase of Intangible Assets	16	(40.406.676)	(47.078.220)	(2.192.915)
Cash Outflows from Purchase of Investments Properties	17	-	-	(1.054.535)
Cash Advances Given		(222.379.675)	(20.706.311)	-
Other Cash Inflows / Outflows		(162.664)	-	32.750.268
CASH FLOWS FROM FINANCE ACTIVITIES		5.230.218.406	1.226.522.137	300.425.211
Cash Inflows from Borrowings	7	8.240.414.473	2.270.685.395	756.722.422
Cash Outflows Related to Debt Payments	7	(3.357.217.417)	(1.173.816.209)	(371.378.548)
Interest Paid	7	(916.621.023)	(254.566.115)	(71.830.588)
Cash Outflows Related to Debt Payments Arising from Lease Contracts	7	(43.988.068)	(17.831.393)	(11.944.107)
Cash Inflows from Shares Issues	24a	1.307.630.441	402.947.400	-
Dividends Paid (*)		-	(896.941)	(1.143.968)
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS		1.413.489.307	28.284.648	(98.148.534)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	4	107.077.183	78.792.535	176.941.069
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	4	1.520.566.490	107.077.183	78.792.535

(*) Consists of prior year's dividend payments.

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

HEKTAŞ GROUP

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022 AND FOR THE PERIOD ENDED (All amounts are indicated in Turkish Lira ("TL").)

1. ORGANIZATION AND OPERATIONS OF THE GROUP

Hektaş was established for the purpose of producing, importing and marketing agricultural and veterinary pesticides upon registration and entry in the trade registry in 1956. The main field of activity of the Company is the production, import and marketing of agricultural and veterinary pesticides. The main shareholder of the Company is the Turkish Armed Forces Pension Fund ("OYAK") which owns 58.8 per cent of the Company's shares. OYAK is an institution with legal personality, which is financially and administratively autonomous and subject to the provisions of private law. It was founded pursuant to the law no. 205 on 1 March 1961. As the "solidarity and pension fund" of the members of the Turkish Armed Forces ("TSK"), OYAK provides various services and benefits to its members in line with the social security approach envisaged by the constitution. OYAK has direct and indirect subsidiaries and associates operating in industry, finance and service sectors. Detailed information about OYAK is available on its official web site at the address (www.oyak.com.tr).

These consolidated financial statements include the Company and its subsidiaries. The Company and its subsidiaries will hereinafter be referred to as "the Group" or "Hektaş Group" collectively.

The Company acquired 100% of FNC Tarım Ticaret ve Sanayi Anonim Şirketi ("FNC") on 29 November 2017 at a price of Turkish Lira ("TL") 14,117,000 (US Dollar 3,600,000) and included FNC within the scope of the consolidation based on its periodic statements of 30 September 2017.

The main field of activity of FNC is the production, import and marketing of agricultural pesticides. FNC is headquartered in the district of Bor in Niğde and has a capital of TL 3,000,000.

FNC's title was changed as 'Ferbis Tarım Ticaret ve Sanayi Anonim Şirketi' ("Ferbis") as declared in the Trade Registry Gazette dated 7 July 2020 and by the Extraordinary General Assembly dated 30 June 2020.

On 22 February 2019, the Company acquired 100 per cent of Akça Tohumculuk Arge Sanayi ve Dış Ticaret Anonim Şirketi ("Akça") at a price of TL 25,150,000 and included Akça within the scope of consolidation based on its financial statements pertaining to the period ending on 31 January 2019.

Akça's main field of activity is to engage in all kinds of seed production and development activities and to set up green houses and specially equipped areas for this purpose. Akça's headquarters are located in Antalya Technocity.

Akça's title was changed as 'Areo Tohumculuk Arge Sanayi ve Dış Ticaret Anonim Şirketi' ("Areo") as declared in the Trade Registry Gazette dated 6 October 2020 and by the Extraordinary General Assembly dated 25 September 2020. Its capital is in the amount of TL 95,750,000.

On 9 June 2020, the Company acquired 100 per cent of Sunset Kimya Tarım Ürünleri ve Aletleri İmalat Pazarlama Sanayi ve Ticaret Anonim Şirketi ("Sunset") at a price of TL 65,000,000 and included Sunset within the scope of consolidation based on its financial statements pertaining to the period ending on 30 May 2020.

Sunset's main field of activity is the wholesale and retail trade, production, import and export and domestic and international marketing of all kinds of agricultural pesticides. Sunset is headquartered in Niğde, Bor. Its capital is in the amount of TL 2,000,000.

Arma İlaç Sanayi ve Ticaret A.Ş. ("Arma") was acquired by OYAK Group as of 6 May 2020. Main field of activity is "production of veterinary drugs", and all of the shares representing the capital of Arma, controlled by our main partner, were taken over for a consideration of TL 92,000,000 as of 28 July 2021. The headquarters of Arma is in the Sincan district of Ankara. Its capital is in the amount of TL 43,000,000.

AgriVentis Technologies Pty Ltd ("Agriventis") was acquired by the OYAK group as of 18 September 2020. As of 12 January 2022, all of the shares representing the 51% capital of Agriventis, main field of activity of which is "agricultural seed technology development, seed improvement and production", controlled by Oyak Sermaye Yatırımları A.Ş., the subsidiary of the main shareholder, have been acquired for TL 28,000,000. Agriventis is headquartered in Sydney, Australia. Its capital is in the amount of AUD 475,000.

Within the Company's registered capital ceiling of TL 3,000,000,000, the paid-in capital of TL 860,000,000 was increased to TL 2,530,000,000 by increasing TL 1,290,000,000 with a bonus issue of TL 380,000,000 and it was registered on 30 November 2022 by the Gebze Trade Registry Office. After the capital increase, the share rate of the main shareholder Ordu Assistance Institution is 58.8 percent.

The capital structure of Hektaş as of the relevant reporting dates is given in Note 24.

The Company's shares have been quoted on Borsa İstanbul ("BİST") since 1986. The Group's main shareholder and ultimate controlling party is OYAK.

As of 31 December 2022, the number of employees of the Group is 879 in total, 307 of them being blue-collar and 572 being white-collar (31 December 2021: 665 employees, 31 December 2020: 529 employees).

The Group carries out its activities at its headquarters at the address Gebze Organize Sanayi Bölgesi, İhsandede Caddesi, 700. Sokak 41400 Gebze, Kocaeli.

HEKTAŞ GROUP

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022 AND FOR THE PERIOD ENDED (All amounts are indicated in Turkish Lira (“TL”).)

1. ORGANIZATION AND OPERATIONS OF THE GROUP (cont’d)

Details of the types and fields of activity of the Company’s subsidiaries are as follows:

	Types and Subject of Activity
Takimsan Tarım Kimya Sanayi ve Ticaret Anonim Şirketi ("Takimsan")	Production, import and marketing of pesticides
Çantaş Çankırı Tuz Ürünleri Üretim ve Dağıtım Anonim Şirketi ("Çantaş")	Inactive
Ferbis	Production, import and marketing of pesticides
Areo	To carry out all kinds of seed production and development activities, to establish related greenhouses and specially equipped areas related to this.
Sunset	Wholesale and retail trade of all kinds of pesticides, import and export, marketing in domestic and foreign markets
Arma (*)	Production of veterinary drugs
Agriventis (*)	Agricultural seed technology development, seed breeding and production

(*) Arma, which the Company transferred from its parent on 28 July 2021 and Agriventis, which the Company transferred from subsidiary of its parent on 12 January 2022, have been presented in the accompanying consolidated financial statements by applying the pooling of interest method in line with the POA’s policy decision numbered 75935942-050.01.04-[04/177] dated 11 October 2018 (“Principle Decision”).

2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

2.1 Basis of Presentation

Statement of Compliance with TFRS

The accompanying consolidated financial statements have been prepared in line with Capital Markets Board (“CMB”), Communiqué Serial: II, No. 14.1 on “Principles on Financial Reporting in Capital Market” (“the Communiqué”), promulgated in Official Gazette No. 28676 dated 13 June 2013. TFRSs include Standards and Interpretations published by POA under the names of Turkish Accounting Standards (“TAS”), Turkish Financial Reporting Standards, TAS Interpretations and TFRS Interpretations.

The consolidated financial statements are presented in accordance with TFRS Taxonomy developed based on the “Financial Statement Examples and User Guide” announced by the POA published in the Official Gazette dated 15 April 2019 and numbered 30794 which is updated on 4 October 2022..

Approval of consolidated financial statements:

The consolidated financial statements were approved by the Board of Directors of Hektaş on 15 February 2023. The General Assembly of Hektaş has the right to amend and the related regulatory authorities have the right to demand the amendment of these consolidated financial statements.

HEKTAŞ GROUP

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022 AND FOR THE PERIOD ENDED (All amounts are indicated in Turkish Lira (“TL”))

2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont’d)

2.1 Basis of Presentation (cont’d)

Measurement Principles

The consolidated financial statements have been prepared at historical costs, except for the items measured at fair value differences, which are stated below:

Derivative financial instruments at fair value through profit or loss, fixed assets of through business,

The determination of historical cost is generally based on the fair value of the amount paid for the assets at the acquisition date. The consolidated financial statements have been prepared on the historical cost basis, adjusted for the effects of inflation as of 31 December 2004.

Fair value measurement principles are explained in Note 2.5.

Functional and Reporting Currency

The consolidated financial statements are submitted in TL, which is the functional currency of the Group. All financial information submitted in TL is submitted in full, unless otherwise stated.

Adjustment of financial statements during periods of high inflation

In accordance with the CMB's decision dated 17 March 2005 and numbered 11/367, for companies operating in Turkey and preparing financial statements in accordance with TAS, as of 1 January 2005, the application of inflation accounting was terminated. Accordingly, as of 1 January 2005, Standard No. 29 “Financial Reporting in Hyperinflationary Economies” (“TAS 29”) has not been applied.

POA made an announcement on 20 January 2022 regarding the application of TAS 29, “Financial Reporting in Hyperinflationary Economies” (IAS 29 Financial Reporting in Hyperinflationary Economies) for entities adopting Turkish Financial Reporting Standards (“TFRS”) for the year ended 31 December 2021. The announcement stated that, entities that apply TFRS should not adjust their financial statements in accordance with TAS 29 - Financial Reporting in Hyperinflationary Economies for the year ended 31 December 2021. As of the date of this report, POA has not made any further announcements regarding the scope and application of TAS 29. As a result, no inflation adjustment was made to the accompanying consolidated financial statements in accordance with TAS 29.

Basis of Consolidation

Business Combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred on the acquisition is generally accounted for at fair value, as with the identifiable net assets purchased. The resulting goodwill is tested for impairment annually. The gain or loss from the bargain purchase is recognized immediately in profit or loss. Transaction costs other than those associated with the issuance of debt or equity securities that the Group incurs in connection with a business combination are expensed as incurred.

The purchase price does not include amounts related to closing existing relationships. These amounts are generally recognized in profit or loss.

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured, and settlement is accounted for within equity.

If the retained share-based payment rights (acquired rights) of employees of the acquired business for past service are replaced by a new share-based payment rights (renewal rights), all or a portion of the market-based measurement of the changed benefits is added to the acquisition cost under the business combination. This amount is determined to the extent that renewed rights are associated with pre-combination services and by comparing a market-based measure of renewal rights with a market-based measure of acquiree's rights.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

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NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022 AND FOR THE PERIOD ENDED (All amounts are indicated in Turkish Lira (“TL”))

2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont’d)

2.1 Basis of Presentation (cont’d)

Basis of Consolidation (cont’d)

Business Combinations (cont’d)

Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the ‘measurement period’ (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognized at that date.

Business Combinations Under Common Control

Business combinations under common control transactions have been accounted by pooling of interest method, therefore no goodwill has been recognized due to these transactions. When applying pooling of interest method, the financial statements should be adjusted and presented comparatively starting from the beginning of the reporting period when the common control transaction was occurred, as if the businesses had always been combined. Pooling of interest method is applied from parent company perspective and financial statements are prepared in accordance with TFRS and all adjustments due to initial acquisition of the related entity are reflected. Differences in assets and liabilities resulting from combinations under common control transactions are presented under equity in the line item “Effect of Business Combination Under Common Control”. Impact of this policy application on prior period consolidated financial statements are presented in Note 2.4.

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

As of 31 December 2022, 2021 and 2020, the details of the Company's subsidiaries and financial investments are as follows:

Title of the Company	Location of activity	Functional currency	Group's share rate in capital and voting rate (%)		
			31 December 2022	31 December 2021	31 December 2020
<u>Subsidiaries</u>					
Takimsan	Kocaeli	TL	99.78	99.78	99.78
Ferbis	Niğde	TL	100.00	100.00	100.00
Areo	Antalya	TL	100.00	100.00	100.00
Sunset	Niğde	TL	100.00	100.00	100.00
Arma(*)	Ankara	TL	100.00	100.00	100.00
Agriventis(*)	Avustralya	AUD	51.00	51.00	51.00
<u>Financial investments</u>					
Çantaş	Çankırı	TL	0.37	0.37	0.37

(*) Arma, which the Company transferred from its parent on 28 July 2021 and Agriventis, which the Company transferred from subsidiary of its parent on 12 January 2022, have been presented in the accompanying consolidated financial statements by applying the pooling of interest method in line with the POA’s policy decision numbered 75935942-050.01.04-[04/177] dated 11 October 2018 (“Principle Decision”).

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NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022 AND FOR THE PERIOD ENDED (All amounts are indicated in Turkish Lira (“TL”).)

2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont’d)

2.1 Basis of Presentation (cont’d)

Non-controlling Interests

Non-controlling interests are measured over the proportional amount of the net asset value of the subsidiary at the date of acquisition. Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as an equity transaction.

Loss of control

If the Group loses control over the subsidiary, it derecognises the assets and liabilities of the subsidiary, its non-controlling interests and the amounts under other equity related to the subsidiary. Any resulting gains or losses are recognized in profit or loss. The remaining interest in the previous subsidiary is measured at fair value as of the day of loss of control.

Elimination transactions in consolidation

During the preparation of the consolidated financial statements, intragroup balances, transactions and unrealized income and expenses arising from intragroup transactions are mutually eliminated. Unrealized income from transactions with investments accounted for using the equity method is written off in proportion to the Group's share in the investment. If there is no impairment, unrealized losses are written off in the same way as unrealized income.

2.2 Changes in accounting estimates and errors

If the changes in accounting estimates are related with one period only, they are applied in the current period when the change is applied; if they are related with future periods, they are applied prospectively both in the period of change and in the future periods. Material accounting errors detected are executed retrospectively and the previous period's financial statements are restated.

2.3 Significant Changes Related to Current Period

The Group has reviewed the estimates and assumptions used in the preparation of the consolidated financial statements as of 31 December 2022. In this context, the Group has evaluated the possible impairments in trade receivables, inventories, property, plant and equipment and investment properties in its consolidated financial statements as of 31 December 2022 and no impairment has been detected.

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NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022 AND FOR THE PERIOD ENDED (All amounts are indicated in Turkish Lira (“TL”))

2. BASIS OF PRESENTATION OF THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (cont’d)

2.4 Comparative Information and Restatement of Prior Periods’ Consolidated Financial Statements

The Group's consolidated financial statements are prepared in comparison with the previous period in order to allow the determination of financial status and performance trends. In order to comply with the submission of the condensed consolidated financial statements of the current period, the comparative information is reclassified, and material differences are disclosed, when deemed necessary.

As explained in Note 1, Agriventis was taken over from OYAK Group on 12 January 2022 for a consideration of TL 28,000,000. In this context, the previous period's consolidated financial statements have been restated in order to compare with the current year consolidated financial statements. As a result of the business combination subject to common control, the details of the consolidated financial statements that have been restated by applying the pooling of interest method are as follows:

	Previously Reported		Restated
	31 December 2021	Elimination and Merger Effect (*)	31 December 2021
ASSETS			
Current Assets			
Cash and Cash Equivalents	3,268,942,287	13,610,096	3,282,552,383
Trade Receivables	96,691,275	10,756,028	107,447,303
<i>From Related Parties</i>	1,654,538,937	93,503	1,654,632,440
<i>From Third Parties</i>	523,890	-	523,890
Other Receivables	1,654,015,047	93,503	1,654,108,550
<i>From Third Parties</i>	3,547,176	14,261	3,561,437
Derivative Instruments	3,547,176	14,261	3,561,437
Inventories	169,694,609	-	169,694,609
Prepaid Expenses	1,146,573,859	2,067,501	1,148,641,360
Current Tax Assets	107,967,422	28,686	107,996,108
Other Current Assets	1,079,923	-	1,079,923
	88,849,086	650,117	89,499,203
Non-Current Assets			
Trade Receivables	1,356,873,591	91,375,537	1,448,249,128
Other Receivables	8,623,198	-	8,623,198
Investment Properties	836,074	15,381	851,455
Property, Plant and Equipment	4,775,883	-	4,775,883
Intangible Assets	1,038,724,957	5,347,547	1,044,072,504
Goodwill	208,944,129	86,012,609	294,956,738
<i>Other</i>	106,319,692	-	106,319,692
Right-of-Use Assets	102,624,437	86,012,609	188,637,046
Prepaid Expenses	43,014,887	-	43,014,887
Deferred Tax Asset	20,706,311	-	20,706,311
	31,248,152	-	31,248,152
TOTAL ASSETS	4,625,815,878	104,985,633	4,730,801,511

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NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022 AND FOR THE PERIOD ENDED (All amounts are indicated in Turkish Lira (“TL”))

2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont’d)

2.4 Comparative Information and Restatement of Prior Periods’ Consolidated Financial Statements (cont’d)

	Previously Reported 31 December 2021	Elimination and Merger Effect (*)	Restated 31 December 2021
LIABILITIES AND EQUITY			
Current Liabilities	3,112,170,260	777,502	3,112,947,762
Short-Term Borrowings	2,195,583,914	-	2,195,583,914
Lease Liabilities	14,477,381	-	14,477,381
Trade Payables	816,378,438	409,979	816,788,417
<i>To Related Parties</i>	15,696,283	-	15,696,283
<i>To Third Parties</i>	800,682,155	409,979	801,092,134
Payables Related to Employee Benefits	37,126,829	-	37,126,829
Other Payables	26,095,202	181,705	26,276,907
<i>To Related Parties</i>	6,930,792	-	6,930,792
<i>To Third Parties</i>	19,164,410	181,705	19,346,115
Derivative Instruments	10,935,886	-	10,935,886
Deferred Income	2,817,455	-	2,817,455
Current Tax Liability	2,948,394	-	2,948,394
Short-Term Provisions	5,806,761	185,818	5,992,579
<i>Related to Employee Benefits</i>	4,175,943	185,818	4,361,761
<i>Other</i>	1,630,818	-	1,630,818
Non-Current Liabilities	101,480,409	69,799,125	171,279,534
Long-Term Borrowings	30,245,588	-	30,245,588
Lease Liabilities	30,968,249	-	30,968,249
Other Payables	-	52,848,957	52,848,957
<i>To Related Parties</i>	-	52,848,957	52,848,957
Long-Term Provisions	21,376,652	-	21,376,652
<i>Related to Employee Benefits</i>	21,376,652	-	21,376,652
Deferred Tax Liability	18,889,920	16,950,168	35,840,088
EQUITY	1,412,165,209	34,409,006	1,446,574,215
Equity Attributable to the Parent	1,412,165,209	17,514,426	1,429,679,635
Paid-in Capital	860,000,000	-	860,000,000
Effect of Mergers Involving Enterprises or Businesses Under Common Control	(8,764,014)	16,911,740	8,147,726
Premiums/Discounts Related to Interests	5,203,762	-	5,203,762
Other Comprehensive Income (Expenses) that will be Reclassified to Profit or Loss	16,381,837	8,810,764	25,192,601
- <i>Hedging Gains (Losses)</i>	16,381,837	-	16,381,837
- <i>Foreign Currency Translation Differences</i>	-	8,810,764	8,810,764
Other Comprehensive Income (Expenses) that will not be Reclassified to Profit or Loss	(7,685,734)	-	(7,685,734)
- <i>Defined Benefit Plans Remeasurement Losses</i>	(7,685,734)	-	(7,685,734)
Restricted Reserves Appropriated from Profit	46,485,140	-	46,485,140
Prior Years' Profit/Losses	174,787,202	(1,842,002)	172,945,200
Net Profit/Loss for the Period	325,757,016	(6,366,076)	319,390,940
Non-Controlling Interests	-	16,894,580	16,894,580
TOTAL LIABILITIES AND EQUITY	4,625,815,878	104,985,633	4,730,801,511

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NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022 AND FOR THE PERIOD ENDED (All amounts are indicated in Turkish Lira ("TL").)

2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

2.4 Comparative Information and Restatement of Prior Periods' Consolidated Financial Statements (cont'd)

	Previously Reported		Restated
	1 January		1 January
	31 December	Elimination and	31 December
	2021	Merger Effect (*)	2021
PROFIT OR LOSS			
Revenue	2,020,718,336		2,020,718,336
Cost of Sales (-)	(1,312,393,367)	-	(1,312,393,367)
GROSS PROFIT/LOSS	708,324,969	-	708,324,969
General Administrative Expenses (-)	(79,282,890)	(8,131,625)	(87,414,515)
Marketing Expenses (-)	(87,330,503)	(61,401)	(87,391,904)
Research and Development Expenses (-)	(31,274,904)	(4,105,017)	(35,379,921)
Other Income from Operating Activities	5,016,538	170,721	5,187,259
Other Expenses from Operating Expenses (-)	(86,011,169)	-	(86,011,169)
OPERATING PROFIT/LOSS	429,442,041	(12,127,322)	417,314,719
Income from Investing Activities	2,578,830	-	2,578,830
Expenses from Investing Activities (-)	(181,144)	-	(181,144)
OPERATING PROFIT/LOSS BEFORE FINANCE EXPENSES	431,839,727	(12,127,322)	419,712,405
Finance Income (+)	126,884,880	-	126,884,880
Finance Expenses (-)	(224,394,384)	(975,395)	(225,369,779)
PROFIT/LOSS FROM CONTINUING OPERATIONS BEFORE TAX	334,330,223	(13,102,717)	321,227,506
Continuing Operations Tax Income	(8,573,207)	620,216	(7,952,991)
Current Tax Expense	(4,438,104)	-	(4,438,104)
Deferred Tax Income	(4,135,103)	620,216	(3,514,887)
PROFIT/LOSS FOR THE PERIOD	325,757,016	(12,482,501)	313,274,515

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NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022 AND FOR THE PERIOD ENDED (All amounts are indicated in Turkish Lira (“TL”))

2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont’d)

2.4 Comparative Information and Restatement of Prior Periods’ Consolidated Financial Statements (cont’d)

	Previously Reported		Restated
	31 December 2020	Elimination and Merger Effect (*)	31 December 2020
ASSETS			
Current Assets	1,472,280,409	4,286,248	1,476,566,657
Cash and Cash Equivalents	75,600,817	3,197,063	78,797,880
Trade Receivables	751,807,699	-	751,807,699
<i>From Related Parties</i>	666,277	-	666,277
<i>From Third Parties</i>	751,141,422	-	751,141,422
Other Receivables	22,024,438	-	22,024,438
<i>From Third Parties</i>	22,024,438	-	22,024,438
Derivative Instruments	48,868,820	-	48,868,820
Inventories	417,027,122	811,047	417,838,169
Prepaid Expenses	123,387,606	-	123,387,606
Current Tax Assets	583,486	-	583,486
Other Current Assets	32,980,421	278,138	33,258,559
Non-Current Assets	647,274,747	53,731,501	701,006,248
Other Receivables	449,686	9,099	458,785
Investment Properties	5,221,772	-	5,221,772
Property, Plant and Equipment	424,449,605	156,899	424,606,504
Intangible Assets	159,103,427	53,565,503	212,668,930
Goodwill	106,319,692	-	106,319,692
<i>Other</i>	52,783,735	53,565,503	106,349,238
Right-of-Use Assets	28,103,776	-	28,103,776
Deferred Tax Asset	29,946,481	-	29,946,481
TOTAL ASSETS	2,119,555,156	58,017,749	2,177,572,905

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NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022 AND FOR THE PERIOD ENDED (All amounts are indicated in Turkish Lira (“TL”))

2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont’d)

2.4 Comparative Information and Restatement of Prior Periods’ Consolidated Financial Statements (cont’d)

	Previously Reported		Restated
	31 December 2020	Elimination and Merger Effect (*)	31 December 2020
LIABILITIES AND EQUITY			
Current Liabilities	1,165,357,549	31,210	1,165,388,759
Short-Term Borrowings	878,061,599	-	878,061,599
Lease Liabilities	16,398,374	-	16,398,374
Trade Payables	221,516,757	31,210	221,547,967
<i>To Related Parties</i>	6,033,082	-	6,033,082
<i>To Third Parties</i>	215,483,675	31,210	215,514,885
Payables Related to Employee Benefits	13,350,691	-	13,350,691
Other Payables	28,058,692	-	28,058,692
<i>To Related Parties</i>	7,827,733	-	7,827,733
<i>To Third Parties</i>	20,230,959	-	20,230,959
Derivative Instruments	485,728	-	485,728
Deferred Income	2,997,040	-	2,997,040
Current Tax Liability	227,555	-	227,555
Short-Term Provisions	4,261,113	-	4,261,113
<i>Related to Employee Benefits</i>	2,522,688	-	2,522,688
<i>Other</i>	1,738,425	-	1,738,425
Non-Current Liabilities	181,763,166	26,869,440	208,632,606
Long-Term Borrowings	145,563,600	-	145,563,600
Lease Liabilities	11,883,873	-	11,883,873
Other Payables	-	16,307,898	16,307,898
<i>To Related Parties</i>	-	16,307,898	16,307,898
Long-Term Provisions	12,416,952	-	12,416,952
<i>Related to Employee Benefits</i>	12,416,952	-	12,416,952
Deferred Tax Liability	11,898,741	10,561,542	22,460,283
EQUITY	772,434,441	31,117,099	803,551,540
Equity	772,434,441	15,697,205	788,131,646
Paid-in Capital	227,571,100	-	227,571,100
Effect of Mergers Involving Enterprises or Businesses Under Common Control	83,235,986	16,911,740	100,147,726
Premiums/Discounts Related to Interests	2,256,362	-	2,256,362
Other Comprehensive Income (Expenses) that will be Reclassified to Profit or Loss	8,541,316	627,466	9,168,782
- <i>Hedging Gains (Losses)</i>	8,541,316	-	8,541,316
- <i>Foreign Currency Translation Differences</i>	-	627,466	627,466
Other Comprehensive Income (Expenses) that will not be Reclassified to Profit or Loss	(2,871,565)	-	(2,871,565)
- <i>Defined Benefit Plans Remeasurement Losses</i>	(2,871,565)	-	(2,871,565)
Restricted Reserves Appropriated from Profit	38,087,444	-	38,087,444
Prior Years' Profit/Losses	235,115,190	-	235,115,190
Net Profit/Loss for the Period	180,498,608	(1,842,001)	178,656,607
Non-Controlling Interests	-	15,419,894	15,419,894
TOTAL LIABILITIES AND EQUITY	2,119,555,156	58,017,749	2,177,572,905

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NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022 AND FOR THE PERIOD ENDED (All amounts are indicated in Turkish Lira ("TL").)

2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

2.4 Comparative Information and Restatement of Prior Periods' Consolidated Financial Statements (cont'd)

	Previously Reported		Restated
	1 January 31 December 2020	Elimination and Merger Effect (*)	1 January 31 December 2020
PROFIT OR LOSS			
Revenue	1,013,719,129	-	1,013,719,129
Cost of Sales (-)	(662,405,526)	-	(662,405,526)
GROSS PROFIT/LOSS	351,313,603	-	351,313,603
General Administrative Expenses (-)	(46,824,354)	(3,042,743)	(49,867,097)
Marketing Expenses (-)	(50,758,497)	-	(50,758,497)
Research and Development Expenses (-)	(18,269,154)	(703,134)	(18,972,288)
Other Income from Operating Activities	3,962,665	-	3,962,665
Other Expenses from Operating Expenses (-)	(8,110,152)	-	(8,110,152)
OPERATING PROFIT/LOSS	231,314,111	(3,745,877)	227,568,234
Income from Investing Activities	1,979,252	-	1,979,252
Expenses from Investing Activities (-)	(386,217)	-	(386,217)
OPERATING PROFIT/LOSS BEFORE FINANCE EXPENSES	232,907,146	(3,745,877)	229,161,269
Finance Income (+)	12,555,878	-	12,555,878
Finance Expenses (-)	(94,803,259)	-	(94,803,259)
PROFIT/LOSS FROM CONTINUING OPERATIONS BEFORE TAX	150,659,765	(3,745,877)	146,913,888
Continuing Operations Tax Income	29,838,843	134,110	29,972,953
Current Tax Expense	(227,555)	-	(227,555)
Deferred Tax Income	30,066,398	134,110	30,200,508
PROFIT/LOSS FOR THE PERIOD	180,498,608	(3,611,767)	176,886,841

(*) Agriventis has been started to be consolidated in the accompanying financial statements of the Group after the takeover, and in the previous period's consolidated financial statements prepared by the pooling of interest method, for the comparability of the consolidated financial statements, it has been consolidated and its effects are presented in the "Elimination and merger effect" column.

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NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022 AND FOR THE PERIOD ENDED (All amounts are indicated in Turkish Lira (“TL”))

2. BASIS OF PRESENTATION OF THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (cont’d)

2.5 Summary of significant accounting policies

New and Revised Turkish Financial Reporting Standards

a) Amendments that are mandatorily effective from 2022

Amendments to TFRS 3	<i>Reference to the Conceptual Framework</i>
Amendments to TAS 16	<i>Property, Plant and Equipment – Proceeds before Intended Use</i>
Amendments to TAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract</i>
Annual Improvements to TFRS Standards 2018-2020	<i>Amendments to TFRS 1, TFRS 9 and TAS 41</i>
Amendments to TFRS 16	<i>COVID-19 Related Rent Concessions beyond 30 June 2021</i>

Amendments to TFRS 3 *Reference to the Conceptual Framework*

The amendments update an outdated reference to the Conceptual Framework in TFRS 3 without significantly changing the requirements in the standard.

The amendments are effective for annual periods beginning on or after 1 January 2022. Early application is permitted if an entity also applies all other updated references (published together with the updated *Conceptual Framework*) at the same time or earlier.

Amendments to TAS 16 *Property, Plant and Equipment - Proceeds before Intended Use*

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss.

The amendments are effective for annual periods beginning on or after 1 January 2022. Early application is permitted.

Amendments to TAS 37 *Onerous Contracts – Cost of Fulfilling a Contract*

The amendments specify that the ‘cost of fulfilling’ a contract comprises the ‘costs that relate directly to the contract’. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract or an allocation of other costs that relate directly to fulfilling contracts.

The amendments published today are effective for annual periods beginning on or after 1 January 2022. Early application is permitted.

Annual Improvements to TFRS Standards 2018-2020 Cycle

Amendments to TFRS 1 *First time adoption of Turkish Financial Reporting Standards*

The amendment permits a subsidiary that applies paragraph D16(a) of TFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent’s date of transition to TFRSs.

Amendments to TFRS 9 *Financial Instruments*

The amendment clarifies which fees an entity includes in assessing whether to derecognize a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other’s behalf.

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NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022 AND FOR THE PERIOD ENDED (All amounts are indicated in Turkish Lira (“TL”).)

2. BASIS OF PRESENTATION OF THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (cont’d)

2.5 Summary of significant accounting policies (cont’d)

New and Revised Turkish Financial Reporting Standards (cont’d)

a) Amendments that are mandatorily effective from 2022 (cont’d)

Annual Improvements to TFRS Standards 2018-2020 Cycle (cont’d)

Amendments to TAS 41 Agriculture

The amendment removes the requirement in paragraph 22 of TAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique. This will ensure consistency with the requirements in TFRS 13.

The amendments to TFRS 1, TFRS 9, and TAS 41 are all effective for annual periods beginning on or after 1 January 2022. Early application is permitted.

Amendments to TFRS 16 COVID-19 Related Rent Concessions beyond 30 June 2021

Public Oversight Accounting and Auditing Standards Authority (“POA”) has published Amendments to TFRS 16 *COVID-19 Related Rent Concessions beyond 30 June 2021* that extends, by one year, the June 2020 amendment that provides lessees with an exemption from assessing whether a COVID-19 related rent concession is a lease modification.

On issuance, the practical expedient was limited to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2021. Since lessors continue to grant COVID-19 related rent concessions to lessees and since the effects of the COVID-19 pandemic are ongoing and significant, the POA decided to extend the time period over which the practical expedient is available for use.

The new amendment is effective for lessees for annual reporting periods beginning on or after 1 April 2021. Earlier application is permitted.

The Group management assessed that the adoption of these amendments that are effective from 2022 do not have material effect on the Group’s consolidated financial statements.

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

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

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

IFRS 17 Insurance Contracts

IFRS 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. IFRS 17 supersedes IFRS 4 *Insurance Contracts* as of 1 January 2023.

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NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2022 AND FOR THE PERIOD ENDED
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2. BASIS OF PRESENTATION OF THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (cont’d)

2.5 Summary of significant accounting policies (cont’d)

New and Revised Turkish Financial Reporting Standards (cont’d)

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

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.

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.

HEKTAŞ GROUP

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2022 AND FOR THE PERIOD ENDED
(All amounts are indicated in Turkish Lira (“TL”).)

2. BASIS OF PRESENTATION OF THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (cont’d)

2.5 Summary of significant accounting policies (cont’d)

New and Revised Turkish Financial Reporting Standards (cont’d)

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

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 Group evaluates the possible effects of these standards, amendments and improvements on the consolidated financial statements.

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NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022 AND FOR THE PERIOD ENDED (All amounts are indicated in Turkish Lira (“TL”))

2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont’d)

2.5 Summary of Significant Accounting Policies (cont’d)

Inventories

Inventories are valued at the lower of cost or net realizable value. Costs, including some of the fixed and variable general production expenses, are valued according to the method appropriate to the class of the inventories and mostly according to the weighted average cost method. The net realizable value is the value of an asset that can be realized by a company or entity upon the sale of the asset, less a reasonable prediction of the costs associated with either the eventual sale or the disposal of the asset in question. When the net realizable value of the inventories is less than its cost, inventories reduced to its net realizable value and the irrecoverable amount is charged as an expense in the year when the write-down incurred. If the circumstances that caused the write-down cease to exist or if there is clear evidence that the net realizable value has increased because of change in economic circumstances, the write down is reversed to that extent. The reversal amount is limited to the amount of the original write-down.

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Segment Reporting

The Group's operations are defined as the geographic operating segment. However, considering the nature of the products and production processes, the type of customers for their products and services, and the methods they use to distribute their products or provide their services, the segments have been combined into a single operating segment with similar economic characteristics.

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and any impairment losses.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Gains or losses on disposals of property, plant and equipment are accounted in profit or loss.

Subsequent expenditure is capitalised only when it is probable that the future economic benefits associated with the expenditure will flow to the Group.

Items of property, plant and equipment are depreciated from the date that they are available for use, or in respect of self-constructed assets, from the date that the asset is completed and ready for use. Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property and equipment. Depreciation is generally recognized in profit or loss unless it is included in the carrying amount of another asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated.

The estimated useful lives of property, plant and equipment items in the current and comparative periods are as follows:

	<u>Useful Life</u>
Lands and land improvements	4-50 years
Buildings	10-50 years
Plant, machinery and equipment	2-15 years
Vehicles	2-5 years
Furniture and fixtures	2-24 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted as necessary.

Intangible assets

Goodwill

Goodwill arising from the acquisition of subsidiaries is measured at cost less accumulated impairment losses.

Subsequent costs

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenses are recognized in profit or loss when incurred, including internally generated goodwill and trademarks.

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NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022 AND FOR THE PERIOD ENDED (All amounts are indicated in Turkish Lira (“TL”))

2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont’d)

2.5 Summary of Significant Accounting Policies (cont’d)

Intangible assets (cont’d)

Trademarks, licenses and drug registrations

Acquired trademarks, licenses and drug registrations are shown at historical cost. Trademarks, licenses and drug registrations have a finite useful life and are carried at cost less accumulated amortization. Amortization is calculated using the straight-line method to allocate the cost of trademarks, licenses and drug registrations over their estimated useful lives (3 – 15 years).

Computer software

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized over their estimated useful lives (5 years).

Research and Development

Expenditure on research activities is recognized as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognized if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development

The amount initially recognized for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognized, development expenditure is recognized in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Amortization is calculated using the straight-line method over the estimated useful lives of items of intangible assets, less their estimated residual values, and is generally recognized in profit or loss. Goodwill is not subject to depreciation.

The amortization periods used for intangible assets are as follows:

	<u>Useful Life</u>
Rights	3-20 years
Other Intangible Assets	5 years
Development Costs	5 years

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted as necessary.

HEKTAŞ GROUP

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022 AND FOR THE PERIOD ENDED (All amounts are indicated in Turkish Lira (“TL”).)

2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont’d)

2.5 Summary of Significant Accounting Policies (cont’d)

Impairment of assets

Non-financial assets

At each reporting period, the Group reviews the carrying amounts of its non-financial assets (excluding investment property, inventories, contract assets and deferred tax assets) to determine if there are any signs of impairment. If such an indicator exists, the asset's recoverable amount is estimated. Goodwill is tested for impairment annually.

For impairment testing, assets are grouped by the smallest group of assets generating cash inflows, regardless of continued use, cash inflows from other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or CGU groups that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGUs is the higher of its value in use and its GUD to be sold at lower costs. Value in use is based on estimated future cash flows discounted to present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset or CGU.

If the recoverable amount of an asset or CGU is less than its carrying amount, the carrying amount of that asset or CGU is reduced to its recoverable amount.

Impairment losses are recognized in profit or loss. It is distributed first, which will reduce the carrying amount of any goodwill distributed to the CGU, and then reduced by the carrying amount of the other assets in the CGU.

An impairment loss recognized for goodwill is not reversed. For other assets, an impairment loss is reversed only if the carrying amount of the asset, after deducting any impairment or amortization, does not exceed its determined carrying amount if no impairment has been identified.

Financial instruments and contractual assets

The Group recognizes a loss allowance for expected credit losses (“ECL”) on the following items:

- Financial assets measured at amortized cost;

The Group measures the loss allowance at the amount equal to lifetime ECLs, as indicated below.

- Debt instruments determined to have low credit risk at the reporting date, and
- Other debt instruments and bank balances for which the credit risk (ie, the risk of default over the expected life of the financial instrument) has not increased significantly since initial recognition.

The Group has chosen lifetime ECLs in calculating the impairment of trade receivables and contract assets.

In determining whether a financial asset's credit risk has increased significantly since initial recognition and in estimating its ECLs, the Group considers reasonable and supportable information available without undue cost or effort regarding the estimation of expected credit losses, including the effects of expected prepayments. This information includes quantitative and qualitative information and analysis based on the Group's past experience of credit losses and forward-looking information.

HEKTAŞ GROUP

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022 AND FOR THE PERIOD ENDED (All amounts are indicated in Turkish Lira (“TL”))

2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont’d)

2.5 Summary of Significant Accounting Policies (cont’d)

Impairment of assets (cont’d)

Non-financial assets (cont’d)

The Group assumes that the credit risk on a financial asset increases significantly when it is 360 days past due.

The Group considers a financial asset in default if:

- The debtor's failure to fully fulfill its loan obligation without resorting to actions such as the use of collateral (if any) by the Group, or
- The financial instrument is past due 360 days.

The Group considers bank balances to have low credit risk if they are equal to the international definition of risk assessments "investment grade".

Lifetime ECLs are expected credit losses arising from all possible default events over the expected life of the financial instrument.

The 12-month ECLs are the portion of the expected credit losses arising from possible default events on the financial instrument within 12 months of the reporting date.

The maximum period for which ECLs will be measured is the maximum contractual period for which the Group is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. In other words, it is the credit losses that are measured on the present value of all the cash deficits (for example, the difference between the cash inflows to the entity and the cash flows expected by the entity to be collected based on the contract).

The cash deficit is the difference between the cash flows to be incurred and the cash flows expected to be received by the entity. As the amount and timing of payments are considered in expected credit losses, a credit loss occurs even if the entity expects to receive the full payment in the contract with the maturity specified in the contract.

ECLs are discounted at the effective interest rate of the financial asset.

Credit impaired financial assets

At the end of each reporting period, the Group assesses whether financial assets carried at amortised cost. A financial asset is ‘credit-impaired’ when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- breach of contract such as a default or 90 days even after past due;
- the restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

Presentation of impairment

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

Write-off

In the absence of reasonable expectations of a partial or full recovery of a financial asset's value, an entity writes-off the gross carrying amount of the financial asset directly. A write-off is a cause for derecognition.

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NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022 AND FOR THE PERIOD ENDED (All amounts are indicated in Turkish Lira (“TL”))

2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont’d)

2.5 Summary of Significant Accounting Policies (cont’d)

Investment properties

Property held by the Group to earn rental income or for capital appreciation and not used by the Group is classified as investment property. Investment properties consist of land, buildings, and land improvements. Investment properties are shown over their remaining values after deducting depreciation expenses and impairment losses, if any, from their acquisition costs. Buildings and land improvements are depreciated over their expected useful life (50 years) using the straight-line method. Investment properties are derecognised if they are disposed of or are completely out of use and no future economic benefits are expected from disposal. Income or loss resulting from the disuse or disposal of investment property is shown in the profit or loss statement of that year.

Transactions in foreign currency

Transactions in foreign currency are translated into TL at the exchange rate on the date of the transaction.

Monetary assets and liabilities in foreign currencies are translated into functional currency at the exchange rates at the end of the reporting period. Currency differences on reconversion are generally recognized in profit or loss. Non-monetary items measured at historical cost in a foreign currency are translated at the exchange rate at the date of the transaction.

<u>Date</u>	<u>TL/US Dollar</u>	<u>TL/Euro</u>	<u>TL/AUD</u>
31 December 2022	18.6983	19.9349	12.6670
31 December 2021	13.3290	15.0867	9.6554
31 December 2020	7.3405	9.0079	5.7116

Lease transactions

(i) As a lessee

At the actual commencement date of the lease or at the date of the change in the contract containing the lease component, the Group allocates to each lease component based on the relative stand-alone price of the lease component and the total stand-alone price of the non-lease components.

The Group has chosen not to separate the non-lease components from the lease components, but instead to account for each lease component and its associated non-lease components as a single lease component.

The Group has reflected right-of-use assets and lease liabilities in its financial statements at the commencement date of the lease. The initial measurement of the liability for the cost of the right-of-use asset consists of all lease payments made at or before the commencement of the lease, less any lease incentives received, plus all initial direct costs and disassembly and relocation of the asset, estimated future costs of restoring the site in which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

If the lease transfers ownership of the underlying asset to the lessee at the end of the lease term, or if the cost of the right-of-use asset indicates that the lessee will exercise a call option, the right-of-use asset is depreciated from the date the lease actually began to the end of the useful life of the underlying asset. In other cases, the right-of-use asset is depreciated over the shorter of the asset's useful life or the lease term, starting from the date the lease actually commenced. In addition, the value of the right-of-use asset is periodically reduced, less any impairment losses, and adjusted for remeasurement of the lease liability.

At the commencement date of the lease, the lease liability is measured at the present value of the lease payments not paid at that date. Lease payments are discounted using that rate if the implied interest rate on the lease can be easily determined. If this rate cannot be easily determined, the Group's alternative borrowing interest rate is used.

The Group determines the alternative borrowing interest rate by taking into account the interest rates it will pay for the debts to be used from various external financing sources and makes some adjustments to reflect the lease terms and the type of the leased asset.

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NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022 AND FOR THE PERIOD ENDED (All amounts are indicated in Turkish Lira (“TL”).)

2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont’d)

2.5 Summary of Significant Accounting Policies (cont’d)

Lease transactions (cont’d)

(i) As a lessee (cont’d)

The lease payments included in the measurement of the lease liability consist of:

- Fixed payments (including fixed payments in substance);
- Variable lease payments based on an index or rate, initially measured using an index or rate at the commencement date of the lease;
- Amounts expected to be paid by the lessee under residual value commitments;
- Payment of termination penalties if the exercise price and lease term of the option indicate that the Group will exercise an option to terminate the lease if there is reasonable confidence that the option to call will be exercised.

The lease liability is measured by discounting lease payments with a discount rate. The Group considers renewal, termination and purchase options if there is a change in these payments as a result of a change in an index or rate used to determine future lease payments and if there is a change in the amounts expected to be paid under the residual value commitment.

In case of re-measurement of the lease liability, it is reflected to the financial statements as an adjustment to the right-of-use asset according to the newly found debt amount. However, if the carrying amount of the right-of-use asset is reduced to zero and there is a further reduction in the measurement of the lease liability, the remaining remeasurement amount is recognized in profit or loss.

The Group presents right-of-use assets and lease liabilities that do not meet the definition of investment property in the statement of financial position as “Financial Liabilities”.

Short-term leases and low value leases

The Group has chosen not to recognize right-of-use assets and lease liabilities for short-term leases of machinery with lease terms of 12 months or less, and leases of low-value assets, including IT equipment. The Group has recognized the lease payments related to these leases as an expense on a straight-line basis over the lease term.

(ii) As a lessor

For a contract with a lease component and one or more additional lease components or non-lease components, the Group allocates the contract price on the basis of the relative stand-alone price, at the inception of the contract or when the contract with a lease component is modified.

When the Group is a lessor, it classifies each of the leases as operating or finance leases.

To classify each lease, the Group makes an overall assessment of whether the lease essentially transfers all the risks and rewards of ownership of the asset. A lease is a finance lease when it transfers risks and rewards; otherwise, it is an operating lease. As part of this assessment, the Group considers certain other indicators, such as whether the lease term covers most of the economic life of the underlying asset.

If the lease includes a lease component and one or more additional lease components or non-lease components, the Group allocates the contract value by applying TFRS 15 Revenue from Contracts with Customers.

The Group applies the derecognition and impairment provisions in TFRS 9 to the net lease investment. The Group regularly reviews the estimated residual uncommitted values used in calculating the gross lease investment.

In general, accounting policies applied to the Group as a lessor in the comparative period are not different from TFRS 16, except for the classification of a sublease entered in the current reporting period resulting in a finance lease classification.

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NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022 AND FOR THE PERIOD ENDED (All amounts are indicated in Turkish Lira (“TL”))

2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont’d)

2.5 Summary of Significant Accounting Policies (cont’d)

Provisions, contingent liabilities and contingent assets

Provisions

Provisions are recognized only if the Group has a past and present obligation (legal or structural), there is a possibility of disposal of resources that provide economic benefits to the business due to this obligation, and the amount of the obligation can be determined reliably. When the depreciation of money over time becomes significant, provisions are reflected with the discounted value of the expenses that may occur in the future at the reporting date. When discounted value is used, increases in provisions due to the passage of time are recognized as interest expense.

Contingent assets and liabilities

Possible assets or obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity are treated as contingent assets or liabilities and the entity does not account anything in its financial statements.

Contingent liabilities are disclosed in the notes to the financial statements, except when the probability of an outflow of resources embodying economic benefits is remote. If the situation requiring resource transfer is probable, contingent liabilities are reflected in the financial statements. Contingent assets, on the other hand, are not reflected in the financial statements and are disclosed in the notes if they are likely to generate economic returns.

Income tax

As Turkish Tax Legislation does not allow the parent company and its subsidiary to prepare consolidated tax returns, tax provisions have been calculated on a separate-entity basis, as reflected in the accompanying consolidated financial statements.

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

Income tax is recognized in profit or loss, except when associated with business combinations or directly in equity or other comprehensive income.

Current tax

Current tax is the expected tax liability or receivable on taxable profit or loss in the current year and includes adjustments to previous years' tax liabilities.

It is calculated by taking into account the tax rates that are in force as of the end of the reporting period or that are almost certain to enter into force.

Deferred tax

Deferred tax is calculated over the temporary differences between the book values of assets and liabilities in the financial statements and the values used in the tax base. Deferred tax is not recognized for temporary differences in the following cases:

- Temporary differences in the initial recognition of assets or liabilities resulting from a transaction that is not a business combination and does not affect either accounting profit or taxable profit or loss;
- Temporary differences related to investments in subsidiaries, associates and jointly controlled entities that are not likely to reverse in the foreseeable future and for which the Group has control over the reversal time, and
- Taxable temporary differences during the initial recognition of goodwill.

Deferred tax assets are recognized if it is probable that taxable profits will be sufficient to offset unused tax losses, tax benefits and deductible temporary differences in the future. Taxable profit is determined according to the business plans of each subsidiary in the Group. Deferred tax assets are reviewed at each reporting date and if it is probable that taxable profits will be generated in the future, deferred tax assets that have not been previously recognized are recognized, limited to these amounts.

The Group measures deferred tax liabilities and deferred tax assets in a manner consistent with the tax consequences of its expectations at the end of the reporting period regarding how its assets will recover or pay their liabilities. Deferred tax asset and deferred tax liability are offset only when certain conditions are met.

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NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022 AND FOR THE PERIOD ENDED (All amounts are indicated in Turkish Lira ("TL").)

2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

2.5 Summary of Significant Accounting Policies (cont'd)

Provisions for Employee Benefits

a) Provision for employment termination benefit

The provision for employment termination benefits represents the present value of the estimated total provision of the Group's future probable obligation arising from the retirement of the personnel in accordance with the Turkish Labor Law. According to Turkish Labor Law and other laws applicable in Turkey, the Group is obliged to pay employment termination benefits to all personnel in cases of termination of employment without due cause, call for military service, be retired or death upon the completion of a minimum one-year service. The provision for the present value of the defined social assistance obligation is calculated using the projected liability method. All actuarial gains and losses are recognized in other comprehensive income/expense.

b) Provision for seniority incentive bonus

The Group has a benefit paid to its personnel named as "Seniority Incentive Premium" who served over a definite year. The seniority incentive premium accrued in the financial statements represents the present value of the estimated total reserve of possible future liabilities.

c) Defined contribution plans

The Group has to pay contributions to the Social Security Institution on a mandatory basis. The Group has no further payment obligations once the contributions have been paid. These contributions are recognized as an employee benefit expense when they are accrued.

d) Unused vacation

In accordance with Labor Law in Turkey it is obliged to pay for any reason claimed by the employee if the ending, but unused annual leave belonging fee gross salary at the date when the contract expires and contractual other interests him or rights to their owners over the total. Unused leave is the total undiscounted liability amount that all employees deserve but correspond to the days of leave they have not yet used as of the reporting date. Obligations arising from unused leave rights are accrued at the time they are entitled.

Revenue

Revenues are measured at the fair value of the amount of receivables collected or to be collected. Net sales are shown by deducting estimated and realized returns, discounts, commissions, turnover premiums and sales-related taxes from the sales amount of the goods.

In accordance with TFRS 15, a five-stage approach is followed in the recognition of revenue for all contracts with customers.

Step 1: Definition of the contract

When a contract is only legally enforceable, collectible, rights and payment terms for goods and services are identifiable, the contract is considered to be in accordance with TFRS 15 if the terms of the contract have been met, the contract has been approved by the parties and the parties have fulfilled all the obligations under which they are committed.

When contracts are negotiated as a single business package, or if a contract is bound to other contract or goods or services (or part of the goods or services), the Group considers the contracts as a single contract.

Step 2: Definition of performance obligations

The Group determines a "performance obligation" as a unit of account for revenue recognition. The Group evaluates the goods or services promised in a contract with the customer and determines each commitment to the customer to transfer one of the following as a performance obligation:

- (a) good or service (or a bundle of goods or services) that is distinct; or
- (b) series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer.

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NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022 AND FOR THE PERIOD ENDED (All amounts are indicated in Turkish Lira (“TL”))

2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont’d)

2.5 Summary of Significant Accounting Policies (cont’d)

Revenue (cont’d)

Step 2: Definition of performance obligations (cont’d)

The Group defines a good or service in the contract separately from other commitments in the contract and defines it as a different good or service if it enables the customer to benefit from the said good or service alone or in combination with other resources available for use. A contract may include commitments to provide a number of different goods or services that are essentially the same. At contract inception, an entity determines whether the series of goods or services is a single performance obligation.

Step 3: Determine the transaction price

To determine the transaction price, the Group evaluates how much it expects to receive after fulfilling its contractual obligation. In making the assessment, it considers elements of variable amounts and whether the contract includes a significant financing component.

Significant financing component

The Group reviews the amount that reflects the cash selling price of the promised good or service with the amount promised to pay for the effect of a significant financing component. As a practical application, the Group does not adjust the transaction price for the effects of a significant financing component if, at contract inception, the period between customer payment and transfer of goods or services is expected to be one year or less. Where the Group's obligations during the period and the advances received and the payment schedule are broadly compatible, the Group considers that the period between the fulfillment of the obligation and the payment should never exceed 12 months.

Variable consideration

The Group determines whether there are items in the customer contract that may result in price concessions, incentives, performance bonuses, early completion bonuses, price adjustment clauses, penalties, discounts or similar variable charges.

Step 4: Distribution of transaction price to performance obligations

In the event that different goods or services are delivered in accordance with a single contract, the contract price shall be distributed on the basis of the individual sales prices of the individual goods or services (different performance obligations). If no direct observable sales prices are available, the total price in contracts is distributed on the basis of the expected cost plus profit margin.

Step 5: Revenue recognition

The Group recognizes revenue over time when any of the following conditions are met:

- If the customer is simultaneously using the benefits of the business and consuming these benefits;
- In the event that the entity has passed the control of the asset that has been created or developed at the same time as the entity creates or develops it, or
- If the Group fulfills its obligation, the Group does not create an asset with alternative use for the Group and the Group has the right to a legally enforceable payment on the payment to be made against the obligation completed until that date.

For each performance obligation fulfilled over time, the Group selects a single measure of progress that represents transferring control of the goods or services to the customer. The Group uses a method that reliably measures the work performed. The Group uses the costs made to measure progress towards completion of the project using the input method and uses the units transferred to measure progress towards completion of the project using the output method.

If a performance obligation is not satisfied over time, then the Group recognizes revenue when it transfers control of the goods or service to the customer.

In cases where the cost that must be incurred by the Group to fulfill its obligations under the contract exceeds the economic benefit expected to be obtained under the contract, a provision is made in accordance with TAS 37 “Provisions, Contingent Liabilities and Contingent Assets”.

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NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022 AND FOR THE PERIOD ENDED (All amounts are indicated in Turkish Lira (“TL”))

2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont’d)

2.5 Summary of Significant Accounting Policies (cont’d)

Contract changes

If the Group commits to offer additional goods or services, it accepts the contract change as a separate contract. In case of the termination of the existing contract and the creation of a new contract, if the goods or services offered are different, they shall recognize the related changes. If the amendment to the contract does not create separate goods or services, the entity shall, with the first contract, recognize by combining additional goods or services as if it were a part of the initial contract.

Sales of goods

The transfer of the control of the products is realized with the invoice and revenue is recognized as revenue. For goods or services sold together as a package, revenue is recognized when the goods or services are considered to be of a different nature – for example, if the good or service is identifiable separately from other contractual commitments and the customer can benefit from the good or service alone or in combination with other readily available resources. The contract price is distributed to the goods and services that are evaluated as different in a package, on the basis of stand-alone sales prices. Stand-alone selling prices are determined on the basis of the list prices at which the Group sells these goods and services alone. Stand-alone selling prices for goods and services that are not stand-alone are estimated using the expected cost plus margin approach. The cost of products and services is recognized as an expense when the relevant revenue is recognized.

Related parties

a) A person or a close member of that person's family is related to the Group if that person:

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

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

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

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

Earnings per share

Earnings per share disclosed in the statement of comprehensive income are determined by dividing net earnings by the weighted average number of shares that have been outstanding during the related period.

In Turkey, companies can increase their share capital by making a pro-rata distribution of shares (“bonus shares”) to existing shareholders from retained earnings on equity items. Such kind of bonus shares are taken into consideration in the computation of earnings per share as issued share certificates. Therefore, the weighted average stock share, which is used in the calculation of earnings per share, is determined by retrospective application of bonus share issue.

Events after the reporting date

Events that occur after the reporting date and may affect the Group's position at the reporting date are reflected in the financial statements. Non-adjusting events are disclosed in the notes according to their materiality.

HEKTAŞ GROUP

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022 AND FOR THE PERIOD ENDED (All amounts are indicated in Turkish Lira (“TL”).)

2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont’d)

2.5 Summary of Significant Accounting Policies (cont’d)

Financial instruments

i. Recognition and initial measurement

The Group’s trade receivables and debt instruments are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

ii. Reclassification and subsequent measurement

On initial recognition, a financial instrument is classified as specified; measured at amortized cost; those measured at fair value through other comprehensive income—investments in debt instruments, investments in equity instruments measured at fair values in other comprehensive income—or those measured at fair value through profit or loss. After initial recognition, financial instruments are not reclassified unless the Group changes the business model used for the management of financial assets.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets - Evaluation of the business model

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management’s strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realizing cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group’s management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group’s continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

HEKTAŞ GROUP

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022 AND FOR THE PERIOD ENDED (All amounts are indicated in Turkish Lira (“TL”).)

2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont’d)

2.5 Summary of Significant Accounting Policies (cont’d)

Financial instruments (cont’d)

Financial assets – Assessment whether contractual cash flows are solely payments of principal and interest:

Principal is defined as the fair value of the financial asset on initial recognition. Interest is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable rate features;
- prepayment and extension features; and
- terms that limit the Group’s claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract.

Additionally, for a financial asset acquired at a significant discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Financial assets – Subsequent measurement and gains and losses

Financial assets measured at amortized cost

These assets are subsequently measured at amortized cost using the effective interest method. Amortized costs, if any, are reduced by the amount of impairment losses. Interest income, foreign currency gains and losses and impairments are recognized in profit or loss. Gains or losses on derecognition are recognized in profit or loss. For derivatives defined as hedging instruments, see section (iii) below.

Debt instruments measured at FVOCI

These assets are subsequently measured at their fair value. Interest income, foreign currency gains and losses and impairments calculated using the effective interest method are recognized in profit or loss. Other gains and losses are recognized in other comprehensive income. When financial assets are derecognised, total gains or losses previously recognized in other comprehensive income are reclassified to profit or loss.

Equity instruments at FVOCI

These assets are subsequently measured at their fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss.

HEKTAŞ GROUP

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022 AND FOR THE PERIOD ENDED (All amounts are indicated in Turkish Lira (“TL”).)

2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont’d)

2.5 Summary of Significant Accounting Policies (cont’d)

Financial instruments (cont’d)

(i) Derecognition

Financial assets

When the contractual rights to the cash flows related to the financial asset expire, or when the Group transfers substantially all the risks and rewards of ownership of that financial asset, or when it neither transfers nor retains substantially all the risks and rewards of ownership of that financial asset, if it does not retain control over the financial asset, it derecognises that financial asset.

The Group enters into transactions whereby it transfers assets recognised in its statement of financial position but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

Financial liabilities – Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortized cost or FVTPL.

(ii) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset, and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

(iii) Derivative financial instruments and hedge accounting

The Group holds derivative financial instruments to hedge its foreign currency and interest rate risk exposures. Embedded derivatives are separated from the host contract and accounted for separately if the host contract is not a financial asset and certain criteria are met.

Derivative instruments are initially recognized at their fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognised in profit or loss.

The Group designates certain derivatives as hedging instruments to hedge the variability in cash flows associated with highly probable forecast transactions arising from changes in foreign exchange rates and interest rates and certain derivatives and non-derivative financial liabilities as hedges of foreign exchange risk on a net investment in a foreign operation.

At the inception of the hedge relationship, the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. The Group also documents the economic relationship between the hedged item and the hedging instrument, including whether changes in the cash flows of the hedged item and the hedging instrument are expected to offset each other.

HEKTAŞ GROUP

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022 AND FOR THE PERIOD ENDED (All amounts are indicated in Turkish Lira (“TL”))

2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont’d)

2.5 Summary of Significant Accounting Policies (cont’d)

Financial instruments (cont’d)

(iii) *Derivative financial instruments and hedge accounting (cont’d)*

Cash flow hedges

When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognised in OCI and accumulated in the hedging reserve. The ineffective portion of the change in the derivative's fair value is recognized directly in profit or loss. The effective portion of the change in the fair value of the derivative instrument determined on the present value basis from the inception of the hedging relationship recognized in other comprehensive income is limited to the cumulative effect of the change in the fair value of the hedging instrument.

The Group designates only the change in fair value of the spot element of forward exchange contracts as the hedging instrument in cash flow hedging relationships.

The change in fair value of the forward element of forward exchange contracts (forward points) is separately accounted for as a cost of hedging and recognised in a cost of hedging reserve within equity.

When the hedged forecast transaction subsequently results in the recognition of a non-financial item such as inventory, the amount accumulated in the hedging reserve and the cost of hedging reserve is included directly in the initial cost of the non-financial item when it is recognised.

For all other hedged forecast transactions, the amount accumulated in the hedging reserve and the cost of hedging reserve is reclassified to profit or loss in the same period or periods during which the hedged expected future cash flows affect profit or loss.

If the hedge no longer meets the criteria for hedge accounting or the hedging instrument is sold, expires, is terminated or is exercised, then hedge accounting is discontinued prospectively. When hedge accounting for cash flow hedges is discontinued, the amount that has been accumulated in the hedging reserve remains in equity until, for a hedge of a transaction resulting in the recognition of a non-financial item, it is included in the non-financial item's cost on its initial recognition or, for other cash flow hedges, it is reclassified to profit or loss in the same period or periods as the hedged expected future cash flows affect profit or loss.

If the hedged future cash flows are no longer expected to occur, then the amounts that have been accumulated in the hedging reserve and the cost of hedging reserve are immediately reclassified to profit or loss.

Capital

Ordinary shares

Transaction costs arising from equity transactions are accounted for as a deduction from the related equity item. Income taxes on distributions to shareholders of equity instruments and transaction costs arising from equity transactions are accounted for in accordance with TAS 12 Income Taxes.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of the relevant qualifying asset, and other borrowing costs are recognized as an expense in the period in which they are incurred. As of 31 December 2022, the Group has capitalized finance expenses amounting to TL 156,729,711 (31 December 2021: TL 66,161,591).

Government incentives

Unconditional government grants received by the Group are recognized under other income in profit or loss if these grants become receivables. Other government grants are recorded as deferred income at their fair value if there is sufficient assurance that the Group will meet the necessary conditions for the grant and that the grant will be received, and are then systematically recognized in profit or loss under other income over the useful life of the asset.

Government grants that cover the expenses incurred by the Group are systematically recognized in profit or loss in the periods in which such expenses are recognized.

HEKTAŞ GROUP

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022 AND FOR THE PERIOD ENDED (All amounts are indicated in Turkish Lira (“TL”))

2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont’d)

2.5 Summary of Significant Accounting Policies (cont’d)

Finance income and finance expenses

Financial income consists of bank deposit interest income which is part of the cycle used for financing purposes, receivables from related parties from interest income from invested funds, foreign exchange gains on financial assets and liabilities (other than trade receivables and payables) and gains on derivative instruments recorded in profit or loss.

Financial expenses include interest expenses on bank loans, credit cards and letters of guarantee, commission expenses, exchange rate expenses on financial assets and liabilities (other than trade receivables and debts), and gains on derivative instruments and recorded in profit or loss. Borrowing costs that cannot be directly associated with the acquisition, construction or production of an asset are accounted for in profit or loss using the effective interest rate.

Exchange rate incomes and expenses on financial assets and liabilities (other than trade receivables and debts) are reported separately in financing income or financing expenses according to the net position of the currency difference movements. Exchange rate difference and rediscount income on trade receivables and debts are reported in other income from operating activities, exchange rate difference and rediscount expenses are reported in other expenses from operating activities.

Interest income is calculated using the effective interest method. This income is calculated by applying the effective interest rate to the gross book value of the financial asset, except for:

(a) Financial assets with credit-impairment when purchased or created. For these types of financial assets, the entity applies the effective interest rate corrected according to credit to the amortized cost of the financial asset since it was first included in the financial statements.

(b) Financial assets that are not financial assets with credit-impairment when purchased or created, but subsequently become financial-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.

An entity that calculates interest income by applying an effective interest method to the amortized cost of the financial asset in a reporting period, in the event that the credit risk in the financial instrument improves in a way that the financial asset is no longer deemed to be impaired as a credit-impairment, and this improvement can be attributed to an objectively occurring event (a debtor's credit rating increase) calculates the interest income in the next reporting periods by applying the effective interest rate to the gross book value.

Dividend income is recognized in profit or loss on the date the Group is entitled to receive payment.

Cash flow statement

In the statement of cash flows, cash flows are classified according to operating, investing and financing activities. The Group presents cash flows from operating activities using the indirect method, where net profit or loss is adjusted for the effects of non-cash transactions, accruals or deferrals of cash inflows and outflows related to past or future transactions, and items of income or expense related to investment or financing cash flows.

2.6 Significant accounting judgments, estimates and assumptions

In the preparation of the consolidated financial statements, the Group Management makes assumptions and estimations that will affect the reported assets and liabilities, determine the possible liabilities and commitments as of the reporting date and the income and expense amounts as of the reporting period. Actual results may differ from estimates and assumptions. These estimations and assumptions are reviewed regularly, and when the need for correction arises, the corrections are reflected in the relevant period's operating result.

Considering the interpretations that may have a material effect on the amounts reflected in the consolidated financial statements and the main sources of the existing or future estimates at the reporting date, the important assumptions and assessments are presented below:

- a) Provisions for doubtful receivables reflect the amounts that the Group management believes will cover the future losses of the receivables that exist as of the reporting date but have the risk of being uncollectible within the current economic conditions. While evaluating whether the receivables are impaired or not, the past performance of the debtors other than the related parties and key customers, their credibility in the market, the guarantees received, their performance from the balance sheet date to the approval date of the financial statements and the renegotiated conditions are taken into account. As of the relevant reporting dates, the Group's provision for doubtful receivables is included in Note 8. Actual results may differ from assumptions.

HEKTAŞ GROUP

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022 AND FOR THE PERIOD ENDED (All amounts are indicated in Turkish Lira (“TL”))

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (cont’d)

2.6 Significant accounting judgments, estimates and assumptions (cont’d)

- b) The Group management made various assumptions in line with the experiences of the technical team, especially in determining the useful economic life of buildings and machinery.
- c) The amount of provisions for litigation, the probability of losing the relevant lawsuits and the probable consequences to be incurred in case of loss are determined through the estimations made by the Group Management in line with the opinions of the Group’s Legal advisors (Note 22a).
- d) In the calculation of severance pay and severance incentive obligations, the Group makes various assumptions such as discount rate, inflation rate, real salary increase rate, possibility of voluntary resignation, etc. The assumptions used in the calculation of the liability are provided in detail in Note 22b.
- e) In the calculation of the provisions for the decline in the value of inventories, the Group makes various assumptions such as estimated sales price, estimated completion costs and the estimated costs required to perform sales (Note 13). Actual results may differ from the assumptions.
- f) The Group subjects the goodwill amount to impairment test every year. The recoverable amounts of cash generating units are determined based on the calculations of value in use. These calculations require the use of estimates (Note 18). The use value of the cash generating unit is calculated using the discounted cash flow method. Discounted cash flows are based on projections made in TL, which is the functional currency of the cash-generating unit. During the calculation of the projections, some assumptions and estimations have been used by the Group Management. If actual results differ from estimates, the attached consolidated financial statements may be affected.
- g) The Group recognizes deferred tax assets and liabilities for temporary timing differences arising from the differences between the tax base legal financial statements and the financial statements prepared in accordance with TFRS. The Group’s subsidiaries have 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. In the light of the data obtained, if the future taxable profit of the Group is not sufficient to cover all deferred tax assets, a provision is made for all and part of the deferred tax asset.
- h) The Group calculates the fair values of financial instruments that do not have an active market, using market data, using arm’s-length similar transactions, taking the fair values of similar instruments as a reference, and discounted cash flow analysis (Note 6).
- i) As explained in Note 14, the Group capitalizes borrowing costs directly attributable to the purchase, construction or production of qualifying assets. The Group borrows for a general purpose, and where some of the funds are used to finance a qualifying asset, the amount of borrowing costs that can be capitalized is determined using a capitalization rate to be applied to the expenses incurred on the related asset. This capitalization rate (18.35%-18.52%-23.05%-21.73%) is the weighted average of borrowing costs related to all borrowings of the Group during the relevant period, excluding borrowings for the purchase of qualifying assets.

HEKTAŞ GROUP

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022 AND FOR THE PERIOD ENDED (All amounts are indicated in Turkish Lira (“TL”))

3. BUSINESS COMBINATIONS

Subsidiaries acquired

The Group took over 51 percent of Agriventis, which was purchased by OYAK Sermaye Yatırımları A.Ş., a subsidiary of OYAK, the parent company, on 18 September 2020, for a consideration of TL 28,000,000 on 12 January 2022 and this transaction was accounted by pooling of interests method in line with the POA’s policy decision on business combinations under common control. Due to this, in order to maintain comparability with the current year financial statements, prior period consolidated financial statements are restated as explained in Note 2.4. In line with POA’s above mentioned policy decision, identifiable assets and liabilities due to initial acquisition by OYAK in line with TFRS 3 are also recognized by the transferor in the consolidated financial statements. Details about initial acquisition by OYAK is presented in the table below.

	<u>Main Field of Activity</u>	<u>Date of Acquisition</u>	<u>Share in Capital Received (%)</u>	<u>Consideration Paid (Cash) (*)</u>
Agriventis	Seed	18 September 2020	51	16,911,740

(*) It is the purchase price of OYAK Sermaye Yatırımları, a subsidiary of OYAK.

Assets and liabilities as of the date of acquisition

	<u>Total</u>
Cash and cash equivalents	98,311
Inventories	781,682
Other current assets	32,093
Current Assets	912,086
Other receivables	8,769
Property, plant and equipment	151,218
Intangible assets	51,558,211
Non-Current Assets	51,718,198
Trade and other payables	63,709
Current Liabilities	63,709
Other payables	9,190,814
Deferred tax liability	10,215,487
Non-Current Liabilities	19,406,301
Net Asset Value	33,160,274
Non-controlling interests	16,248,534
Parent shares	16,911,740
Goodwill arising at the time of purchase	
Amount paid in cash	16,911,740
Less: Value of net assets of the acquired company	(16,911,740)
Goodwill	-

HEKTAŞ GROUP

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022 AND FOR THE PERIOD ENDED (All amounts are indicated in Turkish Lira ("TL").)

3. BUSINESS COMBINATIONS (cont'd)

Subsidiaries acquired (cont'd)

The Group transferred all shares of Arma, which was acquired by its main shareholder OYAK as of 6 May 2020, on 28 July 2021 for a consideration of TL 92,000,000 and this transaction was accounted by pooling of interests method in line with the POA's policy decision on business combinations under common control. Due to this, in order to maintain comparability with the current year financial statements, prior period consolidated financial statements are restated as explained in Note 2.4. In line with POA's above mentioned policy decision, identifiable assets and liabilities due to initial acquisition by OYAK in line with TFRS 3 are also recognized by the transferor in the consolidated financial statements. Details about initial acquisition by OYAK is presented in the table below.

	<u>Main Field of Activity</u>	<u>Date of Acquisition</u>	<u>Share in Capital Received (%)</u>	<u>Transferred amount (Cash) (*)</u>
Arma	Production of veterinary drugs	6 May 2020	100	50.485.985

(*) It is the purchase price by OYAK (the main shareholder).

Assets and liabilities as of the date of acquisition

	<u>Total</u>
Cash and cash equivalents	268
Trade and other receivables	333,109
Inventories	2,412,449
Other current assets	904,565
Current Assets	<u>3,650,391</u>
Other receivables	3,235
Property, plant and equipment and investment properties	30,877,237
Intangible assets	6,734,879
Non-Current Assets	<u>37,615,351</u>
Trade and other payables	4,017,965
Finance payables	7,237,304
Deferred income	1,801,208
Payables related to employee benefits	527,662
Current Liabilities	<u>13,584,139</u>
Finance payables	8,241,254
Deferred tax liability	5,904,799
Non-Current Liabilities	<u>14,146,053</u>
Net Asset Value	<u>13,535,550</u>
Goodwill arising at the time of purchase	
Amount paid in cash	50,485,985
Less: Value of net assets of the acquired company	(13,535,550)
Goodwill	<u>36,950,435</u>

HEKTAŞ GROUP

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022 AND FOR THE PERIOD ENDED (All amounts are indicated in Turkish Lira ("TL").)

3. BUSINESS COMBINATIONS (cont'd)

Subsidiaries acquired (cont'd)

The Group acquired 100 percent of Sunset on 9 June 2020 and this transaction was accounted for using the purchase method. Within the scope of the purchase method accounting, the purchase price and the fair value of the purchased asset should be compared and the amount exceeding the fair value amount should be defined as goodwill. However, in cases where such purchasing method stages cannot be completed at the end of the reporting date at which the acquisition takes place, provisional amounts are reported for the items for which the Group accounting process could not be completed. These provisional reported amounts are adjusted for the measurement period of 1 year from the acquisition date, or an additional asset or liability is recognized to reflect new information about events and conditions that occurred at that date that may have an impact on the amounts recognized at the acquisition date. As of 31 December 2020, the amounts have been finalized.

	<u>Main Field of Activity</u>	<u>Date of Acquisition</u>	<u>Share in Capital Received (%)</u>	<u>Transferred amount (Cash)</u>
Sunset	Wholesale and retail trade of all kinds of pesticides, production, import and export, marketing in domestic and foreign markets	9 June 2020	100	65,000,000

Assets and liabilities assumed as of the date of acquisition

	<u>Total</u>
Cash and cash equivalents	3,048,705
Trade and other receivables	36,625,831
Inventories	146,562
Other current assets	1,643,872
Current Assets	41,464,970
Other receivables	146,037
Property, plant and equipment and investment properties	2,614,119
Intangible assets	1,714,617
Deferred tax asset	389,357
Non-Current Assets	4,864,130
Trade and other payables	12,842,135
Finance payables	14,364,390
Deferred income	4,441,071
Other current liabilities	209,010
Current Liabilities	31,856,606
Finance payables	1,839,787
Other non-current liabilities	360,939
Non-Current Liabilities	2,200,726
Net Asset Value	12,271,768
Goodwill arising at the time of purchase	
Amount paid in cash	71,319,103
Less: Value of net assets of the acquired company	(12,271,768)
Goodwill	59,047,335
Net amount paid on subsidiary purchase	
Amount paid in cash	60,909,103
Less: Cash and cash equivalents of the acquired company	(3,048,705)
	57,860,398

HEKTAŞ GROUP

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022 AND FOR THE PERIOD ENDED (All amounts are indicated in Turkish Lira ("TL").)

4. CASH AND CASH EQUIVALENTS

	31 December 2022	31 December 2021	31 December 2020
Cash	183,959	114,811	69,859
Cash at banks	1,445,150,544	94,960,343	70,460,676
<i>Demand deposits</i>	<i>15,321,535</i>	<i>57,971,634</i>	<i>42,515,296</i>
<i>Time deposits with a maturity of less than three months</i>	<i>1,429,829,009</i>	<i>36,988,709</i>	<i>27,945,380</i>
Other current assets (*)	86,063,557	12,372,149	8,267,345
Cash and cash equivalents in the consolidated statement of financial position	<u>1,531,398,060</u>	<u>107,447,303</u>	<u>78,797,880</u>
Less : interest accruals	(10,831,570)	(370,120)	(5,345)
Cash and cash equivalents according to the cash flow statements	<u><u>1,520,566,490</u></u>	<u><u>107,077,183</u></u>	<u><u>78,792,535</u></u>

(*) Other cash and cash equivalents consist of checks and promissory notes and credit card receivables due as of 31 December 2022, 2021 and 2020.

As of 31 December 2022, the Group's USD time deposits amount to TL 112,467,140 with an interest rate of 2.00 percent and a maturity of less than 3 months (As of 31 December 2021, there are no USD time deposits. As of 31 December 2020, the Group's USD time deposits amount to TL 14,681,000 with an interest rate of 3.25 percent and a maturity of less than 3 months).

As of 31 December 2022, the Group's time deposit amount in TL is TL 1,317,361,869 and the interest rate is between 13.00 and 28.00 percent. Their maturities are less than 3 months (As of 31 December 2021, TL time deposits amount to TL 36,988,709, the interest rate is 16.50 to 26.00 percent. and their maturities are less than 3 months. As of 31 December 2020, the Group's TL time deposit amount is TL 13,264,380 and the interest rate is 12.00 and 19.00 percent).

5. FINANCIAL INVESTMENTS

Financial investments at fair value through other comprehensive income:

Company Title	Share Rate %	31 December 2022	Share Rate %	31 December 2021	Share Rate %	31 December 2020
Çantaş	0.37	<u>310,755</u> <u>310,755</u>	0.37	<u>310,755</u> <u>310,755</u>	0.37	<u>310,755</u> <u>310,755</u>
Provision for impairment		<u>(310,755)</u> <u>-</u>		<u>(310,755)</u> <u>-</u>		<u>(310,755)</u> <u>-</u>
		<u>162.164</u> <u>162.164</u>		<u>-</u> <u>-</u>		<u>-</u> <u>-</u>

HEKTAŞ GROUP

AUDITED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2022

(All amounts are indicated in Turkish Lira (“TL”).)

6. DERIVATIVE INSTRUMENTS

	31 December 2022		31 December 2021		31 December 2020	
	Asset	Liability	Asset	Liability	Asset	Liability
Derivative that are designated and effective as hedging instruments carried at fair value:						
<i>Cross currency swap contracts</i>	29,155,226	-	153,082,463	-	48,868,820	-
Held for trading derivatives that are not designated in hedge accounting relationship						
<i>Option loan contracts</i>	-	-	-	10,935,886	-	-
<i>Forward contracts</i>	-	4,568,516	282,628	-	-	-
<i>Swap contracts</i>	-	-	16,329,518	-	-	485,728
	<u>29,155,226</u>	<u>4,568,516</u>	<u>169,694,609</u>	<u>10,935,886</u>	<u>48,868,820</u>	<u>485,728</u>

Derivative instruments that are held for speculative purposes and that do not meet hedge accounting requirements are classified as “trading” and the fair value changes of these instruments are recognized in profit or loss.

As of 31 December 2022, the details of cross currency swap, option and forward transactions are as follows;

	Assets		Liabilities	
	Nominal Amount	Fair Value	Nominal Amount	Fair Value
<u>Cross currency swap contracts</u>				
<i>EUR Collection / TL Payment</i>	2,000,000	29,155,226	-	-
<u>Forward contracts</u>				
<i>USD Collection / TL Payment</i>	-	-	15,242,800	4,568,516
		<u>29,155,226</u>		<u>4,568,516</u>

As of 31 December 2021, the details of cross currency swap, option and forward transactions are as follows;

	Assets		Liabilities	
	Nominal Amount	Fair Value	Nominal Amount	Fair Value
<u>Cross currency swap contracts</u>				
<i>EUR Collection / TL Payment</i>	15,500,000	153,082,463	-	-
<u>Interest rate swap contracts</u>				
<i>Interest rate swap contracts</i>	-	-	3,147,895	10,935,886
<u>Forward contracts</u>				
<i>USD Collection / TL Payment</i>	1,000,000	282,628	-	-
<u>Swap contracts</u>				
<i>USD Collection / TL Payment</i>	20,000,000	16,329,518	-	-
		<u>169,694,609</u>		<u>10,935,886</u>

As of 31 December 2020, the details of cross currency swap, option and forward transactions are as follows;

	Assets		Liabilities	
	Nominal Amount	Fair Value	Nominal Amount	Fair Value
<u>Cross currency swap contracts</u>				
<i>EUR Collection / TL Payment</i>	15,750,000	48,868,820	-	-
<u>Interest rate swap contracts</u>				
<i>Interest rate swap contracts</i>	-	-	57,000,000	485,728
		<u>48,868,820</u>		<u>485,728</u>

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

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NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022 AND FOR THE PERIOD ENDED (All amounts are indicated in Turkish Lira ("TL").)

7. FINANCIAL LIABILITIES

	31 December 2022	31 December 2021	31 December 2020
Short-Term Financial Liabilities			
Issued borrowing instruments	1,303,174,132	-	57,717,829
Bank loans	5,340,141,662	2,195,583,914	820,343,770
Lease liabilities	47,374,578	14,477,381	16,398,374
Other Financial Liabilities	386,766,891	-	-
	<u>7,077,457,263</u>	<u>2,210,061,295</u>	<u>894,459,973</u>
Long-Term Financial Liabilities			
Bank loans	138,000,000	30,245,588	145,563,600
Lease liabilities	80,073,961	30,968,249	11,883,873
	<u>218,073,961</u>	<u>61,213,837</u>	<u>157,447,473</u>

Short-term Bank Loans:

Currency	Weighted Average Interest Rate %	31 December 2022 Short-term
TL	19.27	5.300.271.862
Euro	3.00	39.869.800
		<u>5.340.141.662</u>

Currency	Weighted Average Interest Rate %	31 December 2021 Short-term
TL	19.06	1.991.913.464
Euro	3.00	203.670.450
		<u>2.195.583.914</u>

Currency	Weighted Average Interest Rate %	31 December 2020 Short-term
TL	10.9	818.091.795
Euro	3.00	2.251.975
		<u>820.343.770</u>

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7. FINANCIAL LIABILITIES (cont'd)

Details of the Short-Term Debt Instruments Issued are as follows;

<u>Currency</u>	<u>Weighted Average Interest Rate %</u>	<u>31 December 2022 Short-term</u>
TL	24.30	1,303,174,132
		<u>1,303,174,132</u>

On 16 August 2022, the Group issued a single coupon payment financial bond with a discounted fixed interest rate, quoted on Borsa Istanbul, amounting to TL 100 million. The maturity of the bond is February 10, 2023 and the coupon interest rate is 28%.

On 5 September 2022, the Group issued a single coupon payment financial bond with a discounted fixed interest rate, quoted on Borsa Istanbul, amounting to TL 450 million. The maturity of the bond is 18 January 2023 and the coupon interest rate is 23.5%.

On 28 September 2022, the Group issued a single coupon payment financial bond with a discounted fixed interest rate, quoted on Borsa Istanbul, amounting to TL 514 million. The maturity of the bond is 4 January 2023 and the coupon interest rate is 23.25%.

On 28 September 2022, the Group issued a single coupon payment financing bond with a discounted fixed interest rate, quoted on Borsa Istanbul, amounting to TL 261 million. The maturity of the bond is 24 March 2023 and the coupon interest rate is 26.50%.

<u>Currency</u>	<u>Weighted Average Interest Rate %</u>	<u>31 December 2020 Short-term</u>
TL	21.31	57,717,829
		<u>57,717,829</u>

On 13 March 2019, the Group has issued a fixed interest single coupon payment financial bond with a total of TL 57 million quoted on Borsa Istanbul. The maturity of the bond is 10 March 2021 and the coupon interest rate is 21.31%.

Details of Other Financial Liabilities are as follows:

<u>Currency</u>	<u>Weighted Average Interest Rate %</u>	<u>31 December 2022 Long-term</u>
TL	24.25	386.766.891
		<u>386.766.891</u>

Details of Long-Term Bank Loans are as follows;

<u>Currency</u>	<u>Weighted Average Interest Rate %</u>	<u>31 December 2022 Long-term</u>
TL	20.30	138.000.000
		<u>138.000.000</u>

<u>Currency</u>	<u>Weighted Average Interest Rate %</u>	<u>31 December 2021 Long-term</u>
TL	19.06	72,188
Euro	3.00	30,173,400
		<u>30,245,588</u>

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7. FINANCIAL LIABILITIES (cont'd)

Details of Long-Term Bank Loans are as follows; (cont'd)

Currency	Weighted Average Interest Rate %	31 December 2020 Long-term
TL	10.90	5,941,150
Euro	3.00	139,622,450
		<u>145,563,600</u>

The maturities of the lease obligations are as follows;

	31 December 2022	31 December 2021	31 December 2020
To be paid within 1 year	47,374,578	14,477,381	16,398,374
To be paid within 1-5 years	80,073,961	30,968,249	11,883,873
	<u>127,448,539</u>	<u>45,445,630</u>	<u>28,282,247</u>

The maturities of bank loans, issued debt instruments and other financial liabilities are as follows:

	31 December 2022	31 December 2021	31 December 2020
To be paid within 1 year	7,030,082,685	2,195,583,914	878,061,599
To be paid within 1-2 years	138,000,000	30,245,588	127,547,800
To be paid within 2-3 years	-	-	18,015,800
	<u>7,168,082,685</u>	<u>2,225,829,502</u>	<u>1,023,625,199</u>

As of 31 December, bank loans have spot, fixed and floating interest rates and due to their short original maturities, it is assumed that their fair values and book values are close.

As of 1 January - 31 December 2022, 2021 and 2020, the reconciliation of liabilities arising from financing activities is as follows;

	31 December 2022	31 December 2021	31 December 2020
Financial liabilities as of 1 January	2,271,275,132	1,051,907,446	594,124,264
Capital inflow within the period	8,240,414,473	2,270,685,395	756,722,422
Payments within the period	(3,401,205,485)	(1,191,647,602)	(383,322,655)
Non-cash movements	1,788,515	123,304,098	39,032,393
Interest expense	1,099,879,612	271,591,910	88,801,505
Paid interest expense	(916,621,023)	(254,566,115)	(71,830,588)
Businesses Under Common Control (*)	-	-	12,175,928
Effect of mergers	-	-	16,204,177
	<u>7,295,531,224</u>	<u>2,271,275,132</u>	<u>1,051,907,446</u>

(*) Arma has been consolidated in the accompanying consolidated financial statements after the acquisition by the Group using the pooling of interests method (Note 2.4).

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8. TRADE RECEIVABLES AND PAYABLES

a) Trade Receivables

As of 31 December 2022, 2021 and 2020, the details of the Group's trade receivables are as follows;

	31 December 2022	31 December 2021	31 December 2020
Short-term trade receivables			
Trade receivables	1,776,966,279	884,548,868	475,908,410
Notes receivables	2,320,989,417	779,595,440	285,204,694
Trade receivables from related parties (Note 34)	146,494	523,890	666,277
Other trade receivables	-	235	9,258
Provision for doubtful trade receivables (-)	(10,081,702)	(10,035,993)	(9,980,940)
	<u>4,088,020,488</u>	<u>1,654,632,440</u>	<u>751,807,699</u>
Long-term trade receivables			
Notes receivable	1,506,305	8,623,198	-
	<u>1,506,305</u>	<u>8,623,198</u>	<u>-</u>

As of 31 December 2022, the Group has deducted the amount of TL 500,000,000 collected from factoring companies within the scope of irrevocable factoring from its trade receivables (31 December 2021: TL 0).

As of 31 December 2022, 2021 and 2020, the aging of trade receivables is as follows:

	31 December 2022	31 December 2021	31 December 2020
Not overdue and impaired	4,020,304,506	1,622,722,138	711,367,359
Overdue for 1-30 days, not impaired	40,279,228	16,352,625	22,234,036
Overdue for 1-3 months, not impaired	13,450,773	12,995,947	17,469,398
Overdue for 3-12 months, not impaired	15,351,174	1,592,549	595,794
Overdue for 1-5 years, not impaired	141,112	9,592,379	141,112
	<u>4,089,526,793</u>	<u>1,663,255,638</u>	<u>751,807,699</u>

The Group has evaluated the collateral status of the overdue receivables mentioned above, the current financial position of the related customers and the collections after the reporting date and concluded that there is no impairment on these receivables.

The average maturity applied by the Group for its sales is 200 days (31 December 2021: 218 days and 31 December 2020: 213 days).

The allowance for doubtful receivables for trade receivables is determined based on the future collection expectation and past experience of uncollectibility. The movement of the Group's provision for doubtful trade receivables is as follows:

	1 January- 31 December 2022	1 January- 31 December 2021	1 January- 31 December 2020
Provision for doubtful receivables movements			
Opening balance	10,035,993	9,980,940	3,869,133
Charge for the period	114,142	145,915	838,190
Collections	(110,950)	(90,862)	(40,049)
Reversed provisions	42,517	-	-
Effect of merger	-	-	5,313,666
Closing balance	<u>10,081,702</u>	<u>10,035,993</u>	<u>9,980,940</u>

The nature and level of risks related to trade receivables are disclosed in Note 35.

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8. TRADE RECEIVABLES AND PAYABLES (cont'd)

b) Trade Payables

As of 31 December 2022, 2021 and 2020, the details of the Group's trade payables are as follows:

	31 December 2022	31 December 2021	31 December 2020
Short-term trade payables			
Trade payables (*)	892,333,037	800,069,140	214,779,547
Trade payables to related parties (Note 34)	61,344,940	15,696,283	6,033,082
Expense accruals	2,851,906	1,022,994	735,338
	<u>956,529,883</u>	<u>816,788,417</u>	<u>221,547,967</u>

(*) As of 31 December 2022, letters of credit amounting to TL 563,574,428 are included in trade payables (31 December 2021: TL 570,290,715 and 31 December 2020: TL 60,237,294).

The average payment period of trade payables for the purchase of goods is 103 days (31 December 2021: 145 and 31 December 2020: 84 days).

9. PAYABLES FOR EMPLOYEE BENEFITS

	31 December 2022	31 December 2021	31 December 2020
Payables to personnel	49,134	228,621	1,367,155
Premium provisions to payable personnel	76,163,531	34,054,440	10,143,298
Social security premiums payable	6,472,958	2,843,768	1,840,238
	<u>82,685,623</u>	<u>37,126,829</u>	<u>13,350,691</u>

10. OTHER RECEIVABLES AND PAYABLES

a) Other Receivables

	31 December 2022	31 December 2021	31 December 2020
Other Short-Term Receivables			
Advance tax refund receivable	9,439	3,143	17,337,976
Refund receivable of special consumption tax ("SCT") (*)	148,537	2,277,819	692,259
Deposits and guarantees given	330,756	331,421	245,834
VAT and Other Refund Receivables	37,516,662	364,240	3,748,369
Other	14,030	584,814	-
	<u>38,019,424</u>	<u>3,561,437</u>	<u>22,024,438</u>

(*) In case the raw materials subject to SCT are used in the production of goods that are not subject to SCT, the Special Consumption Tax paid for the purchase of such raw materials can be refunded if the issues specified in the Special Consumption Tax Communiqué numbered 25 are fulfilled. In this context, the SCT amount requested for refund is TL 148,537 (31 December 2021: TL 2,227,819 and 31 December 2020: TL 692,259).

	31 December 2022	31 December 2021	31 December 2020
Other Long-Term Receivables			
Deposits and guarantees given	1,507,922	851,455	458,785
	<u>1,507,922</u>	<u>851,455</u>	<u>458,785</u>

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10. OTHER RECEIVABLES AND PAYABLES (cont’d)

b) Other Payables

<u>Other Short-Term Payables</u>	<u>31 December 2022</u>	<u>31 December 2021</u>	<u>31 December 2020</u>
Dividend payable (*)	7,170,335	6,930,792	7,827,733
Taxes and funds payable	16,498,242	5,229,535	6,138,007
Other miscellaneous liabilities	3,029,871	14,116,580	14,092,952
	<u>26,698,448</u>	<u>26,276,907</u>	<u>28,058,692</u>

(*) Consists of the portion of previous years' dividend payments that have not yet been completed as of 31 December 2022.

<u>Other Long-Term Payables</u>	<u>31 December 2022</u>	<u>31 December 2021</u>	<u>31 December 2020</u>
Other payables to related parties (Note 34)	70,779,296	52,848,957	16,307,898
	<u>70,779,296</u>	<u>52,848,957</u>	<u>16,307,898</u>

11. PREPAID EXPENSES

<u>Short-Term Prepaid Expenses</u>	<u>31 December 2022</u>	<u>31 December 2021</u>	<u>31 December 2020</u>
Order advances given	60,476,247	102,921,449	121,145,035
Prepaid expenses	15,354,756	4,203,859	2,242,571
Advances given to related parties (Note 34)	3,797,666	870,800	-
	<u>79,628,669</u>	<u>107,996,108</u>	<u>123,387,606</u>

<u>Long-Term Prepaid Expenses</u>	<u>31 December 2022</u>	<u>31 December 2021</u>	<u>31 December 2020</u>
Fixed asset advances given to related parties (Note 34)	-	11,789,746	-
Advances given for the purchase of fixed assets	243,085,986	8,916,565	-
	<u>243,085,986</u>	<u>20,706,311</u>	<u>-</u>

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12. DEFERRED INCOME

	31 December 2022	31 December 2021	31 December 2020
Short-Term Deferred Income			
Order advances received	5,703,284	2,817,455	2,795,790
Deferred income	191,207,309	-	201,250
	<u>196,910,593</u>	<u>2,817,455</u>	<u>2,997,040</u>

13. INVENTORIES

	31 December 2022	31 December 2021	31 December 2020
Raw material	976,188,365	475,733,596	150,981,169
Work in-process	218,679,165	44,200,235	37,173,708
Finished goods	419,561,028	140,921,543	111,252,689
Trade goods	410,554,733	64,520,860	33,217,872
Other inventories (*)	875,920,250	423,572,847	85,212,731
Provision for impairment on inventories (-)	(3,576,410)	(307,721)	-
	<u>2,897,327,131</u>	<u>1,148,641,360</u>	<u>417,838,169</u>

(*) As of 31 December 2022, TL 873,458,254 (31 December 2021: TL 423,149,922 and 31 December 2020: TL 82,212,731) of other inventories consist of goods in transit.

	1 January- 31 December 2022	1 January- 31 December 2021	1 January- 31 December 2020
Movement of allowance for impairment on inventory			
Opening balance	(307,721)	-	1,076,133
Charge for the period	(3,576,410)	(307,721)	-
Provision used/reversed	307,721	-	(1,076,133)
Closing balance	<u>(3,576,410)</u>	<u>(307,721)</u>	<u>-</u>

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14. PROPERTY, PLANT AND EQUIPMENT

Property, Plant and Equipment

Cost Value	Lands	Land improvements	Buildings	Plant, machinery and equipment	Vehicles	Furniture and fixtures	Construction in progress (**)	Total
Opening balance as of 1 January 2022	2,439,513	16,625,463	81,188,541	258,899,481	9,531,096	42,761,481	711,466,769	1,122,912,344
Foreign currency translation differences	-	-	-	1,305,740	619,670	32,944	-	1,958,354
Additions	25,419,932	6,395,742	47,982,491	94,498,709	3,569,750	31,604,762	983,454,967	1,192,926,353
Disposals	-	(39,000)	-	(158,543)	(3,433,105)	(933,784)	-	(4,564,432)
Transfers (*)	185,356	211,019	4,832,783	23,203,834	-	55,670	(46,206,244)	(17,717,582)
Closing balance as of 31 December 2022	<u>28,044,801</u>	<u>23,193,224</u>	<u>134,003,815</u>	<u>377,749,221</u>	<u>10,287,411</u>	<u>73,521,073</u>	<u>1,648,715,492</u>	<u>2,295,515,037</u>
<u>Accumulated Depreciation</u>								
Opening balance as of 1 January 2022	-	(6,051,054)	(16,593,940)	(38,260,972)	(2,572,592)	(15,361,282)	-	(78,839,840)
Foreign currency translation differences	-	-	-	(182,768)	(123,470)	(24,951)	-	(331,189)
Charge for the period	-	(947,036)	(2,950,856)	(24,584,119)	(2,163,391)	(9,659,907)	-	(40,305,309)
Disposals	-	10,833	-	88,096	1,664,191	824,276	-	2,587,396
Closing balance as of 31 December 2022	<u>-</u>	<u>(6,987,257)</u>	<u>(19,544,796)</u>	<u>(62,939,763)</u>	<u>(3,195,262)</u>	<u>(24,221,864)</u>	<u>-</u>	<u>(116,888,942)</u>
Carrying value as of 31 December 2022	<u>28,044,801</u>	<u>16,205,967</u>	<u>114,459,019</u>	<u>314,809,458</u>	<u>7,092,149</u>	<u>49,299,209</u>	<u>1,648,715,492</u>	<u>2,178,626,095</u>

(*) TL 17,717,582 has been transferred from construction in progress to intangible assets (Note 16).

(**) As of 31 December 2022, there is capitalised finance expense amounting to TL 156,729,711 on construction in progress.

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14. PROPERTY, PLANT AND EQUIPMENT (cont’d)

a) Property, Plant and Equipment (cont’d)

Cost Value	Lands	Land improvements	Buildings	Plant, machinery and equipment	Vehicles	Furniture and fixtures	Construction in progress (**)	Total
Opening balance as of 1 January 2021	2,439,513	13,554,832	65,458,237	93,410,606	5,433,105	27,345,390	269,998,578	477,640,261
Foreign currency translation differences	-	-	-	1,142,376	623,682	37,044	-	1,803,102
Additions	-	1,713,521	6,931,682	88,196,654	4,826,295	14,663,831	540,142,930	656,474,913
Disposals	-	-	-	(115,339)	(1,351,986)	(429,348)	-	(1,896,673)
Transfers (*)	-	1,357,110	8,798,622	76,265,184	-	1,144,564	(98,674,739)	(11,109,259)
Closing balance as of 31 December 2021	2,439,513	16,625,463	81,188,541	258,899,481	9,531,096	42,761,481	711,466,769	1,122,912,344
<u>Accumulated Depreciation</u>								
Opening balance as of 1 January 2021	-	(5,391,167)	(14,689,468)	(20,826,504)	(1,378,311)	(10,748,307)	-	(53,033,757)
Foreign currency translation differences	-	-	-	(73,238)	(68,000)	(5,586)	-	(146,824)
Charge for the period	-	(659,887)	(1,904,472)	(17,396,636)	(1,587,177)	(4,896,096)	-	(26,444,268)
Disposals	-	-	-	35,406	460,896	288,707	-	785,009
Closing balance as of 31 December 2021	-	(6,051,054)	(16,593,940)	(38,260,972)	(2,572,592)	(15,361,282)	-	(78,839,840)
Carrying value as of 31 December 2021	2,439,513	10,574,409	64,594,601	220,638,509	6,958,504	27,400,199	711,466,769	1,044,072,504

(*) TL 11,430,197 has been transferred from construction in progress to intangible assets (Note 16). The remaining TL 320,938 has been transferred from investment property to property, plant and equipment (Note 17).

(**) As of 31 December 2021, there is capitalised finance expense amounting to TL 66,161,591 on construction in progress.

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14. PROPERTY, PLANT AND EQUIPMENT (cont’d)

a) Property, Plant and Equipment (cont’d)

Cost Value	Lands	Land improvements	Buildings	Plant, machinery and equipment	Vehicles	Furniture and fixtures	Construction in progress	Total
Opening balance as of 1 January 2020	483,163	11,251,310	31,785,164	46,106,598	2,305,386	17,844,505	128,360,300	238,136,426
Foreign currency translation differences	-	-	-	4,800	-	881	-	5,681
Additions	-	4,608	3,140,883	20,647,774	1,617,490	9,461,455	182,207,828	217,080,038
Effect of merger (*)	-	-	-	1,716,993	195,548	392,691	-	2,305,232
Effect of businesses under common control (**)	1,956,350	850,000	8,620,475	18,077,774	1,487,398	36,459	-	31,028,456
Disposals	-	-	-	(1,773,080)	(172,717)	(400,789)	-	(2,346,586)
Transfers from constructions under process (***)	-	1,448,914	21,911,715	8,629,747	-	10,188	(40,569,550)	(8,568,986)
Closing balance as of 31 December 2020	2,439,513	13,554,832	65,458,237	93,410,606	5,433,105	27,345,390	269,998,578	477,640,261
<u>Accumulated Depreciation</u>								
Opening balance as of 1 January 2020	-	(4,915,839)	(13,471,806)	(13,936,822)	(374,699)	(8,004,852)	-	(40,704,018)
Charge for the period	-	(475,328)	(1,217,662)	(7,109,349)	(902,815)	(2,676,405)	-	(12,381,559)
Effect of merger (*)	-	-	-	(1,300,667)	(157,514)	(331,719)	-	(1,789,900)
Disposals	-	-	-	1,520,334	56,717	264,669	-	1,841,720
	-	-	-	-	-	-	-	-
Closing balance as of 31 December 2020	-	(5,391,167)	(14,689,468)	(20,826,504)	(1,378,311)	(10,748,307)	-	(53,033,757)
Carrying value as of 31 December 2020	2,439,513	8,163,665	50,768,769	72,584,102	4,054,794	16,597,083	269,998,578	424,606,504

(*) The related balances consist of the fixed asset balances of Sunset, which was acquired by the Group on 9 June 2020.

(**) Agriventis has been consolidated in the accompanying consolidated financial statements after the acquisition by the Group using the pooling of interests method (Note 2.4).

(***) TL 8,568,986 has been transferred from construction in progress to intangible assets (Note 16).

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15. RIGHT-OF-USE ASSETS

<u>Cost Value</u>	<u>Properties</u>	<u>Vehicles</u>	<u>Total</u>
Opening balance as of 1 January 2022	57.179.656	15.654.690	72.834.346
Additions	22.509.092	90.059.232	112.568.324
Closing balance as of 31 December 2022	<u>79.688.748</u>	<u>105.713.922</u>	<u>185.402.670</u>
<u>Accumulated Amortization</u>			
Opening balance as of 1 January 2022	(22.083.360)	(7.736.099)	(29.819.459)
Charge for the period	(17.455.842)	(19.340.590)	(36.796.432)
Closing balance as of 31 December 2022	<u>(39.539.202)</u>	<u>(27.076.689)</u>	<u>(66.615.891)</u>
Carrying value as of 31 December 2022	<u>40.149.546</u>	<u>78.637.233</u>	<u>118.786.779</u>

<u>Cost Value</u>	<u>Properties</u>	<u>Vehicles</u>	<u>Total</u>
Opening balance as of 1 January 2021	37,920,515	5,710,637	43,631,152
Additions	19,259,141	9,944,053	29,203,194
Closing balance as of 31 December 2021	<u>57,179,656</u>	<u>15,654,690</u>	<u>72,834,346</u>
<u>Accumulated Amortization</u>			
Opening balance as of 1 January 2021	(11,155,907)	(4,371,469)	(15,527,376)
Charge for the period	(10,927,453)	(3,364,630)	(14,292,083)
Closing balance as of 31 December 2021	<u>(22,083,360)</u>	<u>(7,736,099)</u>	<u>(29,819,459)</u>
Carrying value as of 31 December 2021	<u>35,096,296</u>	<u>7,918,591</u>	<u>43,014,887</u>

<u>Cost Value</u>	<u>Properties</u>	<u>Vehicles</u>	<u>Total</u>
Opening balance as of 1 January 2020	36,988,304	5,710,637	42,698,941
Additions	932,211	-	932,211
Closing balance as of 31 December 2020	<u>37,920,515</u>	<u>5,710,637</u>	<u>43,631,152</u>
<u>Accumulated Amortization</u>			
Opening balance as of 1 January 2020	(4,077,948)	(2,176,985)	(6,254,933)
Charge for the period	(7,077,959)	(2,194,484)	(9,272,443)
Closing balance as of 31 December 2020	<u>(11,155,907)</u>	<u>(4,371,469)</u>	<u>(15,527,376)</u>
Carrying value as of 31 December 2020	<u>26,764,608</u>	<u>1,339,168</u>	<u>28,103,776</u>

Amortisation periods of right of use assets are as follows:

	<u>Useful Life</u>
Properties	1-10 years
Vehicles	1-3 years

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16. INTANGIBLE ASSETS

<u>Cost Value</u>	<u>Rights</u>	<u>Development costs</u>	<u>Other intangible assets</u>	<u>Total</u>
Opening balance as of 1 January 2022	196,876,546	14,261,465	5,371,398	216,509,409
Foreign currency translation differences	28,515,284	-	674,796	29,190,080
Additions	31,754,215	58,456	8,594,005	40,406,676
Transfers from construction in-progress (Note 14)	11,542,317	7,798,801	(1,623,536)	17,717,582
Closing balance as of 31 December 2022	<u>268,688,362</u>	<u>22,118,722</u>	<u>13,016,663</u>	<u>303,823,747</u>
<u>Accumulated Amortization</u>				
Opening balance as of 1 January 2022	(24,318,900)	(2,996,108)	(557,355)	(27,872,363)
Foreign currency translation differences	(2,501,062)	-	(126,282)	(2,627,344)
Charge for the period	(17,925,578)	(2,986,765)	(1,376,739)	(22,289,082)
Closing balance as of 31 December 2022	<u>(44,745,540)</u>	<u>(5,982,873)</u>	<u>(2,060,376)</u>	<u>(52,788,789)</u>
Carrying value as of 31 December 2022	<u>223,942,822</u>	<u>16,135,849</u>	<u>10,956,287</u>	<u>251,034,958</u>

<u>Cost Value</u>	<u>Rights</u>	<u>Development costs</u>	<u>Other intangible assets</u>	<u>Total</u>
Opening balance as of 1 January 2021	112,883,505	6,494,095	1,105,511	120,483,111
Foreign currency translation differences	37,328,434	-	244,143	37,572,577
Additions	43,187,298	121,678	3,769,244	47,078,220
Disposals	(54,696)	-	-	(54,696)
Transfers from construction in-progress (Note 14-17)	3,532,005	7,645,692	252,500	11,430,197
Closing balance as of 31 December 2021	<u>196,876,546</u>	<u>14,261,465</u>	<u>5,371,398</u>	<u>216,509,409</u>
<u>Accumulated Amortization</u>				
Opening balance as of 1 January 2021	(12,726,797)	(1,321,189)	(85,887)	(14,133,873)
Foreign currency translation differences	(1,954,012)	-	(57,166)	(2,011,178)
Charge for the period	(9,657,194)	(1,674,919)	(414,302)	(11,746,415)
Disposals	19,103	-	-	19,103
Closing balance as of 31 December 2021	<u>(24,318,900)</u>	<u>(2,996,108)</u>	<u>(557,355)</u>	<u>(27,872,363)</u>
Carrying value as of 31 December 2021	<u>172,557,646</u>	<u>11,265,357</u>	<u>4,814,043</u>	<u>188,637,046</u>

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16. INTANGIBLE ASSETS (cont’d)

Cost Value	Rights	Development costs	Other intangible assets	Total
Opening balance as of 1 January 2020	44,921,829	1,429,086	86,458	46,437,373
Foreign currency translation differences	2,408,174	-	267,570	2,675,744
Additions	1,670,812	-	522,103	2,192,915
Effect of merger (*)	2,372,513	-	-	2,372,513
Effect of businesses under common control (**)	58,063,709	-	229,380	58,293,089
Disposals	(57,509)	-	-	(57,509)
Transfers from construction in-progress (Note 14)	3,503,977	5,065,009	-	8,568,986
Closing balance as of 31 December 2020	112,883,505	6,494,095	1,105,511	120,483,111
Accumulated Amortization				
Opening balance as of 1 January 2020	(6,938,415)	(469,655)	(34,142)	(7,442,212)
Foreign currency translation differences	2,099	-	-	2,099
Charge for the period	(5,146,483)	(851,534)	(51,745)	(6,049,762)
Effect of merger (*)	(657,896)	-	-	(657,896)
Disposals	13,898	-	-	13,898
Closing balance as of 31 December 2020	(12,726,797)	(1,321,189)	(85,887)	(14,133,873)
Carrying value as of 31 December 2020	100,156,708	5,172,906	1,019,624	106,349,238

(*) The related balances consist of the fixed asset balances of Sunset, which was acquired by the Group on 9 June 2020.

(**) Agriventis has been consolidated in the accompanying consolidated financial statements following the acquisition by the Group using the pooling of interests method (Note 2.4)

17. INVESTMENT PROPERTIES

Cost Value	Lands	Land and land improvements	Buildings	Total
Opening balance as of 1 January 2022	373,749	585,408	5,419,911	6,379,068
Closing balance as of 31 December 2022	373,749	585,408	5,419,911	6,379,068
Accumulated Depreciation				
Opening balance as of 1 January 2022	-	(264,450)	(1,338,735)	(1,603,185)
Charge for the period	-	(11,706)	(112,094)	(123,800)
Closing balance as of 31 December 2022	-	(276,156)	(1,450,829)	(1,726,985)
Carrying value as of 31 December 2022	373,749	309,252	3,969,082	4,652,083

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17. INVESTMENT PROPERTIES (cont’d)

<u>Cost Value</u>	<u>Lands</u>	<u>Land and land improvements</u>	<u>Buildings</u>	<u>Total</u>
Opening balance as of 1 January 2021	373,749	585,408	5,740,849	6,700,006
Transfer	-	-	(320,938)	(320,938)
Closing balance as of 31 December 2021	<u>373,749</u>	<u>585,408</u>	<u>5,419,911</u>	<u>6,379,068</u>
<u>Accumulated Depreciation</u>				
Opening balance as of 1 January 2021	-	(252,744)	(1,225,490)	(1,478,234)
Charge for the period	-	(11,706)	(113,245)	(124,951)
Closing balance as of 31 December 2021	<u>-</u>	<u>(264,450)</u>	<u>(1,338,735)</u>	<u>(1,603,185)</u>
Carrying value as of 31 December 2021	<u>373,749</u>	<u>320,958</u>	<u>4,081,176</u>	<u>4,775,883</u>
<u>Cost Value</u>	<u>Lands</u>	<u>Land and land improvements</u>	<u>Buildings</u>	<u>Total</u>
Opening balance as of 1 January 2020	293.790	585.408	2.603.072	3.482.270
Additions	79.959	-	974.576	1.054.535
Effect of business combinations (*)	-	-	2.163.201	2.163.201
Closing balance as of 31 December 2020	<u>373.749</u>	<u>585.408</u>	<u>5.740.849</u>	<u>6.700.006</u>
<u>Accumulated Depreciation</u>				
Opening balance as of 1 January 2020	-	(241.039)	(1.070.261)	(1.311.300)
Charge for the period	-	(11.705)	(90.815)	(102.520)
Effect of business combinations (*)	-	-	(64.414)	(64.414)
Closing balance as of 31 December 2020	<u>-</u>	<u>(252.744)</u>	<u>(1.225.490)</u>	<u>(1.478.234)</u>
Carrying value as of 31 December 2020	<u>373.749</u>	<u>332.664</u>	<u>4.515.359</u>	<u>5.221.772</u>

(*) Consists of investment property balances of Sunset, which was acquired by the Group on 9 June 2020.

As of 1 October 2012, the Group has leased the factory building in Şanlıurfa which is not actively used in production and as of 23 November 2020, the factory building in Adana which is not actively used in production. Therefore, the related assets are recognised as investment property. The rental income obtained from these properties in the current period is TL 1,114,383 (31 December 2020: TL 888,857 rental income and 31 December 2020: TL 594,286 rental income) (Note 30a).

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17. INVESTMENT PROPERTIES (cont'd)

Fair value measurements of the Group's investment properties

As of 31 December 2022, 2021 and 2020 the fair value of the Group's investment properties has been evaluated by an independent valuation firm authorized by Yetkin Gayrimenkul ve Değerleme Danışmanlık Anonim Şirketi. The relevant company is authorized by the CMB and provides real estate valuation services in accordance with the capital market legislation and has sufficient experience and qualifications in measuring the fair value of real estates in the relevant regions. The fair value of the freehold land was determined based on the market comparable approach that reflects recent transaction prices for similar properties.

As of 31 December 2022, 2021 and 2020, the Group's investment properties and the fair value hierarchy of the said assets are shown in the table below:

	Fair value level as of reporting date		
	Level 1 TL	Level 2 TL	Level 3 TL
2022			
Land, Lands and Land Improvements and Building	-	40,594,000	-
2021			
Land, Lands and Land Improvements and Building	-	15,314,000	-
2020			
Land, Lands and Land Improvements and Building	-	11,721,000	-

18. GOODWILL

Company	Date of Purchase	31 December 2022	31 December 2021	31 December 2020
Ferbis	2017	10,321,922	10,321,922	10,321,922
Sunset	2020	59,047,335	59,047,335	59,047,335
Arma (*)	2020	36,950,435	36,950,435	36,950,435
		<u>106,319,692</u>	<u>106,319,692</u>	<u>106,319,692</u>

(*) Arma has been started to be consolidated in the accompanying consolidated financial statements of the Group after the transfer, by pooling of interests method.

In accordance with the accounting policy set out in Note 2, the Group tests annually or more frequently for any impairment on goodwill. The impairment test for cash-generating units was performed as of 31 December 2022. The test was conducted in accordance with the discounted cash flow method, taking into account the “net fair value less cost to sell”.

The Group Management has calculated the value in use of the cash-generating unit to which the goodwill amount is linked in the impairment study of the goodwill arising from the acquisition of Ferbis, Sunset and Arma.

The estimated fair value calculated according to the discounted cash flow method exceeds the recoverable amount as of 31 December. No impairment provision was made during 2022, 2021 and 2020.

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18. GOODWILL (cont'd)

The important assumptions used in the calculation of recoverable amounts are discount rates, final growth rates and EBITDA (Earnings before interest, depreciation and tax) growth rates. The values used in the assumptions are based on Group Management's assessment of future trends in the pesticide market and internal and external sources (historical data). The main assumptions reflecting the weighted average of all cash-generating units included in the relevant operating segments are as follows:

<u>Weighted average</u>	<u>31 December 2022</u>	<u>31 December 2021</u>	<u>31 December 2020</u>
Discount rate, gross	24%-25%	29%-30%	19%
Final growth rate	5%	5%	5%
Budgeted EBITDA growth rate (average of the next five years)	22%-45%	23%-31%	23%

In the discounted cash flow model, estimated cash flows during the license period are included. The long-term growth rate has been determined based on the long-term compound EBITDA growth rate estimated by Group Management and believed to be consistent with the assumptions made by a market participant.

Budgeted EBITDA has been determined based on expected future results, taking into account past experience, and has been adjusted for the following factors.

After determining the basic revenue figures, it is assumed that these prices will increase in line with the estimated inflation in the first five years.

The Group compared the estimated recoverable amount of the cash-generating unit with its carrying amount and concluded that there was no impairment.

19. GOVERNMENT GRANTS AND INCENTIVES

The Company benefited from VAT Exemption, Insurance Premium Employer's Share Support, Tax Reduction, Customs Duty Exemption support element investment incentive certificate and tax reduction amounting to TL 97,256,901 from the TR Ministry of Economy within the scope of the production of Pesticides (Pesticide) and Other Agricultural - Chemical Products that dated 1 May 2020 and numbered 510660, starting at 30 April 2020 and ending at 30 April 2023, dated 24 May 2019 and numbered 503711, starting at 24 May 2019 and ending at 24 May 2022, dated 31 December 2019 and numbered 507656, starting at 26 December 2019 and ending at 26 December 2024, dated 3 November 2020 and numbered 516676, starting at 3 November 2020 and ending at 3 November 2023, dated 1 October 2021 and numbered 528148, starting at 29 September 2021 and ending at 29 September 2024, dated 4 October 2022 dated and numbered 542168, starting at 29 September 2022 and ending at 29 September 2025, dated 13 May 2019 dated and numbered 506178, starting at 13 May 2019 and ending at 12 November 2023.

As of 31 December 2022, the Company has a tax advantage of TL 97,653,155 that can be used in the following years regarding the incentive. TL 97,256,901 of the related balance is included in the deferred tax calculation, and the remaining TL 396,254 is not included in the deferred tax calculation.

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20. GUARANTEES, PLEDGE AND MORTGAGES

The details of the Company’s Guarantees/Pledge/Mortgages (“GPM”) are as follows:

31 December 2022	TL equivalent	TL	US Dollar	Euro
A. Total Amount of GPMs Given for Company’s Own Legal Personality				
-Guarantee	106.362.852	104.817.624	82.640	-
-Pledge	-	-	-	-
-Mortgage	-	-	-	-
B. GPMs Given on Behalf of Fully Consolidated Companies				
-Guarantee	-	-	-	-
-Pledge	-	-	-	-
-Mortgage	-	-	-	-
-Other (*)	2.318.958.400	2.000.000.000	-	16.000.000
C. GPMs Given in the Normal Course of Business Activities on Behalf of Third Parties				
-Guarantee	-	-	-	-
-Pledge	-	-	-	-
-Mortgage	-	-	-	-
D. Total Amount of Other GPMs				
i. Total Amount of GPMs Given on Behalf of the Parent				
-Guarantee	-	-	-	-
-Pledge	-	-	-	-
-Mortgage	-	-	-	-
ii. Total Amount of GPMs Given to on Behalf of Other Group Companies which are not in Scope of B and C				
-Guarantee	-	-	-	-
-Pledge	-	-	-	-
-Mortgage	-	-	-	-
iii. Total Amount of GPMs Given on Behalf of Third Parties which are not in Scope of C				
-Guarantee	-	-	-	-
-Pledge	-	-	-	-
-Mortgage	-	-	-	-
Total	2.425.321.252	2.104.817.624	82.640	16.000.000

(*) The balance consists of guarantees given on behalf of the Group’s subsidiaries for their financial borrowings as of 31 December 2022.

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20. GUARANTEES, PLEDGE AND MORTGAGES (cont’d)

31 December 2021	TL equivalent	TL	US Dollar	Euro
A. Total Amount of GPMs Given for Company’s Own Legal Personality				
-Guarantee	36.263.140	35.809.954	34.000	-
-Pledge	-	-	-	-
-Mortgage	-	-	-	-
B. GPMs Given on Behalf of Fully Consolidated Companies				
-Guarantee	-	-	-	-
-Pledge	-	-	-	-
-Mortgage	-	-	-	-
-Other (*)	1.261.387.200	1.020.000.000	-	16.000.000
C. GPMs Given in the Normal Course of Business Activities on Behalf of Third Parties				
-Guarantee	-	-	-	-
-Pledge	-	-	-	-
-Mortgage	-	-	-	-
D. Total Amount of Other GPMs				
i. Total Amount of GPMs Given on Behalf of the Parent				
-Guarantee	-	-	-	-
-Pledge	-	-	-	-
-Mortgage	-	-	-	-
ii. Total Amount of GPMs Given to on Behalf of Other Group Companies which are not in Scope of B and C				
-Guarantee	-	-	-	-
-Pledge	-	-	-	-
-Mortgage	-	-	-	-
iii. Total Amount of GPMs Given on Behalf of Third Parties which are not in Scope of C				
-Guarantee	-	-	-	-
-Pledge	-	-	-	-
-Mortgage	-	-	-	-
Total	1.297.650.340	1.055.809.954	34.000	16.000.000

(*) The balance consists of guarantees given on behalf of the Group’s subsidiaries for their financial borrowings as of 31 December 2021.

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20. GUARANTEES, PLEDGE AND MORTGAGES (cont’d)

31 December 2020	TL equivalent	TL	US Dollar	Euro
A. Total Amount of GPMs Given for Company’s Own Legal Personality				
-Guarantee	22.285.774	22.285.774	-	-
-Pledge	-	-	-	-
-Mortgage	-	-	-	-
B. GPMs Given on Behalf of Fully Consolidated Companies				
-Guarantee	-	-	-	-
-Pledge	-	-	-	-
-Mortgage	-	-	-	-
-Other (*)	479.126.400	335.000.000	-	16.000.000
C. GPMs Given in the Normal Course of Business Activities on Behalf of Third Parties				
-Guarantee	-	-	-	-
-Pledge	-	-	-	-
-Mortgage	-	-	-	-
D. Total Amount of Other GPMs				
i. Total Amount of GPMs Given on Behalf of the Parent				
-Guarantee	-	-	-	-
-Pledge	-	-	-	-
-Mortgage	-	-	-	-
ii. Total Amount of GPMs Given to on Behalf of Other Group Companies which are not in Scope of B and C				
-Guarantee	-	-	-	-
-Pledge	-	-	-	-
-Mortgage	-	-	-	-
iii. Total Amount of GPMs Given on Behalf of Third Parties which are not in Scope of C				
-Guarantee	-	-	-	-
-Pledge	-	-	-	-
-Mortgage	-	-	-	-
Total	501.412.174	357.285.774	-	16.000.000

(*) The balance consists of guarantees given on behalf of the Group’s subsidiaries for their financial borrowings as of 31 December 2020.

As of 31 December, there are no guarantees, pledges and mortgages given on behalf of its own legal entity, apart from the letters of guarantee presented above.

The ratio of the Group's other GPMs to equity is 0% as of 31 December 2022 (2021 and 2020: %0).

21. CURRENT TAX ASSETS

	31 December 2022	31 December 2021	31 December 2020
Current tax assets			
Other prepaid taxes and funds	63,725,652	1,079,923	583,486
	<u>63,725,652</u>	<u>1,079,923</u>	<u>583,486</u>

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22. SHORT-TERM AND LONG-TERM PROVISIONS

a) Short-term Provisions

	31 December 2022	31 December 2021	31 December 2020
Short-term provisions			
Provisions for legal cases (*)	2,491,440	1,630,818	1,738,425
Provision for unused vacation	9,622,834	4,361,761	2,522,688
	<u>12,114,274</u>	<u>5,992,579</u>	<u>4,261,113</u>

(*) Contains possible liabilities relating to the reemployment lawsuits filed by employees whose employment contracts are terminated.

The movements of the provisions for litigation for the period ending on 31 December 2022, 2021 and 2020 are as follows:

	1 January- 31 December 2022	1 January- 31 December 2021	1 January- 31 December 2020
Provision as of 1 January	1,630,818	1,738,425	1,531,672
Provision expense for the period	1,242,380	371,473	414,020
Provisions released	(381,758)	(479,080)	(207,267)
Provision as of 31 December	<u>2,491,440</u>	<u>1,630,818</u>	<u>1,738,425</u>

The movements of the provision for unused vacation for the period ending on 31 December 2022, 2021 and 2020 are as follows:

	1 January- 31 December 2022	1 January- 31 December 2021	1 January- 31 December 2020
Provision as of 1 January	4,361,761	2,522,688	1,670,533
Provision expense for the period	4,943,512	1,839,073	852,155
Foreign currency translation difference	317,561	-	-
Provision as of 31 December	<u>9,622,834</u>	<u>4,361,761</u>	<u>2,522,688</u>

b) Long-Term Provisions

Long-term provisions for employee benefits as of 31 December 2022, 2021 and 2020 are presented below:

	31 December 2022	31 December 2021	31 December 2020
Long-term provisions			
Provision for employment termination benefit	51,573,889	18,781,884	11,161,823
Seniority incentive premium provision	6,028,046	2,594,768	1,255,129
	<u>57,601,935</u>	<u>21,376,652</u>	<u>12,416,952</u>

Provision for Severance Incentive Bonus:

The Group provides a benefit in the name of “Seniority Incentive Bonus” to its employees with a certain seniority. In this respect, the Group pays one salary equivalent of seniority incentive bonus for each work period of 10 years. The current value of the severance incentive premium liability has been calculated by an independent actuary in the current year and the assumptions used in the calculation of provisions for severance pay were used.

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22. SHORT-TERM AND LONG-TERM PROVISIONS (cont’d)

b) Provisions for Employee Benefits (cont’d)

Provision for Severance Incentive Bonus (cont’d):

The movements of the provisions for severance incentive premium in the fiscal period ending on 31 December 2022, 2021 and 2020 are presented below:

	1 January- 31 December 2022	1 January- 31 December 2021	1 January- 31 December 2020
Provision as of 1 January	2,594,768	1,255,129	919,257
Service cost	3,045,132	1,223,780	334,569
Interest cost	605,829	204,849	121,268
Amount paid during the period	(217,683)	(88,990)	(119,965)
Provision as of 31 December	<u>6,028,046</u>	<u>2,594,768</u>	<u>1,255,129</u>

Provision for employment termination benefit:

Under the Effective Labor Law provisions, employees whose employment contract is terminated with eligibility for severance pay must be paid the statutory severance pays for which they are eligible. Furthermore, under the provision of the article 60 of the Social Security Law no. 506 which is still effective, amended by the laws no. 2422 dated 6 March 1981 and no. 4447 dated 25 August 1999, statutory severance pay must also be paid to those who are eligible for resigning with severance pay.

The employment termination benefit payable as of 31 December 2022 is subject to a monthly cap of TL 15,371.40 (31 December 2021: TL 8,284.51 and 31 December 2020: TL 7,117.17). The severance pay liability is not legally subject to any funding.

The severance pay liability is calculated according to the estimation of the current value of the future probable obligation of the Group arising from the retirement of the employees. TAS 19 (“Benefits Provided to Employees”) prescribes that the Group’s liabilities are developed by using actuarial valuation methods within the scope of defined benefit plans. The severance pay liability was calculated by an independent actuary and the Projected Unit Credit Method was used in the calculation. The actuarial assumptions used in the calculation of the current value of the liabilities are specified below.

	31 December 2022	31 December 2021	31 December 2020
Discount rate	16,19%	19,00%	12,80%
Inflation rate	14,23%	15,00%	8,50%

The estimated rate of employment termination benefit amounts which will not be paid as a result of voluntary resignations and which will remain within the Group has been taken into account as well. It has been assumed that the voluntary resignation rates of employees would depend on their past service period; the past experience was analyzed and the assumed voluntary resignations expected prospectively were reflected in the calculation in order to calculate the total severance pay liability. In the actuarial calculations made, the voluntary resignation possibility of employees was included in the calculation at the rates which decline as the previous service period increases. Accordingly, the possibility of voluntary resignation is between 11 percent and 0 percent for personnel whose previous service period is between 0 and 15 years and above.

The important estimates used in the calculation of the severance pay liability are the discount rate and the probability of voluntary dismissal.

- If the discount rate is increased by 1 percent annually, the amount of severance pay decreases by 10.5 percent.
- If the discount rate is decreased by 1 percent annually, the amount of severance pay increases by 12.7 percent.
- If the annual inflation rate is increased by 1 percent, the amount of severance pay increases by 12.8 percent.
- If the annual inflation rate is decreased by 1 percent, the amount of severance pay decreases by 10.8 percent.
- If the possibility of voluntary departure is not used, the amount of severance pay increases by 9.0 percent.

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22. SHORT-TERM AND LONG-TERM PROVISIONS (cont'd)

b) Provisions for Employee Benefits (cont'd)

The movement of provision for employee termination benefits for the accounting period ending on 31 December 2022, 2021 and 2020 is presented below:

	1 January- 31 December 2022	1 January- 31 December 2021	1 January- 31 December 2020
Provision as of 1 January	18,781,884	11,161,823	9,064,208
Service cost	4,184,934	1,816,105	1,390,175
Interest cost	4,521,983	1,735,434	1,129,975
Employment termination benefits paid	(1,954,968)	(2,021,797)	(798,581)
Earnings / (loss) from reducing benefits / layoffs	1,144,635	72,608	1,277
Actuarial loss/gain	24,895,421	6,017,711	374,769
Provision as of 31 December	<u>51,573,889</u>	<u>18,781,884</u>	<u>11,161,823</u>

23. OTHER ASSETS AND LIABILITIES

	31 December 2022	31 December 2021	31 December 2020
<u>Other Current Assets</u>			
Deferred VAT	247,481,295	81,592,344	29,464,620
Other miscellaneous current assets	11,832,501	7,906,859	3,793,939
	<u>259,313,796</u>	<u>89,499,203</u>	<u>33,258,559</u>

24. EQUITY

a) Share Capital

The paid-in capital structure of the Company as of 31 December 2022, 2021 and 2020 is as follows:

Shareholders	%	31 December 2022	%	31 December 2021	%	31 December 2020
Ordu Yardımlaşma Kurumu	58.8	1,488,146,000	58.8	505,843,051	53.8	122,458,564
Public	41.2	1,041,854,000	41.2	354,156,949	46.2	105,112,536
		<u>2,530,000,000</u>		<u>860,000,000</u>		<u>227,571,100</u>

The registered capital ceiling of the Company is TL 3,000,000,000 (31 December 2021: TL 1,000,000,000 and 31 December 2020: TL 400,000,000).

(*) The Company decided to increase the registered capital ceiling from TL 1,000,000,000 to TL 3,000,000,000 with the Board of Directors decision dated 15 April 2022 and this decision was registered on 24 October 2022.

On accordance with the decision of the Board of Directors on the 'Capital Increase with and without Bonus' taken at the meeting numbered 63 on 15 April 2022, based on the authority in Article 7 of the Company's Articles of Association, within the registered capital ceiling of TL 3,000,000,000 of Hektaş, TL 380,000,000 of the issued capital of TL 860,000,000 without bonus, TL 1,670,000,000 with an increase of 194 percent, covering 1,290,000,000 Turkish Liras in cash has been increased to TL 2,530,000,000.

The capital consists of 2,530,000,000,000 shares with a nominal value of TL 0.01 and there are no preferred shares.

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24. EQUITY (cont’d)

a) Share Capital (cont’d)

After the exercise of new share purchase rights (priority rights), the shares corresponding to the unused new share purchase rights and with a total nominal value of TL 637,847 are exchanged on Borsa Istanbul A.Ş. for 2 (two) business days on 31 October-1 November 2022 in the Primary Market, and all of the remaining shares were sold for TL 18,268,091 and the capital increase was completed on 01 November 2022. Our company provided funds amounting to TL 1,307,630,440.29 in total due to the capital increase.

b) Restricted Reserves Appropriated from Profit

	31 December 2022	31 December 2021	31 December 2020
Legal Reserves	59,011,345	46,485,140	38,087,444
	<u>59,011,345</u>	<u>46,485,140</u>	<u>38,087,444</u>

In accordance with Turkish Commercial Law, legal reserves are classified as first and second reserves. The Group reserves 5% of the historical statutory profit as first legal reserve, until the total reserve reaches 20% of the historical paid in share capital. The other legal reserve is appropriated at the rate of 10% per annum of all cash dividend distributions after the payment of dividends to the shareholders at a rate of 5%. According to Turkish Commercial Law, general legal reserves cannot be distributed unless it exceeds 50% of the issued capital yet can be used to close the losses when the profit reserves are insufficient.

Publicly traded companies distribute their dividends in this way: in accordance with the CMB decision dated 25 February 2005 and numbered 7/242; if the entire profit distribution amount calculated in accordance with the regulations of the CMB regarding the minimum profit distribution obligation over the net distributable profit found in accordance with the CMB regulations can be met from the distributable profit in the legal records, the whole of this amount, and if not, the entire net distributable profit in the legal records will be distributed. If there is a period loss in the financial statements prepared in accordance with the CMB regulations or in any of the legal records, profit distribution will not be made.

With the decision of the Capital Markets Board dated 27 January 2010, no minimum profit distribution obligation was introduced for the dividend distribution to be made for publicly held joint stock companies whose shares are traded on the stock exchange.

Equity inflation adjustment differences and registered values of extraordinary reserves, bonus issue capital increase; cash can be used for profit distribution or loss offset. However, if the equity inflation adjustment differences are used in cash profit distribution, they will be subject to corporate tax.

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24. EQUITY (cont'd)

c) Actuarial loss and gain fund for employee benefits

	31 December 2022	31 December 2021	31 December 2020
Defined benefit plans remeasurement losses	(34,186,216)	(9,290,795)	(3,273,084)
Deferred tax	6,584,145	1,605,061	401,519
	<u>(27,602,071)</u>	<u>(7,685,734)</u>	<u>(2,871,565)</u>

25. SALES AND COST OF SALES

a) Revenue

	1 January- 31 December 2022	1 January- 31 December 2021	1 January- 31 December 2020
Domestic sales	5,373,556,131	1,969,523,108	990,726,388
Foreign sales	190,766,333	86,590,093	50,415,494
Other sales	156,628	23,425,967	5,851,020
Sales returns (-)	(14,223,386)	(6,195,288)	(6,631,614)
Sales discounts (-)	(312,820,572)	(52,625,544)	(26,642,159)
	<u>5,237,435,134</u>	<u>2,020,718,336</u>	<u>1,013,719,129</u>

b) Cost of Sales

	1 January- 31 December 2022	1 January- 31 December 2021	1 January- 31 December 2020
Raw material expenses	(1,540,952,441)	(690,476,737)	(493,077,592)
Personnel expenses	(122,030,645)	(56,063,455)	(42,568,420)
General production expenses	(162,418,880)	(30,360,069)	(26,686,161)
Depreciation and amortization expenses	(36,255,761)	(26,031,954)	(8,740,671)
Transportation expenses	(132,851,891)	(42,195,069)	(21,701,021)
Changes in work in-process inventories	174,478,930	7,026,527	12,595,798
Changes in finished goods inventories	278,639,485	29,668,854	2,527,208
	<u>(1,541,391,203)</u>	<u>(808,431,903)</u>	<u>(577,650,859)</u>
Cost of goods sold	(1,541,391,203)	(808,431,903)	(577,650,859)
Cost of trade goods sold and other sales	(1,595,354,537)	(503,961,464)	(84,754,667)
	<u>(3,136,745,740)</u>	<u>(1,312,393,367)</u>	<u>(662,405,526)</u>

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NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022 AND FOR THE PERIOD ENDED (All amounts are indicated in Turkish Lira (“TL”).)

26. MARKETING EXPENSES, GENERAL ADMINISTRATIVE EXPENSES, RESEARCH AND DEVELOPMENT EXPENSES

	1 January- 31 December 2022	1 January- 31 December 2021	1 January- 31 December 2020
General administrative expenses (-)	(202,894,547)	(87,414,515)	(49,867,097)
Marketing expenses (-)	(230,881,921)	(87,391,904)	(50,758,497)
Research and development expenses (-)	(84,688,730)	(35,379,921)	(18,972,288)
	<u>(518,465,198)</u>	<u>(210,186,340)</u>	<u>(119,597,882)</u>

a) Marketing Expenses

	1 January- 31 December 2022	1 January- 31 December 2021	1 January- 31 December 2020
Personnel expenses	(118.450.808)	(52.570.179)	(31.121.801)
Advertisement expenses	(36.914.484)	(9.066.558)	(4.402.161)
Depreciation expenses	(19.868.187)	(5.155.056)	(3.897.897)
Transportation expenses	(14.159.445)	(6.438.728)	(3.923.834)
Exhibition and fair expenses	(6.516.138)	(940.192)	(237.373)
Travel expenses	(6.341.756)	(1.439.760)	(847.884)
Energy and maintenance expenses	(5.847.138)	(851.447)	(574.338)
Dealer meeting expense	(4.900.187)	(3.156.975)	(216.766)
Cleaning Expenses	(2.350.082)	(573.850)	(325.909)
Insurance expenses	(1.636.308)	(960.698)	(510.319)
Representation expenses	(1.217.633)	(498.279)	(173.550)
Litigation follow and consultancy expenses	(1.210.355)	(146.973)	(109.491)
Outsourced security costs	(1.134.750)	(268.799)	(149.874)
Tax duty fees	(1.132.820)	(1.205.562)	(785.108)
Rent expenses	(982.729)	(192.344)	(58.702)
Information technologies expenses	(473.081)	(365.001)	(570.165)
Telephone Expenses	(336.646)	(494.858)	(256.525)
Other	(7.409.374)	(3.066.645)	(2.596.800)
	<u>(230.881.921)</u>	<u>(87.391.904)</u>	<u>(50.758.497)</u>

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26. MARKETING EXPENSES, GENERAL ADMINISTRATIVE EXPENSES, RESEARCH AND DEVELOPMENT EXPENSES (cont’d)

b) General Administrative Expenses

	1 January- 31 December 2022	1 January- 31 December 2021	1 January- 31 December 2020
Personnel expenses	(87.275.921)	(41.322.044)	(20.197.894)
Outsourced Services and Repair maintenance expense	(24.811.742)	(7.238.316)	(3.816.261)
Depreciation expenses	(24.399.873)	(12.014.156)	(10.311.295)
Energy expenses	(12.017.134)	(3.143.065)	(628.424)
Consultancy expenses	(11.855.081)	(4.811.713)	(5.634.166)
Ligitatiton follow and consultancy expenses	(11.620.548)	(3.363.703)	(995.000)
Transportation expenses	(5.306.722)	(2.885.676)	(1.008.483)
Oursourced security costs	(4.246.245)	(1.188.253)	(921.760)
Travel expenses	(3.712.627)	(1.185.884)	(298.887)
Tax duty fees	(2.382.738)	(1.911.334)	(1.961.520)
Rent expenses	(1.614.874)	(1.068.397)	(239.397)
Announcement and general assembly expenses	(1.036.986)	(372.242)	(196.897)
Insurance expenses	(949.254)	(1.036.249)	(200.112)
Stationery expenses	(366.456)	(220.566)	(71.834)
Information technologies expenses	(365.411)	(1.599.611)	(323.935)
Representation expenses	(332.442)	(232.480)	(57.107)
Dues expenses	(249.125)	(102.173)	(63.700)
Meeting expenses	(170.862)	(30.661)	(17.903)
POE expense	(82.364)	(36.760)	(15.567)
Provision for doubtful receivable (net)	(3.192)	(55.053)	(798.141)
Other	(10.094.950)	(3.596.179)	(2.108.814)
	<u>(202.894.547)</u>	<u>(87.414.515)</u>	<u>(49.867.097)</u>

c) Research and Development Expenses

	1 January- 31 December 2022	1 January- 31 December 2021	1 January- 31 December 2020
Personnel expenses	(27.480.753)	(10.482.077)	(5.208.828)
Depreciation expenses	(18.867.002)	(9.281.600)	(4.753.901)
Information technologies expense	(6.727.998)	(3.181.379)	(1.575.712)
License and License Usage Expenses	(6.611.186)	(3.851.652)	(3.093.572)
Consultancy expenses	(5.808.196)	(2.078.620)	(1.035.095)
Repair maintenance cleaning expense	(5.637.503)	(2.337.461)	(955.541)
Transportation expenses	(4.427.629)	(1.630.205)	(874.024)
Energy expenses	(601.275)	(148.110)	(14.116)
Oursourced security costs	(471.889)	(3.767)	(66.559)
Incusance expenses	(335.892)	(160.044)	(125.948)
Tax duty fees	(237.793)	(136.472)	(22.077)
Stationary expenses	(124.770)	(36.346)	(15.782)
POE expense	(84.433)	(34.396)	(18.226)
Other	(7.272.411)	(2.017.792)	(1.212.907)
	<u>(84.688.730)</u>	<u>(35.379.921)</u>	<u>(18.972.288)</u>

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27. EXPENSES BY NATURE

For the periods ended 31 December 2022, 2021 and 2020, details of depreciation and amortisation expenses are as follows:

a) Depreciation and Amortization Expenses

	1 January- 31 December 2022	1 January- 31 December 2021	1 January- 31 December 2020
Tangible and right-of-use assets	(77,101,741)	(40,736,351)	(21,654,002)
Production cost	(32,479,765)	(23,276,211)	(8,221,314)
Marketing expenses	(15,807,118)	(4,553,922)	(3,409,019)
General administrative expenses	(23,903,979)	(11,267,795)	(8,902,953)
Research and development expenses	(4,910,879)	(1,638,423)	(1,120,716)
Intangible assets	(22,289,082)	(11,746,415)	(6,049,762)
Production cost	(3,775,996)	(2,755,743)	(519,357)
Marketing expenses	(4,061,069)	(601,134)	(488,878)
General administrative expenses	(495,894)	(746,361)	(1,408,342)
Research and development expenses	(13,956,123)	(7,643,177)	(3,633,185)
Investment properties	(123,800)	(124,951)	(102,520)
Expenses from investing activities	(123,800)	(124,951)	(102,520)
	<u>(99,514,623)</u>	<u>(52,607,717)</u>	<u>(27,806,284)</u>

b) Employee Benefits

	1 January- 31 December 2022	1 January- 31 December 2021	1 January- 31 December 2020
Personnel Expenses			
Salary and wages	(261,286,619)	(127,345,483)	(77,632,219)
Social insurance expenses	(27,540,151)	(12,474,126)	(8,199,477)
Other benefit and services	(66,411,357)	(20,618,146)	(13,265,247)
	<u>(355,238,127)</u>	<u>(160,437,755)</u>	<u>(99,096,943)</u>

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28. OTHER OPERATING INCOME

Other operating income for the years ended 31 December 2022, 2021 and 2020 is as follows:

	1 January- 31 December 2022	1 January- 31 December 2021	1 January- 31 December 2020
Exchange difference income (*)	30,081,431	188,524	1,225,043
Provisions released	-	-	16,418
Interest income from sales	461,152	752,705	532,659
Damage compensation income	234,654	15,084	299,546
Other income	7,612,813	4,230,946	1,888,999
	<u>38,390,050</u>	<u>5,187,259</u>	<u>3,962,665</u>

29. OTHER OPERATING EXPENSES

Other operating expenses for the years ended 31 December 2022, 2021 and 2020 are as follows:

	1 January- 31 December 2022	1 January- 31 December 2021	1 January- 31 December 2020
Exchange difference expense (*)	(192,726,466)	(82,076,211)	(5,029,526)
Rediscount expense related to other payables	(610,358)	(1,287,785)	(691,857)
Other expense and losses	(8,330,407)	(2,647,173)	(2,388,769)
	<u>(201,667,231)</u>	<u>(86,011,169)</u>	<u>(8,110,152)</u>

(*) It arises from trade receivables and trade payables.

30. INCOME AND EXPENSES FROM INVESTING ACTIVITIES

a) Income from Investing Activities

The details of income from investing activities for the year ended 31 December 2022, 2021 and 2020 are as follows:

	1 January- 31 December 2022	1 January- 31 December 2021	1 January- 31 December 2020
Fixed asset sales profit	4,149,929	1,689,973	1,384,966
Rents received	1,114,383	888,857	594,286
Other	1,878,389	-	-
	<u>7,142,701</u>	<u>2,578,830</u>	<u>1,979,252</u>

(*) It consists of exchange rate protected deposits and investment funds

b) Expenses from Investing Activities

The details of expenses from investing activities for the year ended 31 December 2022, 2021 and 2020 are as follows:

	1 January- 31 December 2022	1 January- 31 December 2021	1 January- 31 December 2020
Fixed asset sales loss	(436,278)	(56,193)	(283,697)
Depreciation of investment properties (Note 17)	(123,800)	(124,951)	(102,520)
	<u>(560,078)</u>	<u>(181,144)</u>	<u>(386,217)</u>

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31. FINANCE INCOME AND EXPENSES

a) Finance Income

The details of financing income for the years ended 31 December 2022, 2021 and 2020 are as follows:

	1 January - 31 December 2022	1 January - 31 December 2021	1 January - 31 December 2020
Interest income	92,232,138	16,468,467	2,507,809
Exchange difference income	117,199,271	93,804,267	10,048,069
Option transactions income	26,706,993	16,612,146	-
	<u>236,138,402</u>	<u>126,884,880</u>	<u>12,555,878</u>

b) Finance Expenses

The details of financing expenses for the years ended 31 December 2022, 2021 and 2020 are as follows:

	1 January - 31 December 2022	1 January - 31 December 2021	1 January - 31 December 2020
Bank loan interest expenses	(792,695,439)	(197,328,187)	(67,490,253)
Interest expense related to bond and bill transactions	(137,031,810)	(2,310,553)	(16,844,527)
Interest expenses related to lease liabilities	(13,422,652)	(5,791,581)	(4,587,993)
Employment termination benefit interest expenses	(5,127,812)	(1,940,283)	(1,129,975)
Banking transaction expenses	(157,643,837)	(6,968,911)	(4,084,117)
Option transactions expenses	(11,040,198)	(10,935,886)	(485,728)
Exchange difference expense	(20,749)	(94,378)	(180,666)
	<u>(1,116,982,497)</u>	<u>(225,369,779)</u>	<u>(94,803,259)</u>

32. INCOME TAXES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES)

Corporate Tax

The Group is subject to the corporate tax effective in Turkey. The necessary provisions were set aside in the attached financial statements for the Group’s estimated tax liabilities pertaining to the current period’s operating results. Turkish tax legislation does not allow the parent company to file a tax return based on the consolidated financial statements of its subsidiaries. Therefore, tax liabilities reflected in these consolidated financial statements were calculated separately for all companies included in the scope of consolidation.

The corporate tax rate to be accrued on the taxable corporate profits is calculated over the tax base remaining after addition of non-deductible expenses that are booked as expense in the determination of business profits and after deduction of non-taxable incomes and other deductions (previous years’ losses, if any, and investment allowances used if preferred).

The effective tax rate applied in 2022 is 23% and 22% (2021: 25%, 2020: 22%).

The “Law on the Amendment of Certain Tax Laws and Certain Other Laws” no. 7061 was published in the Official Gazette dated 5 December 2017 numbered 30261. Under the article 89 of this Law, the article 5 titled “Exemptions” of the Corporate Tax Law is amended. Pursuant to the clause (a) of the first paragraph of the article, the 75% exemption applied to the earnings arising from the sales of immovable property retained for two full years in the assets of corporations is reduced to 50 percent. This regulation became effective as of 5 December 2017.

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32. INCOME TAXES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (cont’d)

Corporate Tax (cont’d)

	31 December 2022	31 December 2021	31 December 2020
Provision for current corporate tax	(63,016,558)	(4,438,104)	(227,555)
Less: Prepaid taxes and funds	119,669,204	2,569,633	583,486
Current tax assets / (liabilities)	<u>56,652,646</u>	<u>(1,868,471)</u>	<u>355,931</u>

Deferred Tax:

The Group recognizes deferred tax assets and liabilities based upon temporary differences arising between its financial statements as reported for TAS purposes and its statutory tax financial statements. These differences usually result in the recognition of revenue and expenses in different reporting periods for TAS and tax purposes and they are given below.

The tax rate used in the calculation of deferred tax assets and liabilities is 25% and 23% for the temporary timing differences expected to reverse in 2021 and 2022, and 20% for the temporary timing differences expected to reverse in 2023 and beyond (2021: 25% and 2020: 22%).

Subsidiaries with deferred tax assets are not netted off with subsidiaries with deferred tax liabilities and are shown separately, as businesses in Turkey cannot declare consolidated tax returns.

	1 January- 31 December 2022	1 January- 31 December 2021	1 January- 31 December 2020
<u>Tax (expense) / income consists of:</u>			
Current tax (expense)	(63,016,558)	(4,438,104)	(227,555)
Deferred tax (expense) / income	307,379,275	(3,514,887)	30,200,508
Total tax (expense) / income	<u>244,362,717</u>	<u>(7,952,991)</u>	<u>29,972,953</u>
	31 December 2022	31 December 2021	31 December 2020
<u>Deferred tax assets / (liabilities) :</u>			
Tax advantage from investment discount	97,256,901	36,148,742	29,999,453
Employment termination benefit and severance incentive premium provisions	11,520,388	4,275,330	2,477,963
Provision for unused vacation and premium	17,093,762	8,792,988	2,538,644
Differences in book values of inventories	9,615,736	(206,464)	(7,146)
Depreciation of property, plant and equipment/amortization of other intangible assets	156,026,605	(38,586,279)	(22,073,801)
Fair value differences of derivative instruments	423,418	(8,714,069)	(2,038,183)
Other	14,992,565	(6,302,184)	(3,410,732)
	<u>306,929,375</u>	<u>(4,591,936)</u>	<u>7,486,198</u>

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32. INCOME TAXES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (cont’d)

Movement of deferred tax assets/(liabilities) for the year ended 31 December 2022, 2021 and 2020 is as follows:

	1 January- 31 December 2022	1 January- 31 December 2021	1 January- 31 December 2020
<u>Movement of deferred tax asset / (liability):</u>			
Opening balance as of 1 January	(4,591,936)	7,486,198	(4,442,841)
(Expense) / income recognized in statement of income	307,379,275	(3,514,887)	30,200,508
Income recognized in the statement of other comprehensive income	9,333,046	(1,554,405)	(2,060,375)
Effect of businesses under common control (*)	-	-	(10,604,844)
Foreign currency translation differences	(5,191,010)	(7,008,842)	(5,606,250)
Closing balance as of 31 December	<u>306,929,375</u>	<u>(4,591,936)</u>	<u>7,486,198</u>

(*) Arma and Agriventis has been started to be consolidated in the accompanying consolidated financial statements of the Group after the transfer, by pooling of interests method (Note 2.4).

	1 January- 31 December 2022	1 January- 31 December 2021	1 January- 31 December 2020
<u>Reconciliation of tax provision:</u>			
Profit before tax	544,685,543	321,227,506	146,913,888
Income tax rate of 23% - 22% (2021: 25%, 2020: 20%)	22%	25%	22%
Expected tax expense	<u>(119,830,819)</u>	<u>(80,306,877)</u>	<u>(32,321,055)</u>
Tax effects of:			
- non-taxable income	3,954,448	1,944,855	2,086,430
- non-deductible expenses	(20,988,875)	(5,896,364)	(710,652)
- change of tax rate from 20% to 25% and 23%	(7,093,409)	2,058,430	248,506
- effect of revaluation of property, plant and equipment and intangible assets	228,029,046		
- investment incentive discount	155,097,806	58,797,836	65,406,669
- cash capital interest discount	17,478,709	18,608,805	-
- effect of other non-taxable items	(12,284,189)	(3,159,676)	(4,736,945)
Tax provision income / (expense) in the statement of profit or loss	<u>244,362,717</u>	<u>(7,952,991)</u>	<u>29,972,953</u>

(*) As of 31 December 2022, the Group has accumulated tax losses amounting to TL 46,722,262 (31 December 2021: TL 14,511,074, 31 December 2020: TL 10,578,333). Tax advantage of these losses amounting to TL 9,344,452 is not included in the deferred tax calculation (31 December 2021: TL 2,903,634 and 31 December 2020: TL 2,799,582)

33. EARNINGS PER SHARE

	1 January - 31 December 2022	1 January - 31 December 2021	1 January - 31 December 2020
<u>Earnings per share</u>			
Weighted average number of shares outstanding during the period (*)	134,986,263,736	105,208,791,195	83,999,999,986
Net profit of the parent for the period	<u>802,289,709</u>	<u>319,390,940</u>	<u>178,656,607</u>
Profit per share obtained from ongoing activities			
- a hundred ordinary stock (TL)	0.59	0.30	0.21

(*) The weighted average number of shares is calculated by taking into account the retrospective effects of these share distributions.

In the current fiscal period ending as of 31 December 2022, it has been decided that the distributable profit for the 2021 accounting period will not be distributed, and the remaining amount will be recorded in extraordinary reserves, after the first legal reserves have been set aside, by evaluating the conditions stipulated in the Company's profit distribution policy. Dividends from previous periods, which have not yet been requested by the partners, are also followed under the other payables account.

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34. RELATED PARTY DISCLOSURES

Details of the balances and transactions between the Group and other related parties are explained below:

	31 December 2022		31 December 2021		31 December 2020	
	Trade		Trade		Trade	
Balances with related parties	Receivables	Payables	Receivables	Payables	Receivables	Payables
Oyak İnşaat A.Ş. (*)	-	19,251,673	-	-	4,304	721,507
Oyak Grup Sigorta ve Reasürans Brokerliği A.Ş. (*)	-	9,834,640	-	3,489,466	-	495,958
OYAK (**)	-	8,902,982	-	2,395,840	-	1,354,661
OYAK Savunma ve Güvenlik Hiz. A.Ş.	-	6,926,710	-	1,653,161	-	768,626
OYAK Pazarlama Hizmet Turizm A.Ş. (*)	-	6,326,019	-	2,532,511	1,377	1,114,633
Omsan Lojistik A.Ş. (*)	-	3,451,381	-	2,173,785	-	1,577,647
Oyak Biyoteknoloji San.ve Ticaret A.Ş. (*)	-	3,019,321	-	2,392,365	-	-
Oyak Akaryakıt ve LPG Yatırımları A.Ş. (*)	-	2,117,212	2,965	-	-	-
Güzel Enerji Akaryakıt A.Ş. (*)	806	1,375,655	-	483,594	4,696	-
Ataer Holding A.Ş. (*)	-	113,155	-	-	-	-
Satem Grup Gıda Dağıtım ve Pazarlama A.Ş. (*)	49,567	15,619	-	127,021	-	-
Tamek Grup Gıda Üretim A.Ş. (*)	34,220	10,231	-	353,017	-	-
Doco Petrol Ve Danışmanlık A.Ş. (*)	-	342	-	16,318	97,614	-
Mais Motorlu Araçlar İmal ve Satış A.Ş. (*)	-	-	-	582	8,349	50
Ereğli Demir ve Çelik Fabrikaları T.A.Ş. (*)	-	-	181,529	-	259,401	-
İskenderun Demir Ve Çelik A.Ş. (*)	-	-	-	-	192,339	-
Oyak Gıda Ve Tarım Holding Anonim Şirketi (*)	26,104	-	28,661	-	-	-
Likitgaz Dağıtım Ve Endüstri A.Ş. (*)	-	-	20,527	-	35,382	-
Sagra Grup Gıda Üretim ve Ticaret A.Ş. (*)	-	-	220,975	-	-	-
Oyak Denizcilik ve Liman İşletmeleri A.Ş. (*)	-	-	3,388	-	4,003	-
Erdemir Çelik Servis Merkezi San. ve Tic. A.Ş. (*)	-	-	-	-	8,006	-
Oyak Çimento Fabrikaları A.Ş. (*)	-	-	6,580	-	16,587	-
Oyak Elektrik Enerjisi Toptan Satış A.Ş. (*)	-	-	-	78,623	-	-
Kümaş Manyezit San.A.Ş. (*)	1,576	-	31,522	-	-	-
Kaan Akaryakıt Ssnayi ve Tic. A.Ş.(*)	-	-	14,806	-	-	-
Akdeniz Chemson Kimya Sanayi ve Ticaret A.Ş. (*)	-	-	9,322	-	31,902	-
Petrol Petrol Ür.Taş.Araç.Ve Dış Tic.A.Ş. (*)	-	-	3,615	-	-	-
Sagra Grup Gıda A.Ş.(*)	34,221	-	-	-	-	-
Armada Petrol Ürünleri Sanayi ve Ticaret Ltd. Şti. (*)	-	-	-	-	1,275	-
Berkim Petrol Denizcilik Ve Nakliyat A.Ş. (*)	-	-	-	-	1,042	-
	<u>146,494</u>	<u>61,344,940</u>	<u>523,890</u>	<u>15,696,283</u>	<u>666,277</u>	<u>6,033,082</u>

(*) Companies managed by the parent

(**) Parent of the Company

Trade receivables from related parties arise from sales of goods and services and their average maturity is 2 months. The aforementioned receivables are unsecured and no interest is charged.

Trade payables to related parties generally arise from purchase of goods and services and their average maturity is 1 month. No interest is charged for these payables.

	31 December	31 December	31 December
Fixed asset advances given to related parties	2022	2021	2020
Oyak İnşaat A.Ş. (*)	-	11,789,746	-
	<u>-</u>	<u>11,789,746</u>	<u>-</u>

(*) The Company managed by the parent company

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34. RELATED PARTY DISCLOSURES (cont’d)

	31 December 2022	31 December 2021	31 December 2020
Short term advances to related parties			
Oyak Elektrik Enerjisi Toptan Satış A.Ş. (*)	3.797.666	870.800	-
	<u>3.797.666</u>	<u>870.800</u>	<u>-</u>
Other long term borrowings received from related parties			
Oyak Sermaye Yatırımları A.Ş. (*)	70.779.296	52.848.957	16.307.898
	<u>70.779.296</u>	<u>52.848.957</u>	<u>16.307.898</u>

	1 January - 31 December 2022		1 January - 31 December 2021		1 January - 31 December 2020	
Transactions with related parties	Purchases	Sales	Purchases	Sales	Purchases	Sales
Oyak İnşaat A.Ş. (*)	437.433.830	6.011	30.885.057	21.895	22.938.636	22.696
Oyak Biyoteknoloji Sanayi ve Tic.A.Ş. (*)	47.393.858	999	2.387.200	59.790	-	-
Omsan Lojistik A.Ş. (*)	38.815.922	-	12.530.085	6.268	8.326.111	6.551
OYAK Pazarlama Hizmet Turizm A.Ş. (*)	34.571.203	5.730	11.777.208	56.177	8.068.733	55.420
Oyak Elektrik Enerjisi Toptan Satış A.Ş. (*)	28.452.907	-	391.025	-	5.976.675	-
OYAK Savunma ve Güvenlik Hiz. A.Ş. (*)	18.279.720	-	7.799.493	130.626	-	-
Güzel Enerji Akaryakıt A.Ş. (*)	12.977.092	14.895	3.070.286	43.770	1.162.204	46.452
OYAK Yatırım Menkul Değerler A.Ş. (*)	9.811.001	-	518.450	-	541.100	8.522
Doco Petrol ve Danışmanlık A.Ş. (*)	3.340.967	4.851	540.830	117.207	2.138	156.048
OYAK Sermaye Yatırımları A.Ş. (*)	1.306.497	-	-	-	-	-
Ordu Yardımlaşma Kurumu (**)	366.245	8.398	-	67.315	618.914	107.558
Satem Grup Gıda Dağıtım ve Pazarlama A.Ş.	59.951	1.939	-	-	-	-
Mais Motorlu Araçlar İmal ve Satış A.Ş. (*)	13.143	11.965	34.212	32.651	151.278	60.924
Tamek Grup Gıda Üretim A.Ş. (*)	-	2.771.753	577.497	174.453	-	-
Ereğli Demir ve Çelik Fabrikaları T.A.Ş. (*)	-	199.192	-	732.653	-	730.225
Likitgaz Dağıtım Ve Endüstri A.Ş. (*)	-	32.567	-	64.369	-	49.025
İskenderun Demir Ve Çelik A.Ş. (*)	-	29.180	-	271.695	-	274.833
Akdeniz Chemson Kimya Sanayi ve Ticaret A.Ş. (*)	-	18.469	-	86.722	-	61.536
Oyak Denizcilik ve Liman İşletmeleri A.Ş. (*)	-	12.441	-	20.428	-	15.993
Erdemir Çelik Servis Merkezi San. ve Tic. A.Ş. (*)	-	11.380	-	31.569	-	53.447
Oyak Çimento Fabrikaları A.Ş. (*)	-	6.164	-	26.790	-	46.512
Erdemir Madencilik San Ve Tic. A.Ş. (*)	-	4.785	-	26.101	-	35.968
Kaan Akaryakıt Sanayi ve Ticaret A.Ş. (*)	-	1.167	-	19.756	-	109.982
Other (*)	-	19.077	-	103.756	101	47.162
	<u>632.822.336</u>	<u>3.160.963</u>	<u>70.511.343</u>	<u>2.093.991</u>	<u>47.785.890</u>	<u>1.888.854</u>

(*) Companies managed by the parent

(**) Parent of the Company

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34. RELATED PARTY DISCLOSURES (cont’d)

Key management personnel consist of the Members of the Board of Directors, the General Manager and the Deputy General Managers. The salaries and similar benefits paid to key management personnel for their services are as follows.

	1 January- 31 December 2022	1 January- 31 December 2021	1 Ocak- 31 Aralık 2020
Salaries and other short-term benefits	28,299,112	14,861,528	8,871,631
	<u>28,299,112</u>	<u>14,861,528</u>	<u>8,871,631</u>

35. NATURE AND LEVEL OF THE RISKS ARISING FROM FINANCIAL INSTRUMENTS

Capital risk management

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

The capital structure of the Group consists of debts including the loans disclosed in Note 4 and Note 7, cash and cash equivalents, and equity items including issued capital, reserves and previous year profits disclosed respectively in Note 24.

The Board of Directors of the Group convenes regularly, reviewing the capital structure and indebtedness of the Group. During these reviews, the Board evaluates the risks associated with each capital class together with the cost of capital. The Group aims to maintain the balance of its capital structure by obtaining new loans or repaying the existing debts, based on the recommendations of the Board.

The general strategy of the Group does not differ from the previous period.

Financial risk factors

The Group is exposed to market risk (exchange rate risk and price risk), credit risk and liquidity risk due to its activities. The Group’s risk management program is generally focused on minimizing the potential negative impacts of the uncertainty in the financial markets on the Group’s financial performance. The Group also uses derivative products occasionally as protection against financial risks.

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35. NATURE AND LEVEL OF THE RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

Credit risk management

Credit risks exposed in terms of financial instruments

	Receivables				Deposits at Banks	Other Cash Equivalents	Financial Investments	Derivative Instruments
	Trade Receivables		Other Receivables					
<u>31 December 2022</u>	Related Party	Other Party	Related Party	Other Party				
Maximum credit risk exposed as of reporting date (A+B+C+D) (*)	146.494	4.089.380.299	-	39.527.346	1.445.150.544	86.063.557	162.664	29.155.226
- Secured portion of the maximum risk with guarantee etc (**)	-	856.082.171	-	-	-	-	-	-
A. Net book value of financial assets not past due nor impaired instruments	146.494	4.020.016.899	-	39.527.346	1.445.150.544	86.063.557	162.664	29.155.226
B. Assets past due but not impaired	-	69.222.287	-	-	-	-	-	-
- Secured portion with guarantee etc	-	32.182.677	-	-	-	-	-	-
C. Net book value of impaired assets	-	10.222.815	-	-	-	-	-	-
- Past due (gross book value)	-	-	-	-	-	-	-	-
- Impairment (-)	-	(10.081.702)	-	-	-	-	-	-
- Secured portion of the net value with guarantee etc	-	141.113	-	-	-	-	-	-
- Not past due (gross book value)	-	-	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-	-	-
- Secured portion of the net value with guarantee etc	-	-	-	-	-	-	-	-
D. Items including off-balance sheet risk	-	-	-	-	-	-	-	-

(*) The factors that increase the credit reliability, such as guarantee received are not considered in the determination of the amount.

(**) Guarantees consist of the letters of guarantee, guarantee notes and mortgages received from customers.

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35. NATURE AND LEVEL OF THE RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

Credit risk management (cont'd)

Credit risks exposed in terms of financial instruments	Receivables				Deposits at Banks	Other Cash Equivalents	Financial Investments	Derivative Instruments
	Trade Receivables		Other Receivables					
31 December 2021	Related Party	Other Party	Related Party	Other Party				
Maximum credit risk exposed as of reporting date (A+B+C+D) (*)	523.890	1.662.731.748	-	4.412.892	94.960.343	12.372.149	-	169.694.609
- Secured portion of the maximum risk with guarantee etc (**)	-	369.467.222	-	-	-	-	-	-
A. Net book value of financial assets not past due nor impaired instruments	523.890	1.622.057.135	-	4.412.892	94.960.343	12.372.149	-	169.694.609
B. Assets past due but not impaired	-	40.533.500	-	-	-	-	-	-
- Secured portion with guarantee etc	-	16.119.775	-	-	-	-	-	-
C. Net book value of impaired assets	-	10.177.106	-	-	-	-	-	-
- Past due (gross book value)	-	-	-	-	-	-	-	-
- Impairment (-)	-	(10.035.993)	-	-	-	-	-	-
- Secured portion of the net value with guarantee etc	-	141.113	-	-	-	-	-	-
- Not past due (gross book value)	-	-	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-	-	-
- Secured portion of the net value with guarantee etc	-	-	-	-	-	-	-	-
D. Items including off-balance sheet risk	-	-	-	-	-	-	-	-

(*) The factors that increase the credit reliability, such as guarantee received are not considered in the determination of the balance.

(**) Guarantees consist of the letters of guarantee, guarantee notes and mortgages received from customers.

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35. NATURE AND LEVEL OF THE RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

Credit risk management (cont'd)

Credit risks exposed in terms of financial instruments	Receivables				Deposits at Banks	Other Cash Equivalents	Financial Investments	Derivative Instruments
	Trade Receivables		Other Receivables					
	Related Party	Other Party	Related Party	Other Party				
31 December 2020								
Maximum credit risk exposed as of reporting date (A+B+C+D) (*)	666.277	751.141.422	-	22.483.223	70.460.676	8.267.345	-	48.868.820
- Secured portion of the maximum risk with guarantee etc (**)	-	254.247.758	-	-	-	-	-	-
A. Net book value of financial assets not past due nor impaired instruments	666.277	710.701.082	-	22.483.223	70.460.676	8.267.345	-	48.868.820
B. Assets past due but not impaired	-	40.299.228	-	-	-	-	-	-
- Secured portion with guarantee etc	-	18.361.142	-	-	-	-	-	-
C. Net book value of impaired assets	-	10.122.052	-	-	-	-	-	-
- Impairment (-)	-	(9.980.940)	-	-	-	-	-	-
- Secured portion of the net value with guarantee etc	-	141.112	-	-	-	-	-	-
- Not past due (gross book value)	-	-	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-	-	-
- Secured portion of the net value with guarantee etc	-	-	-	-	-	-	-	-
D. Items including off-balance sheet risk	-	-	-	-	-	-	-	-

(*) The factors that increase the credit reliability, such as guarantee received are not considered in the determination of the balance.

(**) Guarantees consist of the letters of guarantee, guarantee notes and mortgages received from customers.

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35. NATURE AND LEVEL OF THE RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont’d)

Credit risk management (cont’d)

Credit risk is defined as the risk of financial loss to the Group due to the failure of one of the parties to the financial instrument to fulfill its contractual obligations. The Group tries to conduct transactions only with parties with credit reliability and to reduce its credit risk by obtaining sufficient guarantee, where possible. The credit risks to which the Group is exposed and the credit ratings of customers are constantly monitored.

Trade receivables cover many customers distributed to various industries and geographical areas. Credit assessments are continuously carried out on customers’ trade receivable balances and guarantees are received where deemed necessary. Guarantees are primarily received as letters of guarantee and mortgage.

Overdue receivables are aged as follows:

	<u>31 December 2022</u>	<u>31 December 2021</u>	<u>31 December 2020</u>
	<u>Trade</u>	<u>Trade</u>	<u>Trade</u>
	<u>Receivables</u>	<u>Receivables</u>	<u>Receivables</u>
1-30 days overdue	40,279,228	16,352,625	22,234,036
1-3 months overdue	13,450,773	12,995,947	17,469,398
3-12 months overdue	15,351,174	1,592,549	595,794
1-5 years overdue	10,363,927	19,769,485	10,122,052
Total overdue receivables	<u>79,445,102</u>	<u>50,710,606</u>	<u>50,421,280</u>
Secured portion with guarantee etc.	<u>32,323,790</u>	<u>16,260,888</u>	<u>18,502,254</u>

Provisions were set aside for TL 10,081,702 of the overdue receivables, as of the balance sheet date. (31 December 2021: TL 10,035,993 and 31 December 2020: TL 9,980,940). The guarantees received for the overdue trade receivables for which no provisions were set aside are as follows:

	<u>31 December</u>	<u>31 December</u>	<u>31 December</u>
	<u>2022</u>	<u>2021</u>	<u>2020</u>
Letters of guarantee	<u>32,323,790</u>	<u>16,260,888</u>	<u>18,502,254</u>
	<u>32,323,790</u>	<u>16,260,888</u>	<u>18,502,254</u>

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35. NATURE AND LEVEL OF THE RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont’d)

Liquidity risk management

The main responsibility regarding liquidity risk management belongs to the Board of Directors. The Board of Directors has established a suitable liquidity risk management for the short, medium and long-term funding and liquidity requirements of the Group Management. The Group manages the liquidity risk by regularly monitoring the estimated and actual cash flows and ensuring the continuity of sufficient funds and borrowing reserves, by matching the maturities of financial assets and liabilities.

The following table demonstrates the maturity distribution of the Group’s financial liabilities which are not in the nature of derivatives. The following tables have been prepared based on the earliest dates when payment should be made and without discounting the Group’s liabilities. Interests payable over the liabilities in question are included in the table below. Derivative financial liabilities on the other hand have been arranged according to undiscounted net cash inflows and outflows. Forward instruments are paid as net amounts for future transactions which must be paid as gross amounts and are realized over the undiscounted, gross cash inflows and outflows. The amount disclosed when the receivables or payables are not fixed is determined by using the interest rate derived from the yield curves on the report date.

31 December 2022

<u>Contractual maturities</u>	<u>Book Value</u>	<u>Total contractual cash outflows (I+II+III)</u>	<u>Less than 3 months (I)</u>	<u>Between 3-12 months (II)</u>	<u>Between 1-5 years (III)</u>
Non-derivative financial liabilities					
Financial liabilities	7.295.531.224	7.791.607.464	3.537.140.826	4.001.776.458	252.690.180
Trade payables	956.529.883	956.529.883	401.662.029	554.867.854	-
Payables related to employee benefits	82.685.623	82.685.623	6.525.395	76.160.228	-
Other payables	97.477.744	97.477.744	16.498.241	10.200.207	70.779.296
	8.432.224.474	8.928.300.714	3.961.826.491	4.643.004.747	323.469.476
Derivative financial liabilities					
Derivative cash inflows	24.586.710	326.077.065	6.076.948	320.000.117	-
Derivative cash outflows	-	(293.508.690)	(6.379.750)	(287.128.940)	-
	24.586.710	32.568.375	(302.802)	32.871.177	-

31 December 2021

<u>Contractual maturities</u>	<u>Book Value</u>	<u>Total contractual cash outflows (I+II+III)</u>	<u>Less than 3 months (I)</u>	<u>Between 3-12 months (II)</u>	<u>Between 1-5 years (III)</u>
Non-derivative financial liabilities					
Financial liabilities	2,271,275,132	2,539,768,854	602,320,639	1,868,883,211	68,565,004
Trade payables	816,788,417	816,788,417	259,132,286	557,656,131	-
Payables related to employee benefits	37,126,829	37,126,829	3,072,389	34,054,440	-
Other payables	79,125,864	79,125,864	5,229,535	21,047,372	52,848,957
	3,204,316,242	3,472,809,964	869,754,849	2,481,641,154	121,413,961
Derivative financial liabilities					
Derivative cash inflows	158,758,723	552,470,888	310,709,000	210,685,766	31,076,122
Derivative cash outflows	-	(425,905,949)	(306,306,569)	(104,431,066)	(15,168,314)
	158,758,723	126,564,939	4,402,431	106,254,700	15,907,808

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35. NATURE AND LEVEL OF THE RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont’d)

Liquidity risk management (cont’d)

31 December 2020

<u>Contractual maturities</u>	<u>Book Value</u>	<u>Total contractual cash outflows (I+II+III)</u>	<u>Less than 3 months (I)</u>	<u>Between 3-12 months (II)</u>	<u>Between 1-5 years (III)</u>
Non-derivative financial liabilities					
Financial liabilities	1.051.907.446	1.131.025.748	224.007.047	731.192.799	175.825.902
Trade payables	221.547.967	221.547.967	98.614.154	122.933.813	-
Payables related to employee benefits	13.350.691	13.350.691	3.207.293	10.143.398	-
Other payables	44.366.590	44.366.590	6.138.004	21.920.688	16.307.898
	1.331.172.694	1.410.290.996	331.966.498	886.190.698	192.133.800
Derivative financial liabilities					
Derivative cash inflows	48.383.092	150.858.325	6.508.208	-	144.350.117
Derivative cash outflows	-	(137.056.673)	(17.457.293)	-	(119.599.380)
	48.383.092	13.801.652	(10.949.085)	-	24.750.737

Market risk

The Group’s activities are primarily exposed to the financial risks related with the changes in foreign exchange rates. The Group occasionally uses forward foreign exchange purchase / sale contracts in order to keep the risks associated with foreign exchange rates under control.

In the current year, there has been no changes in the market risk to which the Group is exposed or the management and measurement methods for the risks, compared to the previous year.

Exchange rate risk management

Transactions in foreign currency result in exchange rate risks. Exchange rate risk is managed through the forward foreign exchange purchase / sale contracts concluded based on approved policies. Distribution of the Group’s monetary assets and monetary liabilities in foreign currency as of the reporting date is as follows:

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(All amounts are indicated in Turkish Lira ("TL").)**35. NATURE AND LEVEL OF THE RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)***Exchange rate risk management (cont'd)*

	31 December 2022		
	TL Equivalent (Functional currency)	US Dollar	Euro
Trade Receivable	80,702,667	4,316,043	-
Monetary Financial Assets	117,636,858	6,278,690	11,840
Non-Monetary Financial Assets	46,414,089	2,425,155	53,565
CURRENT ASSETS	244,753,614	13,019,888	65,405
Non-Monetary Financial Assets	-	-	-
NON-CURRENT ASSETS	-	-	-
TOTAL ASSETS	244,753,614	13,019,888	65,405
Financial Liabilities	39,869,800	-	2,000,000
Trade Payables	711,324,947	34,329,659	3,482,269
CURRENT LIABILITIES	751,194,747	34,329,659	5,482,269
Financial Liabilities	-	-	-
NON-CURRENT LIABILITIES	-	-	-
TOTAL LIABILITIES	751,194,747	34,329,659	5,482,269
Net asset/ liability position of off-balance sheet derivative instruments	324,884,247	15,242,800	2,000,000
Amount of active off-balance sheet foreign currency derivatives	324,884,247	15,242,800	2,000,000
	-	-	-
Net foreign currency asset liability position	(181,556,886)	(6,066,971)	(3,416,864)
Fair value of financial instruments used for foreign currency hedging	22,674,598	-	-
Amounts of hedged portion of foreign currency assets	39,869,800	-	2,000,000
Export	180,060,181	10,419,154	860
Import	2,871,006,567	163,256,545	11,715,355

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(All amounts are indicated in Turkish Lira ("TL").)**35. NATURE AND LEVEL OF THE RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)**Exchange rate risk management (cont'd)

	31 December 2021		
	TL Equivalent (Functional currency)	US Dollar	Euro
Trade Receivable	60,981,081	4,575,068	-
Monetary Financial Assets	44,194,770	1,650,515	1,471,167
Non-Monetary Financial Assets	75,805,959	5,637,261	44,205
CURRENT ASSETS	180,981,810	11,862,844	1,515,372
Non-Monetary Financial Assets	4,385,574	329,025	-
NON-CURRENT ASSETS	4,385,574	329,025	-
TOTAL ASSETS	185,367,384	12,191,869	1,515,372
Financial Liabilities	203,670,450	-	13,500,000
Trade Payables	696,593,573	49,181,892	2,720,816
CURRENT LIABILITIES	900,264,023	49,181,892	16,220,816
Financial Liabilities	30,173,400	-	2,000,000
NON-CURRENT LIABILITIES	30,173,400	-	2,000,000
TOTAL LIABILITIES	930,437,423	49,181,892	18,220,816
Net asset/ liability position of off-balance sheet derivative instruments	513,752,850	21,000,000	15,500,000
Amount of active off-balance sheet foreign currency derivatives	513,752,850	21,000,000	15,500,000
Net foreign currency asset liability position	(231,317,189)	(15,990,023)	(1,205,444)
Fair value of financial instruments used for foreign currency hedging	142,376,886	-	-
Amounts of hedged portion of foreign currency assets	513,752,850	21,000,000	15,500,000
Export	81,351,557	9,037,786	-
Import	979,925,842	83,177,726	17,858,511

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35. NATURE AND LEVEL OF THE RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

Exchange rate risk management (cont'd)

	31 December 2020		
	TL Equivalent (Functional currency)	US Dollar	Euro
Trade Receivable	19,568,048	2,665,765	-
Monetary Financial Assets	42,679,715	2,807,232	2,450,430
CURRENT ASSETS	62,247,763	5,472,997	2,450,430
TOTAL ASSETS	62,247,763	5,472,997	2,450,430
Financial Liabilities	2,251,975	-	250,000
Trade Payables	167,093,504	14,363,925	6,844,560
CURRENT LIABILITIES	169,345,479	14,363,925	7,094,560
Financial Liabilities	139,622,450	-	15,500,000
NON-CURRENT LIABILITIES	139,622,450	-	15,500,000
TOTAL LIABILITIES	308,967,929	14,363,925	22,594,560
Net asset/ liability position of off-balance sheet derivative instruments	141,874,425	-	15,750,000
Amount of active off-balance sheet foreign currency derivatives	141,874,425	-	15,750,000
Net foreign currency asset liability position	(104,845,741)	(8,890,928)	(4,394,130)
Fair value of financial instruments used for foreign currency hedging	40,327,504	-	-
Amounts of hedged portion of foreign currency assets	141,874,425	-	15,750,000
Export	42,117,016	6,332,273	1,898
Import	439,545,015	47,356,804	12,397,980

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35. NATURE AND LEVEL OF THE RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont’d)

Sensitivity to exchange rate risk

The Group is exposed to exchange rate risk, primarily in USD and Euro.

The following table shows the Group’s sensitivity to a 10% increase and decrease in USD and Euro rates. The 10% rate refers to the rate used while reporting the exchange rate risk to senior managers within the Group. The sensitivity analysis only covers the monetary items in open foreign currency at the end of the year and shows the effects of the 10% change in exchange rates at the end of the year for these items. A negative value signifies a decline in the profit/loss and other equity items.

	31 December 2022	
	Profit / Loss	
	Appreciation of foreign currency	Depreciation of foreign currency
In case USD appreciates 10% against TL		
Net asset/liability of USD	(39.845.649)	39.845.649
Portion hedged from USD risk (-)	28.501.445	(28.501.445)
USD net effect	(11.344.204)	11.344.204
In case EUR appreciates 10% against TL		
Net asset/liability of EUR	(10.798.464)	10.798.464
Portion hedged from EUR risk (-)	3.986.980	(3.986.980)
EUR net effect	(6.811.484)	6.811.484
TOTAL	(18.155.689)	18.155.689

	31 December 2021	
	Profit / Loss	
	Appreciation of foreign currency	Depreciation of foreign currency
In case USD appreciates 10% against TL		
Net asset/liability of USD	(21.313.102)	21.313.102
USD net effect	(21.313.102)	21.313.102
In case EUR appreciates 10% against TL		
Net asset/liability of EUR	(25.203.002)	25.203.002
Portion hedged from EUR risk (-)	23.384.385	(23.384.385)
EUR net effect	(1.818.617)	1.818.617
TOTAL	(23.131.719)	23.131.719

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35. NATURE AND LEVEL OF THE RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont’d)

Sensitivity to exchange rate risk (cont’d)

	31 December 2020	
	Profit / Loss	
	Appreciation of foreign currency	Depreciation of foreign currency
In case USD appreciates 10% against TL		
Net asset/liability of USD	(6.526.386)	6.526.386
USD net effect	(6.526.386)	6.526.386
In case EUR appreciates 10% against TL		
Net asset/liability of EUR	(18.145.631)	18.145.631
Portion hedged from EUR risk (-)	14.187.443	(14.187.443)
EUR net effect	(3.958.188)	3.958.188
TOTAL	(10.484.574)	10.484.574

Interest rate risk management

The Group keeps its risk related with the changes in the interest rate very low in order to provide financing. The financial liabilities of the Group consist of fixed-interest instruments. Therefore, the Group does not have any risks which may be from fluctuations in the interest rate.

Price risk

Price risk is a combination of foreign currency, interest and market risk and is naturally managed by the Group by matching its payables and receivables in the same currency with the assets and liabilities bearing interest. Market risk is closely monitored by the Group by reviewing market information and through suitable valuation methods.

36. FINANCIAL INSTRUMENTS

Fair value measurements hierarchy table

The Group classifies the fair value measurements of financial instruments, which are reflected in the financial statements at fair value, as follows, by using a three-level hierarchy, depending on the source of inputs of each financial instrument class.

Level 1: Valuation techniques where market prices traded (unadjusted) in an active market are used for the designated financial instruments.

Level 2: Other valuation techniques that include direct or indirect observable input.

Level 3: Valuation techniques that do not include observable market input

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36. FINANCIAL INSTRUMENTS (cont'd)

Fair value measurements hierarchy table (cont'd)

Classes and fair values of financial instruments

	Financial assets at amortized cost	Financial assets at fair value through other comprehensive income	Financial assets at fair value through profit or loss	Financial liabilities at amortized cost	Note
31 December 2022					
<u>Financial assets</u>					
Cash and cash equivalents	1,531,398,060	-	-	-	4
Trade receivables	4,089,526,793	-	-	-	8a
Financial investments	-	-	162,664	-	-
Derivative instruments	-	29,155,226	-	-	6
<u>Financial liabilities</u>					
Financial liabilities	-	-	-	7,295,531,224	7
Trade payables	-	-	-	956,529,883	8b
Payables related to employee benefits	-	-	-	82,685,623	9
Other payables	-	-	-	97,477,744	10b
31 December 2021					
<u>Financial assets</u>					
Cash and cash equivalents	107,447,303	-	-	-	4
Trade receivables	1,663,255,638	-	-	-	8a
Derivative instruments	-	153,082,463	16,612,146	-	6
<u>Financial liabilities</u>					
Financial liabilities	-	-	-	2,271,275,132	7
Trade payables	-	-	-	816,788,417	8b
Payables related to employee benefits	-	-	-	37,126,829	9
Derivative instruments	-	-	10,935,886	-	6
Other payables	-	-	-	79,125,864	10b
31 December 2020					
<u>Financial assets</u>					
Cash and cash equivalents	78,797,880	-	-	-	4
Trade receivables	751,807,699	-	-	-	8a
Derivative instruments	-	48,868,820	-	-	6
<u>Financial liabilities</u>					
Financial liabilities	-	-	-	1,051,907,446	7
Trade payables	-	-	-	221,547,967	8b
Payables related to employee benefits	-	-	-	13,350,691	9
Derivative instruments	-	-	485,728	-	6
Other payables	-	-	-	44,366,590	10b

The Group is of the opinion that the booked values of financial instruments reflect their fair values.

As of the reporting date, the fair value of derivative instruments is at Level 2.

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36. FINANCIAL INSTRUMENTS (cont’d)

Fair value measurements hierarchy table (cont’d)

Fair values of financial instruments

Fair values of financial assets and liabilities are determined as follows:

- The fair value of financial assets and liabilities traded in an active liquid market is determined over the quoted market price, under standard terms and conditions.
- The fair value of financial assets and liabilities other than derivatives are determined within the framework of generally accepted pricing models. These models are based on discounted cash flows based on prices from observable data market transactions.
- The fair value of derivative instruments is calculated using their quoted prices. Option pricing model is used for derivative instruments that contain options.

37. FEES FOR SERVICES RECEIVED FROM THE INDEPENDENT AUDIT FIRM

The fees related to the services received by the Group from the Independent Audit Firm (IAF) for the periods 1 January - 31 December 2022, 2021 and 2020 are as follows:

	2022			2021			2020		
	IAF	Other IAF	Total	IAF	Other IAF	Total	IAF	Other IAF	Total
Independent audit fee for the reporting period	826,500	-	826,500	257,930	-	257,930	187,000	-	187,000
	<u>826,500</u>	<u>-</u>	<u>826,500</u>	<u>257,930</u>	<u>-</u>	<u>257,930</u>	<u>187,000</u>	<u>-</u>	<u>187,000</u>

38. EVENTS AFTER THE REPORTING PERIOD

According to the Material Disclosure of the Group on 2 February 2023 on the Public Disclosure Platform;

“The Extraordinary General Assembly meeting held for the amendment of the articles of association, which is the first stage of the studies initiated for Ferbis Tarım Ticaret ve Sanayi A.Ş., a 100% subsidiary of our company, to be traded on Borsa Istanbul A.Ş. was made on 2 February 2023 and it was registered and published in the Turkish Trade Registry Gazette.”

Due to the negativities caused by the earthquakes that took place in Kahramanmaraş on 6 February 2023, affecting many of our provinces and affecting our whole country, in accordance with the Official Gazette No. 32098 dated Wednesday, 8 February 2023, a state of emergency has been declared for three months in the provinces of Adana, Adıyaman, Diyarbakır, Gaziantep, Hatay, Kahramanmaraş, Kilis, Malatya, Osmaniye and Şanlıurfa. The developments regarding the natural disaster in question are being closely monitored and assessments are ongoing.

According to the Material Disclosure of the Group on 15 February 2023 on the Public Disclosure Platform;

The application for amending the articles of association regarding the public offering to trade our company's 100% affiliate Ferbis Tarım Ticaret ve Sanayi A.Ş. on Borsa Istanbul A.Ş. was filed to the Capital Market Board (CMB) on 15 February 2023.

