

**HEKTAŞ TİCARET TRK 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 TFRS 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 8 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 TFRSs.</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

İstanbul, 15 February 2023

INDEX	PAGE
CONSOLIDATED STATEMENT OF FINANCIAL POSITION.....	1-2
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	3
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY.....	4-5
CONSOLIDATED STATEMENT OF CASH FLOWS	6
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS.....	7-89

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	Restated
		31 December	(Note 2.4)	(Note 2.4)
		2022	2021	2020
ASSETS				
Current Assets		8.986.751.110	3.282.552.383	1.476.566.657
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
Non-Current Assets		3.238.869.525	1.448.249.128	701.006.248
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
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”).)

		Current Period	Prior Period	Prior Period
		Audited	Audited	Audited
			Restated	Restated
			(Note 2.4)	(Note 2.4)
		31 December	31 December	31 December
	Notes	2022	2021	2020
LIABILITIES AND EQUITY				
Current Liabilities		8,364,037,606	3,112,947,762	1,165,388,759
Short-Term Borrowings	7	7,030,082,685	2,195,583,914	878,061,599
Lease Liabilities	7	47,374,578	14,477,381	16,398,374
Trade Payables	8b	956,529,883	816,788,417	221,547,967
<i>To Related Parties</i>	34	61,344,940	15,696,283	6,033,082
<i>To Third Parties</i>		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	1,738,818	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		3,481,212,456	1,429,679,635	788,131,646
Paid-in Capital	24	2,530,000,000	860,000,000	227,571,100
Effect of Mergers Involving Enterprises or Businesses Under Common Control		(19,852,274)	8,147,726	100,147,726
Premiums/Discounts Related to Interests		22,834,203	5,203,762	2,256,362
Other Comprehensive Income (Expenses) that will be Reclassified to Profit or Loss		14,721,609	25,192,601	9,168,782
<i>- Hedging Gains (Losses)</i>		1,912,112	16,381,837	8,541,316
<i>- Foreign Currency Translation Differences</i>		12,809,497	8,810,764	627,466
Other Comprehensive Income (Expenses) that will not be Reclassified to Profit or Loss		(27,602,071)	(7,685,734)	(2,871,565)
<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”).)

		Current Period	Prior Period	Prior Period
		Audited	Audited	Audited
			Restated	Restated
			(Note 2.7)	(Note 2.7)
	Notes	1 January- 31 December 2022	1 January- 31 December 2021	1 January- 31 December 2020
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)
		4.979.084	1.203.542	74.954
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		(18.823.687)	10.598.468	10.676.645
Foreign Currency Translation Differences		7.840.653	15.774.409	1.568.591
Other Comprehensive Income (Expense) Related to Cash Flow Hedge, Tax Effect		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”).)

			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 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
Profit / (Loss) for the Period	-	-	-	(299.815)	-	8.541.316	-	-	178.656.606	186.898.107	(1.769.766)	185.128.341
Other Comprehensive Income / (Expense)	-	-	-	-	627.466	-	-	-	-	627.466	941.126	1.568.592
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
Profit/(Loss) for the Period	-	-	-	-	-	-	-	-	319.390.940	319.390.940	(6.116.425)	313.274.515
Other Comprehensive Income / (Expense)	-	-	-	(4.814.169)	8.183.298	7.840.521	-	-	-	11.209.650	7.591.111	18.800.761
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>	-	-	-	-	-	-	-	-	<i>802.289.709</i>	<i>802.289.709</i>	<i>(13.241.449)</i>	<i>789.048.260</i>
<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”).)

		Current Period Audited	Prior Period Audited	Prior Period Audited
			Restated (Note 2.4)	Restated (Note 2.4)
		1 January- 31 December 2022	1 January- 31 December 2021	1 January- 31 December 2020
	Notes			
CASH FLOWS FROM OPERATING ACTIVITIES		(2.495.274.129)	(450.920.673)	(154.785.873)
Profit/Loss for the Period		789.048.260	313.274.515	176.886.841
Adjustments Related to the Net Profit/Loss Reconciliation for the Period		732.746.791	235.015.972	85.253.660
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.

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)

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
Subsidiaries					
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
Financial investments					
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").

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)

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.

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)

2.4 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 31 December 2021	Elimination and Merger Effect (*)	Restated 31 December 2021
ASSETS			
Current Assets	3,268,942,287	13,610,096	3,282,552,383
Cash and Cash Equivalents	96,691,275	10,756,028	107,447,303
Trade Receivables	1,654,538,937	93,503	1,654,632,440
<i>From Related Parties</i>	523,890	-	523,890
<i>From Third Parties</i>	1,654,015,047	93,503	1,654,108,550
Other Receivables	3,547,176	14,261	3,561,437
<i>From Third Parties</i>	3,547,176	14,261	3,561,437
Derivative Instruments	169,694,609	-	169,694,609
Inventories	1,146,573,859	2,067,501	1,148,641,360
Prepaid Expenses	107,967,422	28,686	107,996,108
Current Tax Assets	1,079,923	-	1,079,923
Other Current Assets	88,849,086	650,117	89,499,203
Non-Current Assets	1,356,873,591	91,375,537	1,448,249,128
Trade Receivables	8,623,198	-	8,623,198
Other Receivables	836,074	15,381	851,455
Investment Properties	4,775,883	-	4,775,883
Property, Plant and Equipment	1,038,724,957	5,347,547	1,044,072,504
Intangible Assets	208,944,129	86,012,609	294,956,738
Goodwill	106,319,692	-	106,319,692
<i>Other</i>	102,624,437	86,012,609	188,637,046
Right-of-Use Assets	43,014,887	-	43,014,887
Prepaid Expenses	20,706,311	-	20,706,311
Deferred Tax Asset	31,248,152	-	31,248,152
TOTAL ASSETS	4,625,815,878	104,985,633	4,730,801,511

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)

2.4 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>	<i>15,696,283</i>	<i>-</i>	<i>15,696,283</i>
<i>To Third Parties</i>	<i>800,682,155</i>	<i>409,979</i>	<i>801,092,134</i>
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>	<i>6,930,792</i>	<i>-</i>	<i>6,930,792</i>
<i>To Third Parties</i>	<i>19,164,410</i>	<i>181,705</i>	<i>19,346,115</i>
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>	<i>4,175,943</i>	<i>185,818</i>	<i>4,361,761</i>
<i>Other</i>	<i>1,630,818</i>	<i>-</i>	<i>1,630,818</i>
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>	<i>-</i>	<i>52,848,957</i>	<i>52,848,957</i>
Long-Term Provisions	21,376,652	-	21,376,652
<i>Related to Employee Benefits</i>	<i>21,376,652</i>	<i>-</i>	<i>21,376,652</i>
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>	<i>16,381,837</i>	<i>-</i>	<i>16,381,837</i>
<i>- Foreign Currency Translation Differences</i>	<i>-</i>	<i>8,810,764</i>	<i>8,810,764</i>
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>	<i>(7,685,734)</i>	<i>-</i>	<i>(7,685,734)</i>
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

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)**2.4 Comparative Information and Restatement of Prior Periods' Consolidated Financial Statements (cont'd)**

	Previously Reported 1 January 31 December 2021	Elimination and Merger Effect (*)	Restated 1 January 31 December 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

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)

2.4 Comparative Information and Restatement of Prior Periods' Consolidated Financial Statements (cont'd)

	Previously Reported 31 December 2020	Elimination and Merger Effect (*)	Restated 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>	<i>666,277</i>	<i>-</i>	<i>666,277</i>
<i>From Third Parties</i>	<i>751,141,422</i>	<i>-</i>	<i>751,141,422</i>
Other Receivables	22,024,438	-	22,024,438
<i>From Third Parties</i>	<i>22,024,438</i>	<i>-</i>	<i>22,024,438</i>
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	<i>106,319,692</i>	<i>-</i>	<i>106,319,692</i>
<i>Other</i>	<i>52,783,735</i>	<i>53,565,503</i>	<i>106,349,238</i>
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

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)

2.4 Comparative Information and Restatement of Prior Periods' Consolidated Financial Statements (cont'd)

	Previously Reported 31 December 2020	Elimination and Merger Effect (*)	Restated 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>	<i>6,033,082</i>	-	<i>6,033,082</i>
<i>To Third Parties</i>	<i>215,483,675</i>	<i>31,210</i>	<i>215,514,885</i>
Payables Related to Employee Benefits	13,350,691	-	13,350,691
Other Payables	28,058,692	-	28,058,692
<i>To Related Parties</i>	<i>7,827,733</i>	-	<i>7,827,733</i>
<i>To Third Parties</i>	<i>20,230,959</i>	-	<i>20,230,959</i>
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>	<i>2,522,688</i>	-	<i>2,522,688</i>
<i>Other</i>	<i>1,738,425</i>	-	<i>1,738,425</i>
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>	-	<i>16,307,898</i>	<i>16,307,898</i>
Long-Term Provisions	12,416,952	-	12,416,952
<i>Related to Employee Benefits</i>	<i>12,416,952</i>	-	<i>12,416,952</i>
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>	<i>8,541,316</i>	-	<i>8,541,316</i>
<i>- Foreign Currency Translation Differences</i>	-	<i>627,466</i>	<i>627,466</i>
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>	<i>(2,871,565)</i>	-	<i>(2,871,565)</i>
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

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)

2.4 Comparative Information and Restatement of Prior Periods' Consolidated Financial Statements (cont'd)

	Previously Reported 1 January 31 December 2020	Elimination and Merger Effect (*)	Restated 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.

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

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.

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)

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:

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

TFRS 17 Insurance Contracts

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

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 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.

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)

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.

s

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:

	Useful Life
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.

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)

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:

	Useful Life
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.

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)

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.

Date	TL/US Dollar	TL/Euro	TL/AUD
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.

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)

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.

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)

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.

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)

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.

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)

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".

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)

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.

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.

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	3,650,391
Other receivables	3,235
Property, plant and equipment and investment properties	30,877,237
Intangible assets	6,734,879
Non-Current Assets	37,615,351
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	13,584,139
Finance payables	8,241,254
Deferred tax liability	5,904,799
Non-Current Liabilities	14,146,053
Net Asset Value	13,535,550
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	36,950,435

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.

	Main Field of Activity	Date of Acquisition	Share in Capital Received (%)	Transferred amount (Cash)
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

	Total
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	1,531,398,060	107,447,303	78,797,880
Less : interest accruals	(10,831,570)	(370,120)	(5,345)
Cash and cash equivalents according to the cash flow statements	1,520,566,490	107,077,183	78,792,535

(*) 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	310,755	0.37	310,755	0.37	310,755
		310,755		310,755		310,755
Provision for impairment		(310,755)		(310,755)		(310,755)
		-		-		-
		31 December 2022		31 December 2021		31 December 2020
Other		162.164		-		-
		162.164		-		-

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:						
Cross currency swap contracts	29,155,226	-	153,082,463	-	48,868,820	-
Held for trading derivatives that are not designated in hedge accounting relationship						
Option loan contracts	-	-	-	10,935,886	-	-
Forward contracts	-	4,568,516	282,628	-	-	-
Swap contracts	-	-	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
Cross currency swap contracts				
EUR Collection / TL Payment	2,000,000	29,155,226	-	-
Forward contracts				
USD Collection / TL Payment	-	-	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
Cross currency swap contracts				
EUR Collection / TL Payment	15,500,000	153,082,463	-	-
Interest rate swap contracts				
Interest rate swap contracts	-	-	3,147,895	10,935,886
Forward contracts				
USD Collection / TL Payment	1,000,000	282,628	-	-
Swap contracts				
USD Collection / TL Payment	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
Cross currency swap contracts				
EUR Collection / TL Payment	15,750,000	48,868,820	-	-
Interest rate swap contracts				
Interest rate swap contracts	-	-	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.

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").)

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>

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").)

7. FINANCIAL LIABILITIES (cont'd)

Details of the Short-Term Debt Instruments Issued are as follows;

Currency	Weighted Average Interest Rate %	31 December 2022 Short-term
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%.

Currency	Weighted Average Interest Rate %	31 December 2020 Short-term
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:

Currency	Weighted Average Interest Rate %	31 December 2022 Long-term
TL	24.25	386.766.891
		<u>386.766.891</u>

Details of Long-Term Bank Loans are as follows;

Currency	Weighted Average Interest Rate %	31 December 2022 Long-term
TL	20.30	138.000.000
		<u>138.000.000</u>

Currency	Weighted Average Interest Rate %	31 December 2021 Long-term
TL	19.06	72,188
Euro	3.00	30,173,400
		<u>30,245,588</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").)

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).

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").)

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.

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").)

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>

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").)

10. OTHER RECEIVABLES AND PAYABLES (cont'd)**b) Other Payables**

	31 December 2022	31 December 2021	31 December 2020
<u>Other Short-Term Payables</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.

	31 December 2022	31 December 2021	31 December 2020
<u>Other Long-Term Payables</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

	31 December 2022	31 December 2021	31 December 2020
<u>Short-Term Prepaid Expenses</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>			
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>

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").)

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 (-)	<u>(3,576,410)</u>	<u>(307,721)</u>	<u>-</u>
	<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	<u>307,721</u>	<u>-</u>	<u>(1,076,133)</u>
Closing balance	<u>(3,576,410)</u>	<u>(307,721)</u>	<u>-</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”).)

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	28,044,801	23,193,224	134,003,815	377,749,221	10,287,411	73,521,073	1,648,715,492	2,295,515,037
<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	-	(6,987,257)	(19,544,796)	(62,939,763)	(3,195,262)	(24,221,864)	-	(116,888,942)
Carrying value as of 31 December 2022	28,044,801	16,205,967	114,459,019	314,809,458	7,092,149	49,299,209	1,648,715,492	2,178,626,095

(*) 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.

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”).)

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.

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").)

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).

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").)

15. RIGHT-OF-USE ASSETS

Cost Value	Properties	Vehicles	Total
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	79.688.748	105.713.922	185.402.670
<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	(39.539.202)	(27.076.689)	(66.615.891)
Carrying value as of 31 December 2022	40.149.546	78.637.233	118.786.779

Cost Value	Properties	Vehicles	Total
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	57,179,656	15,654,690	72,834,346
<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	(22,083,360)	(7,736,099)	(29,819,459)
Carrying value as of 31 December 2021	35,096,296	7,918,591	43,014,887

Cost Value	Properties	Vehicles	Total
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	37,920,515	5,710,637	43,631,152
<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	(11,155,907)	(4,371,469)	(15,527,376)
Carrying value as of 31 December 2020	26,764,608	1,339,168	28,103,776

Amortisation periods of right of use assets are as follows:

	Useful Life
Properties	1-10 years
Vehicles	1-3 years

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").)

16. INTANGIBLE ASSETS

Cost Value	Rights	Development costs	Other intangible assets	Total
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>
Accumulated Amortization				
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>

Cost Value	Rights	Development costs	Other intangible assets	Total
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>
Accumulated Amortization				
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>

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").)

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

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").)

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).

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").)

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	Level 2	Level 3
	TL	TL	TL
2022			
Land, Lands and Land Improvements and Building	-	40,594,000	-
	Level 1	Level 2	Level 3
	TL	TL	TL
2021			
Land, Lands and Land Improvements and Building	-	15,314,000	-
	Level 1	Level 2	Level 3
	TL	TL	TL
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.

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").)

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:

Weighted average	31 December 2022	31 December 2021	31 December 2020
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.

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").)

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.

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").)

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.

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").)

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>

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").)

22. SHORT-TERM AND LONG-TERM PROVISIONS

a) Short-term Provisions

Short-term provisions	31 December 2022	31 December 2021	31 December 2020
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:

Long-term provisions	31 December 2022	31 December 2021	31 December 2020
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.

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").)

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	6,028,046	2,594,768	1,255,129

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.

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").)

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	51,573,889	18,781,884	11,161,823

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
	259,313,796	89,499,203	33,258,559

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
		2,530,000,000		860,000,000		227,571,100

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.

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").)

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.

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").)

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
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>

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").)

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>

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").)

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>

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").)

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>

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").)

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>

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").)

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.

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").)

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>

Deferred tax assets / (liabilities) :

	31 December 2022	31 December 2021	31 December 2020
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>

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").)

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.

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").)

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 Tüptan 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

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").)

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
Likitegaz 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

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").)

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.

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”).)

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							
	Trade Receivables		Other Receivables		Deposits at Banks	Other Cash Equivalents	Financial Investments	Derivative Instruments
	Related Party	Other Party	Related Party	Other Party				
31 December 2022								
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.

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”).)

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							
	Trade Receivables		Other Receivables		Deposits at Banks	Other Cash Equivalents	Financial Investments	Derivative Instruments
	Related Party	Other Party	Related Party	Other Party				
31 December 2021								
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.

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”).)

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							
	Trade Receivables		Other Receivables		Deposits at Banks	Other Cash Equivalents	Financial Investments	Derivative Instruments
	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.

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").)

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>

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").)

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

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").)

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:

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").)

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

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").)

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

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").)

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

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").)

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)
Portion hedged from USD risk (-)	28.501.445
USD net effect	(11.344.204)
In case EUR appreciates 10% against TL	
Net asset/liability of EUR	(10.798.464)
Portion hedged from EUR risk (-)	3.986.980
EUR net effect	(6.811.484)
TOTAL	(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)
USD net effect	(21.313.102)
In case EUR appreciates 10% against TL	
Net asset/liability of EUR	(25.203.002)
Portion hedged from EUR risk (-)	23.384.385
EUR net effect	(1.818.617)
TOTAL	(23.131.719)

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").)

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

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").)

36. FINANCIAL INSTRUMENTS (cont'd)

Fair value measurements hierarchy table (cont'd)

Classes and fair values of financial instruments

31 December 2022	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
<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	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
<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	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
<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.

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").)

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.