

**HEKTAŞ TİCARET TÜRİK ANONİM ŐİRKETİ (“Hektaş” or “the Company”)
AND ITS SUBSIDIARIES (“Hektaş Group” or “the Group”)**

CONSOLIDATED FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2023 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 2023, 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 2023, 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 Independent Auditing ("SIA") which is a part of Turkish Auditing Standards accepted by regulations of the Capital Markets Board and 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 included in the regulations of the Capital Markets Board and other regulations 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) **Emphasis of Matter**

Consolidated financial statements as of 31 December 2023 are subject to inflation adjustment in accordance with TAS 29 *“Financial Reporting in Hyperinflationary Economies”* within the scope of the *“Announcement on the Inflation Adjustment of Financial Statements of Companies Subject to Independent Audit”* dated 23 November 2023 published by the POA. Accordingly, we draw attention to Note 2 of the consolidated financial statements, which describes the transition to inflation accounting. Our opinion is not modified in respect of this matter.

4) **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.

4) Key Audit Matters (continued)

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>

4) Key Audit Matters (continued)

Recoverability of trade receivables	
<p>In the consolidated financial statements as of 31 December 2023, the Group sets allowance for doubtful receivables amounting to TL 125.653.384, for the trade receivables from third parties amounting to TL 3.005.476.159.</p> <p>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 287 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.</p> <p>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.</p> <p>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.</p>	<p>During our audit, the following audit procedures have been applied regarding the recoverability of trade receivables:</p> <p>The process and controls set for monitoring trade receivables have been evaluated.</p> <p>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.</p> <p>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.</p> <p>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.</p>

5) 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.

6) 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 regulations of the 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 regulations of the 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.

6) 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 29 March 2024.

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 2023 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.

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

Volkan Becerik
Partner

İstanbul, 29 March 2024

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HEKTAŞ GROUP

AUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2023

(Amounts expressed in thousands of Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 January 2024, unless otherwise indicated.)

		<u>Current Period</u>	<u>Prior Period</u>
		<u>Audited</u>	<u>Audited</u>
		<u>31 December</u>	<u>31 December</u>
	<u>Notes</u>	<u>2023</u>	<u>2022</u>
ASSETS			
Current Assets			
		15,129,705,656	15,444,424,164
Cash and Cash Equivalents	4	4,622,175,507	2,523,329,279
Financial Investments	5	970,858,747	268,026
Trade Receivables	8a	3,034,963,794	6,735,950,671
<i>From Related Parties</i>	34	29,487,635	241,382
<i>From Third Parties</i>		3,005,476,159	6,735,709,289
Other Receivables	10a	1,500,633,961	62,645,715
<i>From Related Parties</i>	34	1,492,187,616	-
<i>From Third Parties</i>		8,446,345	62,645,715
Derivative Instruments	6	-	48,039,917
Inventories	13	4,250,506,812	5,405,788,009
Prepaid Expenses	11	111,027,965	136,121,020
<i>From Related Parties</i>	34	1,500,568	6,257,525
<i>From Third Parties</i>		109,527,397	129,863,495
Current Tax Assets	21	59,757,193	105,002,617
Other Current Assets	23	579,781,677	427,278,910
Non-Current Assets			
		10,325,630,860	7,769,057,079
Trade Receivables	8a	-	2,481,983
Other Receivables	10a	4,206,751	2,484,647
Investment Properties	17	39,268,224	40,270,485
Property, Plant and Equipment	14	4,365,657,596	5,431,834,357
Intangible Assets		3,367,101,643	1,081,618,997
<i>Goodwill</i>	18	294,705,631	443,863,070
<i>Other</i>	16	3,072,396,012	637,755,927
Right-of-Use Assets	15	148,361,836	273,709,047
Prepaid Expenses	11	853,240,946	476,957,316
Deferred Tax Asset	32	1,547,793,864	459,700,247
TOTAL ASSETS		<u>25,455,336,516</u>	<u>23,213,481,243</u>

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

HEKTAŞ GROUP

AUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2023

(Amounts expressed in thousands of Turkish Lira (“TL”) in terms of the purchasing power of the TL at 31 January 2024, unless otherwise indicated.)

	Notes	Current Period	Prior Period
		Audited	Audited
		31 December 2023	31 December 2022
LIABILITIES AND EQUITY			
Current Liabilities		15,798,265,820	13,781,668,875
Short-Term Borrowings	7	13,432,489,358	11,583,672,420
Lease Liabilities	7	53,059,140	78,060,475
Trade Payables	8b	1,400,078,976	1,576,102,206
<i>To Related Parties</i>	34	172,312,155	101,079,848
<i>To Third Parties</i>		1,227,766,821	1,475,022,358
Payables Related to Employee Benefits	9	81,300,469	136,243,514
Other Payables	10b	758,741,816	43,991,812
<i>To Related Parties</i>	34	742,777,690	11,814,770
<i>To Third Parties</i>		15,964,126	32,177,042
Derivative Instruments	6	1,787,136	7,527,677
Deferred Income	12	27,873,085	324,455,331
Current Tax Liability	32	26,471,235	11,654,398
Short-Term Provisions	22a	16,464,605	19,961,042
<i>Related to Employee Benefits</i>	22a	13,246,800	15,855,824
<i>Other</i>	22a	3,217,805	4,105,218
Non-Current Liabilities		2,117,295,054	1,100,941,550
Long-Term Borrowings	7	913,189,540	227,386,628
Lease Liabilities	7	37,324,738	131,940,203
Other Payables	10b	111,954,399	116,625,112
<i>To Related Parties</i>	34	111,954,399	116,625,112
Long-Term Provisions	22b	73,865,372	94,912,389
<i>Related to Employee Benefits</i>		73,865,372	94,912,389
Deferred Tax Liability	32	980,961,005	530,077,218
EQUITY		7,539,775,642	8,330,870,818
Equity Attributable to the Parent		7,548,835,979	8,318,521,003
Paid-in Capital	24	2,530,000,000	2,530,000,000
Inflation Adjustment to Share Capital	24	4,239,263,374	4,239,263,374
Premiums/Discounts Related to Interests		50,040,977	50,040,977
Other Comprehensive Income (Expenses) that will be Reclassified to Profit or Loss		142,329,037	24,257,225
- <i>Hedging Gains (Losses)</i>		-	3,150,643
- <i>Foreign Currency Translation Differences</i>		142,329,037	21,106,582
Other Comprehensive Income (Expenses) that will not be Reclassified to Profit or Loss		(41,575,122)	(32,816,730)
- <i>Defined Benefit Plans Remeasurement Losses</i>	24c	(41,575,122)	(32,816,730)
Restricted Reserves Appropriated from Profit	24b	316,226,001	285,927,506
Prior Years' Profit/Losses		1,190,790,759	55,324,867
Net Profit/Loss for the Period		(878,239,047)	1,166,523,784
Non-Controlling Interests		(9,060,337)	12,349,815
TOTAL LIABILITIES AND EQUITY		25,455,336,516	23,213,481,243

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 2023

(Amounts expressed in thousands of Turkish Lira (“TL”) in terms of the purchasing power of the TL at 31 January 2024, unless otherwise indicated.)

	Notes	Current Period	Prior Period
		Audited	Audited
		1 January- 31 December 2023	1 January- 31 December 2022
PROFIT OR LOSS			
Revenue	25a	6,038,995,409	10,001,274,789
Cost of Sales (-)	25b	(5,223,402,568)	(6,973,894,150)
GROSS PROFIT/LOSS		815,592,841	3,027,380,639
General Administrative Expenses (-)	26b	(811,728,317)	(397,993,806)
Marketing Expenses (-)	26a	(595,185,392)	(451,979,081)
Research and Development Expenses (-)	26c	(208,192,131)	(179,185,298)
Other Income from Operating Activities	28	152,001,237	80,222,216
Other Expenses from Operating Expenses (-)	29	(809,940,124)	(414,731,965)
OPERATING PROFIT/LOSS		(1,457,451,886)	1,663,712,705
Income from Investing Activities	30a	1,269,902,029	13,960,325
Expenses from Investing Activities (-)	30b	(1,806,889)	(3,271,588)
OPERATING PROFIT/LOSS BEFORE FINANCE EXPENSES		(189,356,746)	1,674,401,442
Finance Income (+)	31a	1,627,399,948	457,022,477
Finance Expenses (-)	31b	(4,544,850,733)	(2,281,967,173)
Monetary Loss/ Gain		1,591,953,665	1,329,598,322
PROFIT/LOSS FROM CONTINUING OPERATIONS BEFORE TAX		(1,514,853,866)	1,179,055,068
Continuing Operations Tax (Expense) / Income		620,396,034	(34,349,604)
Current Tax Expense	32	(56,347,009)	(141,420,483)
Deferred Tax (Expense) / Income	32	676,743,043	107,070,879
PROFIT/LOSS FOR THE PERIOD		(894,457,832)	1,144,705,464
Distribution of Profit/Loss for the Period			
Non-Controlling Interests		(16,218,785)	(21,818,320)
Parent Shares		(878,239,047)	1,166,523,784
		(894,457,832)	1,144,705,464
Earnings / (loss) per share			
One Hundred Ordinary Stock (TL)	33	(0.35)	0.86
OTHER COMPREHENSIVE INCOME/ (EXPENSE):			
Items that will not be Reclassified Subsequently to Profit or Loss		(11,075,453)	(32,816,730)
Defined Benefit Plans Remeasurement Gains/Losses		(14,767,271)	(41,020,912)
Defined Benefit Plans Remeasurement Gains (Losses), Tax Impact		3,691,818	8,204,182
Items that will be Reclassified Subsequently to Profit or Loss		112,880,445	(55,492,778)
Other Comprehensive Income (Expense) Related to Cash Flow Hedging		(4,200,857)	(53,493,991)
Foreign Currency Translation Differences		116,031,088	(14,302,406)
Other Comprehensive Income (Expense) Related to Cash Flow Hedge, Tax Effect		1,050,214	12,303,619
OTHER COMPREHENSIVE INCOME/ (EXPENSE)		101,804,992	(88,309,508)
TOTAL COMPREHENSIVE INCOME		(792,652,840)	1,056,395,956
Distribution of Total Comprehensive Income:			
Non-Controlling Interests		(21,410,152)	(33,379,053)
Parent Shares		(771,242,688)	1,089,775,009

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 2023

(Amounts expressed in thousands of Turkish Lira (“TL”) in terms of the purchasing power of the TL at 31 January 2024, unless otherwise indicated.)

			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	Inflation Adjustment to Share Capital	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
Audited												
Balances as of 1 January 2022	860,000,000	3,062,990,247	19,799,567	-	23,848,255	44,341,015	260,243,808	(103,813,944)	864,501,241	5,031,910,189	45,728,868	5,077,639,057
Transfers	-	-	-	-	-	-	25,683,698	838,817,543	(864,501,241)	-	-	-
Effect of Mergers Involving Entities or Businesses Under Common Control (*)	-	-	-	-	-	-	-	(46,136,417)	-	(46,136,417)	-	(46,136,417)
Total Comprehensive Income / (Expense)	-	-	-	(32,816,730)	(2,741,673)	(41,190,372)	-	-	1,166,523,784	1,089,775,009	(33,379,053)	1,056,395,956
<i>Profit/(Loss) for the Period</i>	-	-	-	-	-	-	-	-	1,166,523,784	1,166,523,784	(21,818,320)	1,144,705,464
<i>Other Comprehensive Income / (Expense)</i>	-	-	-	(32,816,730)	(2,741,673)	(41,190,372)	-	-	-	(76,748,775)	(11,560,733)	(88,309,508)
Capital Increase	1,670,000,000	1,176,273,127	30,241,410	-	-	-	-	(633,542,315)	-	2,242,972,222	-	2,242,972,222
Balances as of 31 December 2022	2,530,000,000	4,239,263,374	50,040,977	(32,816,730)	21,106,582	3,150,643	285,927,506	55,324,867	1,166,523,784	8,318,521,003	12,349,815	8,330,870,818
Audited												
Balances as of 1 January 2023	2,530,000,000	4,239,263,374	50,040,977	(32,816,730)	21,106,582	3,150,643	285,927,506	55,324,867	1,166,523,784	8,318,521,003	12,349,815	8,330,870,818
Transfers	-	-	-	-	-	-	31,057,892	1,135,465,892	(1,166,523,784)	-	-	-
Total Comprehensive Income / (Expense)	-	-	-	(11,075,453)	121,222,455	(3,150,643)	-	-	(878,239,047)	(771,242,688)	(21,410,152)	(792,652,840)
<i>Profit/(Loss) for the Period</i>	-	-	-	-	-	-	-	-	(878,239,047)	(878,239,047)	(16,218,785)	(894,457,832)
<i>Other Comprehensive Income / (Expense)</i>	-	-	-	(11,075,453)	121,222,455	(3,150,643)	-	-	-	106,996,359	(5,191,367)	101,804,992
Subsidiary disposal effect	-	-	-	2,317,061	-	-	(759,397)	-	-	1,557,664	-	1,557,664
Balances as of 31 December 2023	2,530,000,000	4,239,263,374	50,040,977	(41,575,122)	142,329,037	-	316,226,001	1,190,790,759	(878,239,047)	7,548,835,979	(9,060,337)	7,539,775,642

(*)All shares representing the capital of Agriventis, whose field of activity is "agricultural seed technology development, seed breeding and production", controlled by our main partner's subsidiary Oyak Sermaye Yatırımları A.Ş., have been acquired for a price of 46,136,417 TL as of January 12, 2022.

(**)All shares of Arma İlaç Sanayi ve Ticaret A.Ş., a 100% subsidiary of the company, were transferred to Oyak Gıda ve Tarım Holding A.Ş. as of December 29, 2023.(Note 38)

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 2023

(Amounts expressed in thousands of Turkish Lira (“TL”) in terms of the purchasing power of the TL at 31 January 2024, unless otherwise indicated.)

		<u>Current Period</u>	<u>Prior Period</u>
		<u>Audited</u>	<u>Audited</u>
		1 January- 31 December 2023	1 January- 31 December 2022
CASH FLOWS FROM OPERATING ACTIVITIES		1,477,969,555	(2,094,130,897)
Profit/Loss for the Period		(894,457,832)	1,144,705,464
Adjustments Related to the Net Profit/Loss Reconciliation for the Period		22,721,228	2,426,836,505
Adjustments Related to Depreciation and Amortization	27	545,450,197	337,343,114
Adjustments Related to Impairment (Cancellation)		298,849,042	5,216,700
- Adjustments Related to Impairment of Receivables	8a	122,549,090	156,659
- Adjustments Related to Inventory Impairment	13	176,299,952	5,060,041
Adjustments Related to Provisions		32,329,513	19,624,208
- Provisions for Employee Benefits		29,792,587	18,763,586
- Litigation Provisions / (Cancellation)	22a	2,536,926	860,622
Adjustments Related to Interest (Income) / Expenses		2,278,740,019	1,814,769,593
- Adjustments Related to Interest Income	31	(752,582,209)	(160,872,010)
- Adjustments Related to Interest Expenses		3,031,322,228	1,975,641,603
Adjustment Related to Monetary Loss/ Gain		(1,375,447,049)	153,914,156
Adjustments Related to Unrealized Foreign Currency Translation Differences		130,955,268	64,381,334
Adjustments Related to Fair Value Losses/Gains		(5,740,541)	4,568,516
Adjustments Related to Tax Expense	32	(620,396,034)	34,349,604
Adjustments for Losses (Gains) from Disposals of Subsidiaries or Joint Operations		(446,633,173)	-
Adjustments Related to Loss/Gains on Disposal of Fixed Assets		(815,386,014)	(7,330,720)
Changes in working capital		1,734,707,057	(5,606,416,039)
Adjustments Related to Increase/Decrease in Trade Receivables		930,317,245	(3,998,278,745)
Adjustments Related to Increase/Decrease in Other Operating Receivables		(410,682,998)	(295,828,643)
Adjustments Related to Increase/Decrease in Inventories		920,920,971	(1,899,478,210)
Adjustments Related to Increase/Decrease in Trade Payables		452,054,818	230,256,092
Increase / (Decrease) in Payables Related to Employee Benefits		10,947,946	75,068,555
Adjustments Related to Increase/Decrease in Other Operating Payables		(168,850,925)	281,844,912
Cash Flows from Operations		614,999,102	(59,256,827)
Interest Received		731,151,039	144,026,327
Payments Related to Provisions for Employee Benefits		(30,635,005)	(3,579,941)
Collections from Doubtful Receivables	8a	282,053	238,387
Tax Payments / Refunds	32	(85,798,985)	(199,941,600)
CASH FLOWS FROM INVESTMENT ACTIVITIES		(2,335,113,377)	(2,703,241,867)
Cash Outflows for the Acquisition of Shares of Other Businesses or Funds or Debt Instruments	3	-	(46,136,417)
Cash Inflows from Sales of Property, Plant and Equipment and Intangible Assets		958,575,524	14,354,208
- Cash Inflows from Sales of Property, Plant and Equipment		940,886,280	14,354,208
- Cash Inflows from Sales of Intangible Assets		17,689,244	-
Cash Outflows from Purchase of Property, Plant and Equipment and Intangible Assets		(2,730,447,421)	(2,251,762,750)
- Cash Outflows from Purchase of Property, Plant and Equipment	11	(2,386,437,065)	(2,177,013,215)
- Cash Outflows from Purchase of Intangible Assets	12	(344,010,356)	(74,749,535)
Cash Advances Given and Payables		(563,777,532)	(419,964,934)
Other Cash Inflows / Outflows		536,052	268,026
CASH FLOWS FROM FINANCE ACTIVITIES		3,920,161,120	7,195,777,366
Cash Inflows / (Outflows) Arising from Borrowing to Related Parties		730,962,920	-
Cash Inflows from Borrowings	7	14,912,469,725	13,221,371,920
Cash Outflows Related to Debt Payments	7	(9,010,170,631)	(6,450,628,334)
Interest Paid	7	(2,622,452,491)	(1,707,945,311)
Cash Outflows Related to Debt Payments Arising from Lease Contracts	7	(90,648,403)	(109,993,132)
Cash Inflows from Shares Issues	24a	-	2,242,972,223
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS BEFORE THE EFFECT OF FOREIGN CURRENCY TRANSLATION DIFFERENCES		3,063,017,298	2,398,404,602
THE EFFECT OF FOREIGN CURRENCY CONVERSION DIFFERENCES ON CASH AND CASH EQUIVALENTS		(686,945)	-
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS		3,062,330,353	2,398,404,602
MONETARY GAIN/(LOSS) IMPACT ON CASH AND CASH EQUIVALENTS		(984,915,295)	(182,750,567)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	4	2,505,481,785	289,827,750
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	4	4,582,896,843	2,505,481,785

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 2023 AND FOR THE PERIOD THEN ENDED

(Amounts expressed in thousands of Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 January 2024, unless otherwise indicated.)

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 55.4 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, which 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 40,500,000.

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 percent 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 percent 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 the district of Bor in Niğde. Its capital is in the amount of TL 2,000,000.

Agriventis Technologies Pty Ltd ("Agriventis") was acquired by the OYAK group as of 18 September 2020. As of 12 January 2022, all the shares representing the 51% capital of Agriventis, 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 AUD 457,375.

Hektaş Asia LLC was established on 21 November 2022 in Tashkent, Uzbekistan, with 100% of its shares owned by HEKTAŞ Ticaret T.A.Ş. It was established to operate in export-oriented plant protection and plant nutrition fields. USD 20,040,000 has been paid for the capital of Hektaş Asia LLC and all of it has been registered.

The capital structure of Hektaş as of the related reporting dates is disclosed in Note 24.

The Company's shares have been quoted on Borsa İstanbul ("BIST") since 1986. The Group's main shareholder and principal controller is OYAK.

As of 31 December 2023, the number of employees of the Group is 621 in total, 211 of them being blue-collar and 410 being white-collar (31 December 2022: 879 employees).

The Company 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 2023 AND FOR THE PERIOD THEN ENDED

(Amounts expressed in thousands of Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 January 2024, unless otherwise indicated.)

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
Agriventis (*)	Agricultural seed technology development, seed breeding and production
Hektaş Asia	Production, sales, distribution and marketing of plant protection and plant nutrition products

(*)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 Financial Reporting Standards ("TFRS"), Turkish Financial Reporting Standards, TAS Interpretations and TFRS Interpretations.

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

Approval of consolidated financial statements:

The consolidated financial statements were approved by the Board of Directors of Hektaş on 29 March 2024. 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 2023 AND FOR THE PERIOD THEN ENDED

(Amounts expressed in thousands of Turkish Lira (“TL”) in terms of the purchasing power of the TL at 31 January 2024, unless otherwise indicated.)

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 2.4.

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.

Restatement of financial statements during periods of high inflation

The financial statements and related figures for previous periods have been restated for changes in the general purchasing power of the functional currency and, consequently, the financial statements and related figures for previous periods are expressed in terms of the measuring unit current at the end of the reporting period in accordance with TAS 29 Financial Reporting in Hyperinflationary Economies.

TAS 29 applies to the financial statements, including the consolidated financial statements, of each entity whose functional currency is the currency of a hyperinflationary economy. If an economy is subject to hyperinflation, TAS 29 requires an entity whose functional currency is the currency of a hyperinflationary economy to present its financial statements in terms of the measuring unit current at the end of the reporting period.

As at the reporting date, entities operating in Türkiye are required to apply TAS 29 "Financial Reporting in Hyperinflationary Economies" for the reporting periods ending on or after 31 December 2023, as the cumulative change in the general purchasing power of the last three years based on the Consumer Price Index (“CPI”) is more than 100%.

POA made an announcement on 23 November 2023 regarding the scope and application of TAS 29. It stated that the financial statements of the entities applying Turkish Financial Reporting Standards for the annual reporting period ending on or after 31 December 2023 should be presented in accordance with the related accounting principles in TAS 29, adjusted for the effects of inflation.

In accordance with the CMB's decision dated 28 December 2023 and numbered 81/1820, issuers and capital market institutions subject to financial reporting regulations applying Turkish Accounting/Financial Reporting Standards are required to apply inflation accounting by applying the provisions of TAS 29 to their annual financial statements for the accounting periods ending on 31 December 2023.

In this framework, while preparing the consolidated financial statements dated 31 December 2023, inflation adjustment has been made in accordance with TAS 29.

HEKTAŞ GROUP

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2023 AND FOR THE PERIOD THEN ENDED

(Amounts expressed in thousands of Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 January 2024, unless otherwise indicated.)

2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

2.1 Basis of Presentation (cont'd)

Restatement of financial statements during periods of high inflation (cont'd)

The table below shows the inflation rates for the relevant years calculated by taking into account the Consumer Price Indices published by the Turkish Statistical Institute (TURKSTAT):

Date	Index	Adjustment coefficient	Three-year cumulative inflation rates
31.12.2023	1,859.38	1.00000	2,68000
31.12.2022	1,128.45	1.64773	1,56000
31.12.2021	686.95	2.70672	0,74000

The main lines of TAS 29 indexation transactions are as follows:

- As of the balance sheet date, all items other than those stated in terms of current purchasing power are restated by using the relevant price index coefficients. Prior year amounts are also restated in the same way.
- Monetary assets and liabilities are expressed in terms of the purchasing power at the balance sheet date and are therefore not subject to restatement. Monetary items are cash and items to be received or paid in cash.
- Fixed assets, subsidiaries and similar assets are indexed to their acquisition values, which do not exceed their market values. Depreciation has been adjusted in a similar manner. Amounts included in shareholders' equity have been restated by applying general price indices for the periods in which they were contributed to or arose within the Company.
- All items in the income statement, except for the effects of non-monetary items in the balance sheet on the income statement, have been restated by applying the multiples calculated over the periods when the income and expense accounts were initially recognised in the financial statements.
- The gain or loss arising on the net monetary position as a result of general inflation is the difference between the adjustments to non-monetary assets, equity items and income statement accounts. This gain or loss on the net monetary position is included in net profit.

The impact of the application of TAS 29 Inflation Accounting is summarised below:

Restatement of the Statement of Financial Position

Amounts in the statement of financial position that are not expressed in terms of the measuring unit current at the end of the reporting period are restated. Accordingly, monetary items are not restated because they are expressed in the currency of the reporting period. Non-monetary items are required to be restated unless they are expressed in terms of the currency in effect at the end of the reporting period.

The gain or loss on the net monetary position arising on restatement of non-monetary items is recognised in profit or loss and presented separately in the statement of comprehensive income.

Restatement of the Statement of Profit or Loss

All items in the statement of profit or loss are expressed in terms of the measuring unit current at the end of the reporting period. Therefore, all amounts have been restated by applying changes in the monthly general price index.

Cost of inventories sold has been restated using the restated inventory balance.

Depreciation and amortisation expenses have been restated using the restated balances of property, plant and equipment, intangible assets, investment property and right-of-use assets.

HEKTAŞ GROUP

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2023 AND FOR THE PERIOD THEN ENDED

(Amounts expressed in thousands of Turkish Lira (“TL”) in terms of the purchasing power of the TL at 31 January 2024, unless otherwise indicated.)

2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont’d)

2.1 Basis of Presentation (cont’d)

Restatement of financial statements during periods of high inflation (cont’d)

Restatement of Statement of Cash Flows

All items in the statement of cash flows are expressed in terms of the measuring unit current at the end of the reporting period.

Consolidated financial statements

The financial statements of a subsidiary whose functional currency is the currency of a hyperinflationary economy are restated by applying the general price index before they are included in the consolidated financial statements prepared by the parent company. If the subsidiary is a foreign subsidiary, its restated financial statements are translated at the closing rate. When consolidating financial statements with different reporting period ends, all monetary and non-monetary items are restated in accordance with the measuring unit current at the date of the consolidated financial statements.

Comparative figures

Relevant figures for the previous reporting period are restated by applying the general price index so that the comparative financial statements are presented in the measuring unit applicable at the end of the reporting period. Information disclosed for prior periods is also expressed in terms of the measuring unit current at the end of the reporting period.

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 2023 AND FOR THE PERIOD THEN ENDED

(Amounts expressed in thousands of Turkish Lira (“TL”) in terms of the purchasing power of the TL at 31 January 2024, unless otherwise indicated.)

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”.

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 2023 and 2022, the details of the Company's subsidiaries and financial investments are as follows:

Bağlı Ortaklıklar

Title of the Company	Location of activity	Functional curre	Group's share rate in capital and	
			31 December 2023	31 December 2022
Subsidiaries				
Takımsan	Kocaeli	TL	99.78	99.78
Ferbis	Niğde	TL	100.00	100.00
Areo	Antalya	TL	100.00	100.00
Sunset	Niğde	TL	100.00	100.00
Arma	Ankara	TL	-	100.00
Agriventis	Australia	AUD	51.00	51.00
Hektaş Asia	Uzbekistan	UZS	100.00	-
Financial investments				
Çantaş	Çankırı	TL	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”).

(**)All shares of Arma İlaç Sanayi ve Ticaret A.Ş., a 100% subsidiary of the company, were transferred to Oyak Gıda ve Tarım Holding A.Ş. as of December 29, 2023.(Note 38)

HEKTAŞ GROUP

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2023 AND FOR THE PERIOD THEN ENDED

(Amounts expressed in thousands of Turkish Lira (“TL”) in terms of the purchasing power of the TL at 31 January 2024, unless otherwise indicated.)

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. There have been no significant changes in the Group’s accounting estimates in the current year.

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 2023. 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 2023 and no impairment has been detected.

HEKTAŞ GROUP

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2023 AND FOR THE PERIOD THEN ENDED

(Amounts expressed in thousands of Turkish Lira (“TL”) in terms of the purchasing power of the TL at 31 January 2024, unless otherwise indicated.)

2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont’d)

2.4 Summary of Significant Accounting Policies

2.4 New and Amended Turkish Accounting Standards

a) Amendments that are mandatorily effective from 2023

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 TAS 12	<i>International Tax Reform — Pillar Two Model Rules</i>

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.

Amendments to TAS 12 *International Tax Reform — Pillar Two Model Rules*

The amendments provide a temporary exception to the requirements regarding deferred tax assets and liabilities related to pillar two income taxes. Amendments to TAS 12 are effective for annual reporting periods beginning on or after 1 January 2023.

HEKTAŞ GROUP

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2023 AND FOR THE PERIOD THEN ENDED

(Amounts expressed in thousands of Turkish Lira (“TL”) in terms of the purchasing power of the TL at 31 January 2024, unless otherwise indicated.)

2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont’d)

2.4 Summary of Significant Accounting Policies (cont’d)

2.4 New and Amended Turkish Accounting Standards (cont’d)

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 TFRS 4	<i>Extension of the Temporary Exemption from Applying TFRS 9</i>
Amendments to TAS 1	<i>Classification of Liabilities as Current or Non-Current</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>
Amendments to TAS 7 and TFRS 7	<i>Supplier Finance Arrangements</i>
TSRS 1	<i>General Requirements for Disclosure of Sustainability-related Financial Information</i>
TSRS 2	<i>Climate-related Disclosures</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 2024 for insurance and reinsurance and pension companies.

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 insurance and reinsurance and pension companies would be required to apply TFRS 9 for annual periods beginning on or after 1 January 2024 with the deferral of the effective date of TFRS 17.

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 2024 and earlier application is permitted.

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.

HEKTAŞ GROUP

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2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont’d)

2.4 Summary of Significant Accounting Policies (cont’d)

2.4 New and Amended Turkish Accounting Standards (cont’d)

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

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 effects of these standards, amendments and improvements on the consolidated financial statements.

Amendments to TAS 7 and TFRS 7 *Supplier Finance Arrangements*

The amendments add disclosure requirements, and ‘signposts’ within existing disclosure requirements that ask entities to provide qualitative and quantitative information about supplier finance arrangements. Amendments are effective from annual reporting periods beginning on or after 1 January 2024.

TSRS 1 *General Requirements for Disclosure of Sustainability-related Financial Information*

TSRS 1 sets out overall requirements for sustainability-related financial disclosures with the objective to require an entity to disclose information about its sustainability-related risks and opportunities that is useful to primary users of general-purpose financial reports in making decisions relating to providing resources to the entity. The application of this standard is mandatory for annual reporting periods beginning on or after 1 January 2024 for the entities that meet the criteria specified in POA's announcement dated 5 January 2024 and numbered 2024-5 and for banks regardless of the criteria. Other entities may voluntarily report in accordance with TSRS.

TSRS 2 *Climate-related Disclosures*

TSRS 2 sets out the requirements for identifying, measuring and disclosing information about climate-related risks and opportunities that is useful to primary users of general-purpose financial reports in making decisions relating to providing resources to the entity. The application of this standard is mandatory for annual reporting periods beginning on or after 1 January 2024 for the entities that meet the criteria specified in POA's announcement dated 5 January 2024 and numbered 2024-5 and for banks regardless of the criteria. Other entities may voluntarily report in accordance with TSRS.

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(Amounts expressed in thousands of Turkish Lira (“TL”) in terms of the purchasing power of the TL at 31 January 2024, unless otherwise indicated.)

2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont’d)

2.4 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.

Segment Reporting

The Group's operations are defined as the geographic operating segment. However, considering the nature of the products and production processes, the type of customers for their products and services, and the methods they use to distribute their products or provide their services, the segments have been combined into a single operating segment with similar economic characteristics.

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and any impairment losses.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Gains or losses on disposals of property, plant and equipment are accounted in profit or loss.

Subsequent expenditure is capitalised only when it is probable that the future economic benefits associated with the expenditure will flow to the Group.

Items of property, plant and equipment are depreciated from the date that they are available for use, or in respect of self-constructed assets, from the date that the asset is completed and ready for use. Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property and equipment. Depreciation is generally recognized in profit or loss unless it is included in the carrying amount of another asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated.

The estimated useful lives of property, plant and equipment items in the current and comparative periods are as follows:

	<u>Useful Life</u>
Lands and land improvements	4-50 years
Buildings	10-50 years
Plant, machinery and equipment	2-15 years
Vehicles	2-5 years
Furniture and fixtures	2-24 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted as necessary.

Intangible assets

Goodwill

Goodwill arising from the acquisition of subsidiaries is measured at cost less accumulated impairment losses.

Subsequent costs

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenses are recognized in profit or loss when incurred, including internally generated goodwill and trademarks.

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2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont’d)

2.4 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.

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2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont’d)

2.4 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.

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2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

2.4 Summary of Significant Accounting Policies (cont'd)

Impairment of assets (cont'd)

Non-financial assets (cont'd)

The Group assumes that the credit risk on a financial asset increases significantly when it is 360 days past due.

The Group considers a financial asset in default if:

- The debtor's failure to fully fulfill its loan obligation without resorting to actions such as the use of collateral (if any) by the Group, or
- The financial instrument is past due 360 days.

The Group considers bank balances to have low credit risk if they are equal to the international definition of risk assessments "investment grade".

Lifetime ECLs are expected credit losses arising from all possible default events over the expected life of the financial instrument.

The 12-month ECLs are the portion of the expected credit losses arising from possible default events on the financial instrument within 12 months of the reporting date.

The maximum period for which ECLs will be measured is the maximum contractual period for which the Group is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. In other words, it is the credit losses that are measured on the present value of all the cash deficits (for example, the difference between the cash inflows to the entity and the cash flows expected by the entity to be collected based on the contract).

The cash deficit is the difference between the cash flows to be incurred and the cash flows expected to be received by the entity. As the amount and timing of payments are considered in expected credit losses, a credit loss occurs even if the entity expects to receive the full payment in the contract with the maturity specified in the contract.

ECLs are discounted at the effective interest rate of the financial asset.

Credit impaired financial assets

At the end of each reporting period, the Group assesses whether financial assets carried at amortised cost. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- breach of contract such as a default or 90 days even after past due;
- the restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

Presentation of impairment

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

Write-off

In the absence of reasonable expectations of a partial or full recovery of a financial asset's value, an entity writes-off the gross carrying amount of the financial asset directly. A write-off is a cause for derecognition.

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2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont’d)

2.4 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 2023	29.4382	32.5739	20.0213
31 December 2022	18.6983	19.9349	12.6670

Lease transactions

(i) As a lessee

At the actual commencement date of the lease or at the date of the change in the contract containing the lease component, the Group allocates to each lease component based on the relative stand-alone price of the lease component and the total stand-alone price of the non-lease components.

The Group has chosen not to separate the non-lease components from the lease components, but instead to account for each lease component and its associated non-lease components as a single lease component.

The Group has reflected right-of-use assets and lease liabilities in its financial statements at the commencement date of the lease. The initial measurement of the liability for the cost of the right-of-use asset consists of all lease payments made at or before the commencement of the lease, less any lease incentives received, plus all initial direct costs and disassembly and relocation of the asset, estimated future costs of restoring the site in which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

If the lease transfers ownership of the underlying asset to the lessee at the end of the lease term, or if the cost of the right-of-use asset indicates that the lessee will exercise a call option, the right-of-use asset is depreciated from the date the lease actually began to the end of the useful life of the underlying asset. In other cases, the right-of-use asset is depreciated over the shorter of the asset's useful life or the lease term, starting from the date the lease actually commenced. In addition, the value of the right-of-use asset is periodically reduced, less any impairment losses, and adjusted for remeasurement of the lease liability.

At the commencement date of the lease, the lease liability is measured at the present value of the lease payments not paid at that date. Lease payments are discounted using that rate if the implied interest rate on the lease can be easily determined. If this rate cannot be easily determined, the Group's alternative borrowing interest rate is used.

The Group determines the alternative borrowing interest rate by taking into account the interest rates it will pay for the debts to be used from various external financing sources and makes some adjustments to reflect the lease terms and the type of the leased asset.

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2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont’d)

2.4 Summary of Significant Accounting Policies (cont’d)

Lease transactions (cont’d)

(i) *As a lessee (cont’d)*

The lease payments included in the measurement of the lease liability consist of:

- Fixed payments (including fixed payments in substance);
- Variable lease payments based on an index or rate, initially measured using an index or rate at the commencement date of the lease;
- Amounts expected to be paid by the lessee under residual value commitments;
- Payment of termination penalties if the exercise price and lease term of the option indicate that the Group will exercise an option to terminate the lease if there is reasonable confidence that the option to call will be exercised.

The lease liability is measured by discounting lease payments with a discount rate. The Group considers renewal, termination and purchase options if there is a change in these payments as a result of a change in an index or rate used to determine future lease payments and if there is a change in the amounts expected to be paid under the residual value commitment.

In case of re-measurement of the lease liability, it is reflected to the financial statements as an adjustment to the right-of-use asset according to the newly found debt amount. However, if the carrying amount of the right-of-use asset is reduced to zero and there is a further reduction in the measurement of the lease liability, the remaining remeasurement amount is recognized in profit or loss.

The Group presents right-of-use assets and lease liabilities that do not meet the definition of investment property in the statement of financial position as “Financial Liabilities”.

Short-term leases and low value leases

The Group has chosen not to recognize right-of-use assets and lease liabilities for short-term leases of machinery with lease terms of 12 months or less, and leases of low-value assets, including IT equipment. The Group has recognized the lease payments related to these leases as an expense on a straight-line basis over the lease term.

(ii) *As a lessor*

For a contract with a lease component and one or more additional lease components or non-lease components, the Group allocates the contract price on the basis of the relative stand-alone price, at the inception of the contract or when the contract with a lease component is modified.

When the Group is a lessor, it classifies each of the leases as operating or finance leases.

To classify each lease, the Group makes an overall assessment of whether the lease essentially transfers all the risks and rewards of ownership of the asset. A lease is a finance lease when it transfers risks and rewards; otherwise, it is an operating lease. As part of this assessment, the Group considers certain other indicators, such as whether the lease term covers most of the economic life of the underlying asset.

If the lease includes a lease component and one or more additional lease components or non-lease components, the Group allocates the contract value by applying TFRS 15 Revenue from Contracts with Customers.

The Group applies the derecognition and impairment provisions in TFRS 9 to the net lease investment. The Group regularly reviews the estimated residual uncommitted values used in calculating the gross lease investment.

In general, accounting policies applied to the Group as a lessor in the comparative period are not different from TFRS 16, except for the classification of a sublease entered in the current reporting period resulting in a finance lease classification.

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2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont’d)

2.4 Summary of Significant Accounting Policies (cont’d)

Provisions, contingent liabilities and contingent assets

Provisions

Provisions are recognized only if the Group has a past and present obligation (legal or structural), there is a possibility of disposal of resources that provide economic benefits to the business due to this obligation, and the amount of the obligation can be determined reliably. When the depreciation of money over time becomes significant, provisions are reflected with the discounted value of the expenses that may occur in the future at the reporting date. When discounted value is used, increases in provisions due to the passage of time are recognized as interest expense.

Contingent assets and liabilities

Possible assets or obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity are treated as contingent assets or liabilities and the entity does not account anything in its financial statements.

Contingent liabilities are disclosed in the notes to the financial statements, except when the probability of an outflow of resources embodying economic benefits is remote. If the situation requiring resource transfer is probable, contingent liabilities are reflected in the financial statements. Contingent assets, on the other hand, are not reflected in the financial statements and are disclosed in the notes if they are likely to generate economic returns.

Income tax

As Turkish Tax Legislation does not allow the parent company and its subsidiary to prepare consolidated tax returns, tax provisions have been calculated on a separate-entity basis, as reflected in the accompanying consolidated financial statements.

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

Income tax is recognized in profit or loss, except when associated with business combinations or directly in equity or other comprehensive income.

Current tax

Current tax is the expected tax liability or receivable on taxable profit or loss in the current year and includes adjustments to previous years' tax liabilities.

It is calculated by taking into account the tax rates that are in force as of the end of the reporting period or that are almost certain to enter into force.

Deferred tax

Deferred tax is calculated over the temporary differences between the book values of assets and liabilities in the financial statements and the values used in the tax base. Deferred tax is not recognized for temporary differences in the following cases:

- Temporary differences in the initial recognition of assets or liabilities resulting from a transaction that is not a business combination and does not affect either accounting profit or taxable profit or loss;
- Temporary differences related to investments in subsidiaries, associates and jointly controlled entities that are not likely to reverse in the foreseeable future and for which the Group has control over the reversal time, and
- Taxable temporary differences during the initial recognition of goodwill.

Deferred tax assets are recognized if it is probable that taxable profits will be sufficient to offset unused tax losses, tax benefits and deductible temporary differences in the future. Taxable profit is determined according to the business plans of each subsidiary in the Group. Deferred tax assets are reviewed at each reporting date and if it is probable that taxable profits will be generated in the future, deferred tax assets that have not been previously recognized are recognized, limited to these amounts.

The Group measures deferred tax liabilities and deferred tax assets in a manner consistent with the tax consequences of its expectations at the end of the reporting period regarding how its assets will recover or pay their liabilities. Deferred tax asset and deferred tax liability are offset only when certain conditions are met.

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2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

2.4 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 Türkiye, 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 Türkiye, it is obliged to pay for any reason claimed by the employee if the ending, but unused annual leave belonging fee gross salary at the date when the contract expires and contractual other interests him or rights to their owners over the total. Unused leave is the total undiscounted liability amount that all employees deserve but correspond to the days of leave they have not yet used as of the reporting date. Obligations arising from unused leave rights are accrued at the time they are entitled.

Revenue

Revenues are measured at the fair value of the amount of receivables collected or to be collected. Net sales are shown by deducting estimated and realized returns, discounts, commissions, turnover premiums and sales-related taxes from the sales amount of the goods.

In accordance with TFRS 15, a five-stage approach is followed in the recognition of revenue for all contracts with customers.

Step 1: Definition of the contract

When a contract is only legally enforceable, collectible, rights and payment terms for goods and services are identifiable, the contract is considered to be in accordance with TFRS 15 if the terms of the contract have been met, the contract has been approved by the parties and the parties have fulfilled all the obligations under which they are committed.

When contracts are negotiated as a single business package, or if a contract is bound to other contract or goods or services (or part of the goods or services), the Group considers the contracts as a single contract.

Step 2: Definition of performance obligations

The Group determines a "performance obligation" as a unit of account for revenue recognition. The Group evaluates the goods or services promised in a contract with the customer and determines each commitment to the customer to transfer one of the following as a performance obligation:

- (a) good or service (or a bundle of goods or services) that is distinct; or
- (b) series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer.

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2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont’d)

2.4 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 2023 AND FOR THE PERIOD THEN ENDED

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2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont’d)

2.4 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 Türkiye, 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.

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2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont’d)

2.4 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.

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2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont’d)

2.4 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.

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2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont’d)

2.4 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

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2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont’d)

2.4 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.

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.

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2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont’d)

2.4 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.

2.5 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.

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2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (cont’d)

2.5 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).

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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>Ana Faaliyet Konusu</u>	<u>Alın Tarihi</u>	<u>Alınan Sermayedeki Pay (%)</u>	<u>Transfer edilen bedel (Nakit) (*)</u>
Agriventis	Tohum	18 Eylül 2020	51	27,865,968

(*) 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	161,990
Inventories	1,288,000
Other current assets	52,881
Current Assets	<u>1,502,871</u>
Other receivables	14,449
Property, plant and equipment	249,166
Intangible assets	84,953,969
Non-Current Assets	<u>85,217,584</u>
Trade and other payables	104,975
Current Liabilities	<u>104,975</u>
Other payables	15,143,972
Deferred tax liability	16,832,356
Non-Current Liabilities	<u>31,976,328</u>
Net Asset Value	<u>54,639,152</u>
Non-controlling interests	26,773,184
Parent shares	27,865,967
Goodwill arising at the time of purchase	
Amount paid in cash	27,865,968
Less: Value of net assets of the acquired company	<u>(27,865,968)</u>
Goodwill	<u>-</u>

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4. CASH AND CASH EQUIVALENTS

	31 December 2023	31 December 2022
Cash	272,923	303,115
Cash at banks	4,464,898,602	2,381,216,729
<i>Demand deposits</i>	633,163,251	25,245,740
<i>Time deposits with a maturity of less than three months</i>	3,831,735,351	2,355,970,989
Other current assets (*)	157,003,982	141,809,435
Cash and cash equivalents in the consolidated statement of financial position	4,622,175,507	2,523,329,279
Less : interest accruals	(39,278,664)	(17,847,494)
Cash and cash equivalents according to the cash flow statements	4,582,896,843	2,505,481,785

(*) Other cash and cash equivalents consist of checks and promissory notes and credit card receivables due as of 31 December 2023 and 2022.

As of 31 December 2023, the Group's USD time deposits amount to TL 846,957,620 with an interest rate of 2.00 percent and 5.00 percent and a maturity of less than 3 months (As of 31 December 2022, the Group has USD time deposits amounting to TL 185,315,389 with an interest rate of 2,00 percent and maturities of less than 3 months).

As of 31 December 2023, the Group's time deposit amount in TL is TL 2,984,777,731 and the interest rate is between 37.00 and 47.00 percent. Their maturities are less than 3 months (As of 31 December 2022, TL time deposits amount to TL 2,170,655,600 the interest rate is 13.00 to 28.00 percent. and their maturities are less than 3 months.)

5. FINANCIAL INVESTMENTS

Financial investments at fair value through other comprehensive income:

Company Title	Share Rate %	31 December 2023	Share Rate %	31 December 2022
Çantaş	0.37	512,040	0.37	512,040
		512,040		512,040
Provision for impairment		(512,040)		(512,040)
		-		-

	31 December 2023	31 December 2022
Other	493,747	268,026
Restricted bank deposits	970,365,000	-
	970,858,747	268,026

As of 31 December 2023, blocked cash and cash equivalents amounting to 970,365,000 TL (31 December 2022: There is no blockage.) are classified separately within "Financial Investments" since their use in the Group's ongoing activities and fulfillment of its obligations is restricted.

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6. DERIVATIVE INSTRUMENTS

	31 December 2023		31 December 2022	
	Asset	Liability	Asset	Liability
Derivative that are designated and effective as hedging instruments carried at fair value:				
<i>Cross currency swap contracts</i>	-	-	48,039,917	-
Held for trading derivatives that are not designated in hedge accounting relationship				
<i>Forward contracts</i>	-	1,787,136	-	7,527,677
	<u>-</u>	<u>1,787,136</u>	<u>48,039,917</u>	<u>7,527,677</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 2023, the details of cross currency swap, option and forward transactions are as follows;

	Assets		Liabilities	
	Nominal Amount	Fair Value	Nominal Amount	Fair Value
<u>Forward contracts</u>				
<i>USD Collection / TL Payment</i>	-	-	5,250,000	1,787,136
				<u>1,787,136</u>

As of 31 December 2022, the details of cross currency swap, option and forward transactions are as follows;

	Assets		Liabilities	
	Nominal Amount	Fair Value	Nominal Amount	Fair Value
<u>Cross currency swap contracts</u>				
<i>EUR Collection / TL Payment</i>	2,000,000	48,039,917	-	-
<u>Forward contracts</u>				
<i>USD Collection / TL Payment</i>	-	-	15,242,800	7,527,677
		<u>48,039,917</u>		<u>7,527,677</u>

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7. FINANCIAL LIABILITIES

	31 December 2023	31 December 2022
Short-Term Financial Liabilities		
Issued borrowing instruments	2,496,302,404	2,147,278,052
Bank loans	10,441,192,335	8,799,107,274
Lease liabilities	53,059,140	78,060,475
Other Financial Liabilities	494,994,619	637,287,094
	<u>13,485,548,498</u>	<u>11,661,732,895</u>
	31 December 2023	31 December 2022
Long-Term Financial Liabilities		
Bank loans	913,189,540	227,386,628
Lease liabilities	37,324,738	131,940,203
	<u>950,514,278</u>	<u>359,326,831</u>

Short-term Bank Loans:

Currency	Weighted Average Interest Rate %	31 December 2023 Short-term
TL	44.33	10,049,664,275
USD	9.22	391,528,060
		<u>10,441,192,335</u>
	Weighted Average	31 December 2022
Currency	Interest Rate %	Short-term
TL	19.27	8,733,412,641
Euro	3.00	65,694,633
		<u>8,799,107,274</u>

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7. FINANCIAL LIABILITIES (cont'd)

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

<u>Currency</u>	<u>Weighted Average Interest Rate %</u>	<u>31 December 2023 Short-term</u>
TL	36.29	<u>2,496,302,404</u>
		<u>2,496,302,404</u>

On 07 July 2023, the Group issued a single coupon payment financial bond with a discounted fixed interest rate, quoted on Borsa Istanbul, amounting to TL 850 million. The maturity of the bond is 05 January 2024 and the coupon interest rate is 41.50%.

On 09 August 2023, the Group issued a single coupon payment financial bond with a discounted fixed interest rate, quoted on Borsa Istanbul, amounting to TL 1 billion. The maturity of the bond is 02 February 2024 and the coupon interest rate is 36.00%.

On 09 August 2023, the Group issued a single coupon payment financing bond with a discounted fixed interest rate, quoted on Borsa Istanbul, amounting to TL 500 million. The maturity of the bond is 07 August 2024 and the coupon interest rate is 36.00%.

<u>Currency</u>	<u>Weighted Average Interest Rate %</u>	<u>31 December 2022 Short-term</u>
TL	24.30	<u>2,147,278,052</u>
		<u>2,147,278,052</u>

On 16 August 2022, the Group issued a total amount of 165 million TL (100 million TL nominal), discount fixed interest single coupon payment financing bills, listed on Borsa Istanbul. The maturity of the bond is February 10, 2023, and the coupon interest rate is 28%.

On September 5, 2022, the Group issued a total amount of 741 million TL (450 million TL nominal), discount fixed interest single coupon payment financing bills, listed on Borsa Istanbul. The maturity of the bill is January 18, 2023, and the coupon interest rate is 23.50%.

On September 28, 2022, the Group issued a total amount of 847 million TL (514 million TL nominal), listed on Borsa Istanbul, with discount fixed interest, single coupon payment financing bills. The maturity of the bond is January 4, 2023, and the coupon interest rate is 23.25%.

On September 28, 2022, the Group issued a total amount of 430 million TL (261 million TL nominal), listed on Borsa Istanbul, with a discount fixed interest rate and single coupon payment. The maturity of the bond is 24 March 2023 and the coupon interest rate is 26.50%.

Details of Other Financial Liabilities are as follows;

<u>Currency</u>	<u>Weighted Average Interest Rate %</u>	<u>31 December 2023 Short-term</u>
TL	40.34	<u>494,994,619</u>
		<u>494,994,619</u>

<u>Currency</u>	<u>Weighted Average Interest Rate %</u>	<u>31 December 2022 Short-term</u>
TL	24.25	<u>637,287,094</u>
		<u>637,287,094</u>

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7. FINANCIAL LIABILITIES (cont'd)

Details of Long-Term Bank Loans are as follows;

Currency	Weighted Average Interest Rate %	31 December 2023 Long-term
TL	14.15	38,875,000
USD	10.33	874,314,540
		913,189,540
Currency	Weighted Average Interest Rate %	31 December 2022 Long-term
TL	20.30	227,386,628
		227,386,628

The maturities of the lease obligations are as follows;

	31 December 2023	31 December 2022
To be paid within 1 year	53,059,140	78,060,475
To be paid within 1-5 years	37,324,738	131,940,203
	90,383,878	210,000,678

The maturities of bank loans, issued debt instruments and other financial liabilities are as follows:

	31 December 2023	31 December 2022
To be paid within 1 year	13,432,489,358	11,583,672,420
To be paid within 1-6 years	218,500,453	227,386,628
To be paid within 2-3 years	208,958,787	-
To be paid within 3-4 years	194,292,120	-
To be paid within 4-5 years	194,292,120	-
5 years and more	97,146,060	-
	14,345,678,898	11,811,059,048

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 2023 and 2022, the reconciliation of liabilities arising from financing activities is as follows;

	31 December 2023	31 December 2022
Financial liabilities as of 1 January	12,021,059,726	6,147,701,514
Capital inflow within the period	14,912,469,725	13,221,371,920
Payments within the period	(9,100,819,034)	(6,450,628,334)
Non-cash movements	10,146,551	2,946,988
Interest expense	3,031,322,228	1,975,641,603
Paid interest expense	(2,622,452,491)	(1,707,945,311)
Consolidation disposal effect	(38,062,394)	-
Inflation effect	(3,777,601,535)	(1,168,028,654)
	14,436,062,776	12,021,059,726

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8. TRADE RECEIVABLES AND PAYABLES

a) Trade Receivables

As of 31 December 2023 and 2022, the details of the Group's trade receivables are as follows;

	31 December 2023	31 December 2022
Short-term trade receivables		
Trade receivables	1,490,314,241	2,927,959,201
Notes receivables	1,640,811,404	3,824,362,003
Trade receivables from related parties (Note 34)	29,487,635	241,382
Provision for doubtful trade receivables (-)	(125,653,384)	(16,611,915)
	<u>3,034,963,794</u>	<u>6,735,950,671</u>
Long-term trade receivables		
Notes receivable	-	2,481,983
	<u>-</u>	<u>2,481,983</u>

As of 31 December 2023, 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 2022: TL 823,864,593).

As of 31 December 2023 and 2022, the aging of trade receivables is as follows:

	31 December 2023	31 December 2022
Not overdue and impaired	2,878,051,832	6,624,373,072
Overdue for 1-30 days, not impaired	39,264,106	66,369,260
Overdue for 1-3 months, not impaired	73,294,162	22,163,231
Overdue for 3-12 months, not impaired	43,380,115	25,294,577
Overdue for 1-5 years, not impaired	973,579	232,514
	<u>3,034,963,794</u>	<u>6,738,432,654</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 287 days (31 December 2022: 200 days)

The provision 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 2023	1 January- 31 December 2022
Provision for doubtful receivables movements		
Opening balance	16,611,915	27,164,600
Charge for the period	122,549,090	261,852
Collections	(282,053)	(238,387)
Reversed provisions	-	70,058
Disposals from consolidation	(84,374)	-
Inflation effect	(13,141,194)	(10,646,208)
Closing balance	<u>125,653,384</u>	<u>16,611,915</u>

The nature and level of risks related to trade receivables are disclosed in Note 35.

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8. TRADE RECEIVABLES AND PAYABLES (cont'd)

b) Trade Payables

As of 31 December 2023 and 2022, the details of the Group's trade payables are as follows:

	31 December 2023	31 December 2022
Short-term trade payables		
Trade payables (*)	1,176,116,072	1,470,323,188
Trade payables to related parties (Note 34)	172,312,155	101,079,848
Expense accruals	51,650,749	4,699,170
	<u>1,400,078,976</u>	<u>1,576,102,206</u>

(*) As of 31 December 2023, letters of credit amounting to TL 329,199,761 are included in trade payables (31 December 2022: TL 928,618,033).

The average payment period of trade payables for the purchase of goods is 124 days (31 December 2022: 103)

9. PAYABLES FOR EMPLOYEE BENEFITS

	31 December 2023	31 December 2022
Payables to personnel	130,975	80,960
Premium provisions to payable personnel	64,705,940	125,496,872
Social security premiums payable	16,463,554	10,665,682
	<u>81,300,469</u>	<u>136,243,514</u>

10. OTHER RECEIVABLES AND PAYABLES

a) Other Receivables

	31 December 2023	31 December 2022
Other Short-Term Receivables		
Other receivables from related parties (Note 34)	1,492,187,616	-
Refund receivable of special consumption tax ("SCT") (*)	238,159	244,749
Deposits and guarantees given	466,012	544,996
Advance tax refund receivable	1,122,358	15,553
VAT and Other Refund Receivables	6,619,816	61,817,299
Other	-	23,118
	<u>1,500,633,961</u>	<u>62,645,715</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 238,159 (31 December 2022: TL 244,749).

	31 December 2023	31 December 2022
Other Long-Term Receivables		
Deposits and guarantees given	4,206,751	2,484,647
	<u>4,206,751</u>	<u>2,484,647</u>

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10. OTHER RECEIVABLES AND PAYABLES (cont’d)

b) Other Payables

	31 December 2023	31 December 2022
<u>Other Short-Term Payables</u>		
Other payables to related parties (Note 34)	742,777,690	11,814,770
Taxes and funds payable	12,571,170	27,184,635
Other miscellaneous liabilities	3,392,956	4,992,407
	<u>758,741,816</u>	<u>43,991,812</u>

(*) Consists of the portion of previous years' dividend payments that have not yet been completed as of 31 December 2023.

	31 December 2023	31 December 2022
<u>Other Long-Term Payables</u>		
Other payables to related parties (Note 34)	111,954,399	116,625,112
	<u>111,954,399</u>	<u>116,625,112</u>

11. PREPAID EXPENSES

	31 December 2023	31 December 2022
<u>Short-Term Prepaid Expenses</u>		
Order advances given	49,002,389	99,648,477
Prepaid expenses	60,525,008	30,215,018
Advances given to related parties (Note 34)	1,500,568	6,257,525
	<u>111,027,965</u>	<u>136,121,020</u>
	31 December 2023	31 December 2022
<u>Long-Term Prepaid Expenses</u>		
Advances given for the purchase of fixed assets	853,240,946	476,957,316
	<u>853,240,946</u>	<u>476,957,316</u>

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12. DEFERRED INCOME

	31 December 2023	31 December 2022
Short-Term Deferred Income		
Order advances received	27,873,085	9,397,468
Deferred income	-	315,057,863
	<u>27,873,085</u>	<u>324,455,331</u>

13. INVENTORIES

	31 December 2023	31 December 2022
Raw material	1,868,408,590	1,982,047,104
Work in-process	405,828,816	447,561,374
Finished goods	1,112,227,826	772,612,920
Trade goods	802,293,840	765,009,636
Other inventories (*)	243,940,647	1,444,449,930
Provision for impairment on inventories (-)	(182,192,907)	(5,892,955)
	<u>4,250,506,812</u>	<u>5,405,788,009</u>

(*) As of 31 December 2023, TL 238,607,051 (31 December 2022: TL 1,439,222,658) of other inventories consist of goods in transit.

	1 January- 31 December 2023	1 January- 31 December 2022
Movement of allowance for impairment on inventory		
Opening balance	(5,892,955)	(832,914)
Charge for the period	(179,133,893)	(5,892,955)
Provision used/reversed	646,133	507,041
Inflation effect	2,187,808	325,873
Closing balance	<u>(182,192,907)</u>	<u>(5,892,955)</u>

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14. PROPERTY, PLANT AND EQUIPMENT

Property, Plant and Equipment

Cost Value	Lands	Land improvements	Buildings	Plant, machinery and equipment	Vehicles	Furniture and fixtures	Construction in progress (**)	Total
Opening balance as of 1 January 2023	57,015,712	175,470,517	708,464,637	1,317,566,674	33,450,353	259,223,780	3,747,467,413	6,298,659,086
Foreign currency translation differences	-	-	-	(117,533)	(164,526)	(9,195)	-	(291,254)
Additions	-	2,192,301	118,400,300	275,978,770	8,845,797	151,171,597	1,829,848,300	2,386,437,065
Disposals	(47,955)	(164,778,783)	(578,135,813)	(20,705)	(1,958,222)	(28,967,480)	-	(773,908,958)
Disposals from consolidation	(7,808,686)	(2,300,711)	(32,348,279)	(446,542,113)	(2,361,567)	(11,675,552)	-	(503,036,908)
Transfers (*)	-	-	205,955,306	842,968,999	-	20,503,390	(3,437,842,160)	(2,368,414,465)
Closing balance as of 31 December 2023	49,159,071	10,583,324	422,336,151	1,989,834,092	37,811,835	390,246,540	2,139,473,553	5,039,444,566
<u>Accumulated Depreciation</u>								
Opening balance as of 1 January 2023	-	(88,898,191)	(254,428,837)	(382,173,357)	(14,801,297)	(126,523,047)	-	(866,824,729)
Foreign currency translation differences	-	-	-	(246,694)	(91,468)	(29,363)	-	(367,525)
Charge for the period	-	(4,341,423)	(12,080,157)	(162,821,202)	(6,918,713)	(50,567,754)	-	(236,729,249)
Disposals	-	90,485,407	219,000,549	-	1,203,478	25,219,258	-	335,908,692
Disposals from consolidation	-	127,534	6,304,656	80,967,515	2,279,475	4,546,661	-	94,225,841
Closing balance as of 31 December 2023	-	(2,626,673)	(41,203,789)	(464,273,738)	(18,328,525)	(147,354,245)	-	(673,786,970)
Carrying value as of 31 December 2023	49,159,071	7,956,651	381,132,362	1,525,560,354	19,483,310	242,892,295	2,139,473,553	4,365,657,596

(*) TL 2,368,414,465 has been transferred from construction in progress to intangible assets (Note 16).

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14. PROPERTY, PLANT AND EQUIPMENT (cont’d)

a) Property, Plant and Equipment (cont’d)

Cost Value	Lands	Land improvements	Buildings	Plant, machinery and equipment	Vehicles	Furniture and fixtures	Construction in progress (**)	Total
Opening balance as of 1 January 2022	10,126,268	163,399,408	600,676,045	1,055,482,889	38,069,374	203,005,904	2,130,969,115	4,201,729,003
Foreign currency translation differences	-	-	-	(1,791,026)	(1,082,850)	(57,567)	-	(2,931,443)
Additions	46,889,444	12,272,872	90,851,846	174,767,069	7,695,872	60,829,419	1,783,706,693	2,177,013,215
Disposals	-	(201,763)	-	(537,923)	(11,232,043)	(4,553,976)	-	(16,525,705)
Transfers (*)	-	-	16,936,746	89,645,665	-	-	(167,208,395)	(60,625,984)
Closing balance as of 31 December 2022	57,015,712	175,470,517	708,464,637	1,317,566,674	33,450,353	259,223,780	3,747,467,413	6,298,659,086
<u>Accumulated Depreciation</u>								
Opening balance as of 1 January 2022	-	(83,544,653)	(233,541,056)	(278,868,409)	(15,085,790)	(101,938,355)	-	(712,978,263)
Foreign currency translation differences	-	-	-	(54,098)	25,942	(22,267)	-	(50,423)
Charge for the period	-	(5,431,139)	(20,887,781)	(103,592,330)	(5,079,573)	(28,307,437)	-	(163,298,260)
Disposals	-	77,601	-	341,480	5,338,124	3,745,012	-	9,502,217
Closing balance as of 31 December 2022	-	(88,898,191)	(254,428,837)	(382,173,357)	(14,801,297)	(126,523,047)	-	(866,824,729)
Carrying value as of 31 December 2022	57,015,712	86,572,326	454,035,800	935,393,317	18,649,056	132,700,733	3,747,467,413	5,431,834,357

(*) TL 60,625,984 has been transferred from construction in progress to intangible assets (Note 16).

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15. RIGHT-OF-USE ASSETS

<u>Cost Value</u>	Properties	Vehicles	Total
Opening balance as of 1 January 2023	279,730,293	230,685,424	510,415,717
Additions	38,223,126	34,052,413	72,275,539
Disposals	(35,711,277)	(43,740,622)	(79,451,899)
Closing balance as of 31 December 2023	<u>282,242,142</u>	<u>220,997,215</u>	<u>503,239,357</u>
<u>Accumulated Amortization</u>			
Opening balance as of 1 January 2023	(159,031,556)	(77,675,114)	(236,706,670)
Charge for the period	(84,299,917)	(71,073,700)	(155,373,617)
Disposals	13,944,904	23,257,862	37,202,766
Closing balance as of 31 December 2023	<u>(229,386,569)</u>	<u>(125,490,952)</u>	<u>(354,877,521)</u>
Carrying value as of 31 December 2023	<u>52,855,573</u>	<u>95,506,263</u>	<u>148,361,836</u>

<u>Cost Value</u>	Properties	Vehicles	Total
Opening balance as of 1 January 2022	238,709,597	58,691,072	297,400,669
Additions	41,020,696	171,994,352	213,015,048
Closing balance as of 31 December 2022	<u>279,730,293</u>	<u>230,685,424</u>	<u>510,415,717</u>
<u>Accumulated Amortization</u>			
Opening balance as of 1 January 2022	(99,156,671)	(33,440,308)	(132,596,979)
Charge for the period	(59,874,885)	(44,234,806)	(104,109,691)
Closing balance as of 31 December 2022	<u>(159,031,556)</u>	<u>(77,675,114)</u>	<u>(236,706,670)</u>
Carrying value as of 31 December 2022	<u>120,698,737</u>	<u>153,010,310</u>	<u>273,709,047</u>

Amortisation periods of right of use assets are as follows:

	<u>Useful Life</u>
Properties	1-10 years
Vehicles	1-3 years

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16. INTANGIBLE ASSETS

Cost Value	Rights	Development costs	Other intangible assets	Total
Opening balance as of 1 January 2023	747,027,943	89,956,357	26,041,964	863,026,264
Foreign currency translation differences	(7,201,962)	-	3,109,020	(4,092,942)
Additions	254,775,123	-	89,235,233	344,010,356
Disposals	(708,726)	(96,319)	(17,599,941)	(18,404,986)
Disposals from consolidation (Note 38)	(19,549,334)	-	(92,362,523)	(111,911,857)
Transfers from construction in-progress	18,100,354	7,685,242	2,342,628,869	2,368,414,465
Closing balance as of 31 December 2023	992,443,398	97,545,280	2,351,052,622	3,441,041,300
Accumulated Amortization				
Opening balance as of 1 January 2023	(168,145,224)	(51,862,745)	(5,262,368)	(225,270,337)
Foreign currency translation differences	(1,596,166)	-	(372,890)	(1,969,056)
Charge for the period	(64,780,417)	(10,043,266)	(77,521,387)	(152,345,070)
Disposals	653,514	-	62,228	715,742
Disposals from consolidation (Note 38)	7,374,014	-	2,849,419	10,223,433
Closing balance as of 31 December 2023	(226,494,279)	(61,906,011)	(80,244,998)	(368,645,288)
Carrying value as of 31 December 2023	765,949,119	35,639,269	2,270,807,624	3,072,396,012
Cost Value				
Opening balance as of 1 January 2022	692,589,671	77,009,725	17,564,429	787,163,825
Foreign currency translation differences	(55,340,723)	-	(4,177,552)	(59,518,275)
Additions	62,003,323	96,320	12,655,087	74,754,730
Transfers from construction in-progress	47,775,672	12,850,312	-	60,625,984
Closing balance as of 31 December 2022	747,027,943	89,956,357	26,041,964	863,026,264
Accumulated Amortization				
Opening balance as of 1 January 2022	(124,886,124)	(39,776,597)	(2,246,703)	(166,909,424)
Foreign currency translation differences	9,583,659	-	716,460	10,300,119
Charge for the period	(52,842,759)	(12,086,148)	(3,732,125)	(68,661,032)
Closing balance as of 31 December 2022	(168,145,224)	(51,862,745)	(5,262,368)	(225,270,337)
Carrying value as of 31 December 2022	578,882,719	38,093,612	20,779,596	637,755,927

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17. INVESTMENT PROPERTIES

Cost Value	Lands	Land and land improvements	Buildings	Total
Opening balance as of 1 January 2023	2,221,580	9,559,949	53,752,144	65,533,673
Closing balance as of 31 December 2023	2,221,580	9,559,949	53,752,144	65,533,673
<u>Accumulated Depreciation</u>				
Opening balance as of 1 January 2023	-	(4,509,107)	(20,754,081)	(25,263,188)
Charge for the period	-	(191,198)	(811,063)	(1,002,261)
Closing balance as of 31 December 2023	-	(4,700,305)	(21,565,144)	(26,265,449)
Carrying value as of 31 December 2023	2,221,580	4,859,644	32,187,000	39,268,224
Cost Value	Lands	Land and land improvements	Buildings	Total
Opening balance as of 1 January 2022	2,221,580	9,559,949	53,752,144	65,533,673
Closing balance as of 31 December 2022	2,221,580	9,559,949	53,752,144	65,533,673
<u>Accumulated Depreciation</u>				
Opening balance as of 1 January 2022	-	(4,317,908)	(19,671,149)	(23,989,057)
Charge for the period	-	(191,199)	(1,082,932)	(1,274,131)
Closing balance as of 31 December 2022	-	(4,509,107)	(20,754,081)	(25,263,188)
Carrying value as of 31 December 2022	2,221,580	5,050,842	32,998,063	40,270,485

The Group has rented out factory buildings in Şanlıurfa and Adana that are not actively used in production. For this reason, the relevant assets are accounted for as investment property. The rental income obtained from these real estates in the current period is 2,454,324 TL (31 December 2022: 2,156,807 TL rental income) (Note 30a).

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17. INVESTMENT PROPERTIES (cont'd)

Fair value measurements of the Group's investment properties

As of 31 December 2023 and 2022, 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. No different valuation technique has been used in the current period.

As of 31 December 2023 and 2022, the Group's investment properties and the fair value hierarchy of the said assets are shown in the table below:

	Level 1	Level 2	Level 3
	TL	TL	TL
2023			
Land and Land Improvements and Building	-	87,061,000	-
	Level 1	Level 2	Level 3
	TL	TL	TL
2022			
Land and Land Improvements and Building	-	40,594,000	-

18. GOODWILL

Company	Date of Purchase	31 December 2023	31 December 2022
Ferbis	2017	59,020,774	59,020,775
Sunset	2020	235,684,857	235,684,856
Arma	2020	-	149,157,439
		<u>294,705,631</u>	<u>443,863,070</u>

(*) All shares of Arma İlaç Sanayi ve Ticaret A.Ş., a 100% subsidiary of the company, were transferred to Oyak Gıda ve Tarım Holding A.Ş. as of December 29, 2023.(Note 38)

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 2023. 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 2023 and 2022.

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18. GOODWILL (cont'd)

The important assumptions used in the calculation of recoverable amounts are discount rates, final growth rates and EBITDA (Earnings before interest, depreciation and tax) growth rates. The values used in the assumptions are based on Group Management's assessment of future trends in the pesticide market and internal and external sources (historical data). The main assumptions reflecting the weighted average of all cash-generating units included in the relevant operating segments are as follows:

<u>Weighted average</u>	<u>31 December 2023</u>	<u>31 December 2022</u>
Discount rate, gross	%37-%39	%24-%25
Final growth rate	%5	%5
Budgeted EBITDA growth rate (average of the next five years)	%15-%54	%22-%45

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 253,738,635 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 28 October 2024, dated 24 May 2019 and numbered 503711, starting at 24 May 2019 and ending at 23 November 2026, 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 2026, dated 1 October 2021 and numbered 528148, starting at 29 September 2021 and ending at 29 September 2025, 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 2023, the Company has a tax advantage of TL 253,738,635 that can be used in the following years regarding the incentive. All of the related balance is included in the deferred tax calculation. (31 December 2022:160.253.034 TL)

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20. GUARANTEES, PLEDGE AND MORTGAGES

The details of the Company’s Guarantees/Pledge/Mortgages (“GPM”) are as follows:

31 December 2023	TL equivalent	TL	US Dollar	Euro
A. GPMs Given for Company’s Own Legal Personality				
-Guarantee	235,496,363	235,496,363	-	-
-Pledge	-	-	-	-
-Mortgage	-	-	-	-
B. GPMs Given on Behalf of Fully Consolidated Companies				
-Guarantee	-	-	-	-
-Pledge	-	-	-	-
-Mortgage	-	-	-	-
-Other (*)	2,000,000,000	2,000,000,000	-	-
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	2,235,496,363	2,235,496,363	-	-

(*) The balance consists of guarantees given on behalf of the Group’s subsidiaries for their financial borrowings as of 31 December 2023.

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20. GUARANTEES, PLEDGE AND MORTGAGES (cont’d)

31 December 2022	TL equivalent	TL	US Dollar	Euro
A. GPMs Given for Company’s Own Legal Personality				
-Guarantee	175,257,175	172,711,058	82,640	-
-Pledge	-	-	-	-
-Mortgage	-	-	-	-
B. GPMs Given on Behalf of Fully Consolidated Companies				
-Guarantee	-	-	-	-
-Pledge	-	-	-	-
-Mortgage	-	-	-	-
-Other (*)	3,821,015,437	3,295,458,372	-	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	3,996,272,612	3,468,169,430	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.

(**) Relevant amounts are shown in the original currency and TL equivalents are shown on a purchasing power basis.

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 2023 (2022: 0%).

21. CURRENT TAX ASSETS

	31 December 2023	31 December 2022
Current tax assets		
Other prepaid taxes and funds	59,757,193	105,002,617
	<u>59,757,193</u>	<u>105,002,617</u>

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22. SHORT-TERM AND LONG-TERM PROVISIONS

a) Short-term Provisions

	31 December 2023	31 December 2022
<u>Short-term provisions</u>		
Provisions for legal cases (*)	3,217,805	4,105,218
Provision for unused vacation	13,246,800	15,855,824
	<u>16,464,605</u>	<u>19,961,042</u>

(*) Contains possible liabilities of reemployment and commercial lawsuits.

The movements of the provisions for litigation in the accounting period ending on 31 December 2023 and 2022 are as follows:

	1 January- 31 December 2023	1 January- 31 December 2022
Provision as of 1 January	4,105,218	4,427,689
Provision expense for the period	2,536,926	2,047,106
Provisions released	-	(629,034)
Inflation effect	(3,424,339)	(1,740,543)
Provision as of 31 December	<u>3,217,805</u>	<u>4,105,218</u>

The movements of the provision for unused vacation for the period ending on 31 December 2023 and 2022 are as follows:

	1 January- 31 December 2023	1 January- 31 December 2022
Provision as of 1 January	15,855,824	11,806,057
Provision expense for the period	5,014,209	8,145,569
Disposal from consolidation	(646,136)	-
Foreign currency translation difference	184,374	523,254
Inflation effect	(7,161,471)	(4,619,056)
Provision as of 31 December	<u>13,246,800</u>	<u>15,855,824</u>

b) Long-Term Provisions

Long-term provisions for employee benefits as of 31 December 2023 and 2022 are presented below:

	31 December 2023	31 December 2022
<u>Long-term provisions</u>		
Provision for employment termination benefit	66,038,748	84,979,802
Seniority incentive premium provision	7,826,624	9,932,587
	<u>73,865,372</u>	<u>94,912,389</u>

Provision for Severance Incentive Bonus:

The Group provides a benefit in the name of “Seniority Incentive Bonus” to its employees with a certain seniority. In this respect, the Group pays one salary equivalent of seniority incentive bonus for each work period of 10 years. The current value of the severance incentive premium liability has been calculated by an independent actuary in the current year and the assumptions used in the calculation of provisions for severance pay were used.

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22. SHORT-TERM AND LONG-TERM PROVISIONS (cont’d)

b) Provisions for Employee Benefits (cont’d)

Provision for Severance Incentive Bonus (cont’d):

Transactions of the provisions for severance incentive premium in the fiscal period ending on 31 December 2023 and 2022 are presented below:

	1 January- 31 December 2023	1 January- 31 December 2022
Provision as of 1 January	9,932,587	7,023,304
Service cost	1,709,273	5,017,553
Interest cost	1,575,163	998,242
Amount paid during the period	(589,450)	(358,683)
Earnings / (loss) from reducing benefits / layoffs	369,280	-
Disposal from consolidation	(655,159)	-
Inflation effect	(4,515,070)	(2,747,829)
Provision as of 31 December	<u>7,826,624</u>	<u>9,932,587</u>

Provision for employment termination benefit:

Under the Effective Labor Law provisions, employees whose employment contract is terminated with eligibility for severance pay must be paid the statutory severance pays for which they are eligible. Furthermore, under the provision of the article 60 of the Social Security Law no. 506 which is still effective, amended by the laws no. 2422 dated 6 March 1981 and no. 4447 dated 25 August 1999, statutory severance pay must also be paid to those who are eligible for resigning with severance pay.

The employment termination benefit payable as of 31 December 2023 is subject to a monthly cap of TL 23,489.83 (31 December 2022: TL 15,371.40). 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 2023	31 December 2022
Discount rate	24.27%	16.19%
Inflation rate	21.02%	14.23%

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 per cent and 0 per cent 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 8.8 percent.
- If the discount rate is decreased by 1 percent annually, the amount of severance pay increases by 10.6 percent.
- If the annual inflation rate is increased by 1 percent, the amount of severance pay increases by 10.8 percent.
- If the annual inflation rate is decreased by 1 percent, the amount of severance pay decreases by 9.1 percent.
- If the possibility of voluntary departure is not used, the amount of severance pay increases by 8.2 percent.

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22. SHORT-TERM AND LONG-TERM PROVISIONS (cont'd)

b) Provisions for Employee Benefits (cont'd)

The movement of provision for employee termination benefits for the accounting period ending on 31 December 2023 and 2022 is presented below:

	1 January- 31 December 2023	1 January- 31 December 2022
Provision as of 1 January	84,979,802	50,837,265
Service cost	14,485,804	6,895,638
Interest cost	10,476,106	7,451,003
Employment termination benefits paid	(30,045,555)	(3,221,258)
Disposal from consolidation	(3,364,304)	-
Earnings / (loss) from reducing benefits / layoffs	8,853,004	1,886,049
Actuarial loss/gain	14,767,271	41,020,912
Inflation effect	(34,113,380)	(19,889,807)
Provision as of 31 December	<u>66,038,748</u>	<u>84,979,802</u>

23. OTHER ASSETS AND LIABILITIES

<u>Other Current Assets</u>	31 December 2023	31 December 2022
Deferred VAT	567,047,379	407,782,153
Other miscellaneous current assets	12,734,298	19,496,757
	<u>579,781,677</u>	<u>427,278,910</u>

24. EQUITY

a) Share Capital

The paid-in capital structure of the Company as of 31 December 2023 and 2022 is as follows:

Shareholders	%	31 December 2023	%	31 December 2022
Ordu Yardımlaşma Kurumu	55.4	1,400,773,362	58.8	1,488,146,000
Public	44.6	1,129,226,638	41.2	1,041,854,000
		<u>2,530,000,000</u>		<u>2,530,000,000</u>
Capital Adjustments Differences		4,239,263,374		4,239,263,374
		<u>6,769,263,374</u>		<u>6,769,263,374</u>

The registered capital ceiling of the Company is TL 3,000,000,000 (31 December 2022: TL 3,000,000,000).

(*) 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. Registered on 24 October 2022

The capital consists of 2,530,000,000,000 shares with a nominal value of TL 0.01 and there are no preferred shares.

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24. EQUITY (cont'd)

a) Share Capital (cont'd)

After the exercise of new share purchase rights (pre-emptive 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 2.22.972.223 (Nominal TL 1,307,630,440.29) in total due to the capital increase.

b) Restricted Reserves Appropriated from Profit

	31 December 2023	31 December 2022
Legal Reserves	<u>316,226,001</u>	<u>285,927,506</u>
	<u>316,226,001</u>	<u>285,927,506</u>

In accordance with Turkish Commercial Law, legal reserves are classified as first and second reserves. The Group reserves 5% of the historical statutory profit as first legal reserve, until the total reserve reaches 20% of the historical paid in share capital. The other legal reserve is appropriated at the rate of 10% per annum of all cash dividend distributions after the payment of dividends to the shareholders at a rate of 5%. According to Turkish Commercial Law, general legal reserves cannot be distributed unless it exceeds 50% of the issued capital yet can be used to close the losses when the profit reserves are insufficient.

Publicly traded companies distribute their dividends in this way: in accordance with the CMB decision dated 25 February 2005 and numbered 7/242; if the entire profit distribution amount calculated in accordance with the regulations of the CMB regarding the minimum profit distribution obligation over the net distributable profit found in accordance with the CMB regulations can be met from the distributable profit in the legal records, the whole of this amount, and if not, the entire net distributable profit in the legal records will be distributed. If there is a period loss in the financial statements prepared in accordance with the CMB regulations or in any of the legal records, profit distribution will not be made.

With the decision of the Capital Markets Board dated 27 January 2010, no minimum profit distribution obligation was introduced for the dividend distribution to be made for publicly held joint stock companies whose shares are traded on the stock exchange.

Equity inflation adjustment differences and registered values of extraordinary reserves, bonus issue capital increase; cash can be used for profit distribution or loss offset. However, if the equity inflation adjustment differences are used in cash profit distribution, they will be subject to corporate tax.

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24. EQUITY (cont'd)

c) Actuarial loss and gain fund for employee benefits

	31 December 2023	31 December 2022
Defined benefit plans remeasurement losses	(55,788,183)	(41,020,912)
Deferred tax	11,896,000	8,204,182
Subsidiary disposal effect	2,317,061	-
	<u>(41,575,122)</u>	<u>(32,816,730)</u>

d) Information on Capital, Reserves and Other Equity Items

The comparison of the related equity items presented as adjusted for inflation in the consolidated financial statements as of 31 December 2023, with the adjusted for inflation amounts in the financial statements prepared in accordance with the Tax Procedure Law is as follows:

31 December 2023	Adjusted for inflation amount in financial statements prepared in accordance with the Tax Procedure Law	Adjusted for inflation amount in financial statements prepared in accordance with TAS/IFRS Financial Statements	Difference in previous year losses
Inflation Adjustment to Share Capital	5,511,030,911	4,239,263,374	1,271,767,537
Premiums on shares/discounts	30,190,148	27,206,773	2,983,375
Restricted Reserves Appropriated from Profit	371,676,735	235,822,003	135,854,732

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25 SALES AND COST OF SALES

a) Revenue

	1 January- 31 December 2023	1 January- 31 December 2022
Domestic sales	6,594,051,803	10,286,975,841
Foreign sales	252,935,240	355,070,976
Other sales	2,065,254	278,087
Sales returns (-)	(330,165,803)	(30,153,360)
Sales discounts (-)	(439,553,182)	(610,896,755)
On-time payment premium (-)	(40,337,903)	-
	<u>6,038,995,409</u>	<u>10,001,274,789</u>

b) Cost of Sales

	1 January- 31 December 2023	1 January- 31 December 2022
Raw material expenses	(3,480,031,332)	(3,345,600,992)
Personnel expenses	(283,456,241)	(227,578,685)
Production overheads	(209,332,761)	(225,200,125)
Depreciation and amortization expenses	(211,433,320)	(150,298,959)
Transportation expenses	(273,918,955)	(250,519,109)
Changes in work in-process inventories	134,205,677	302,088,179
Changes in finished goods inventories	645,221,437	310,850,514
Cost of goods sold	(3,678,745,495)	(3,586,259,177)
Cost of trade goods sold and other sales	(1,544,657,073)	(3,387,634,973)
	<u>(5,223,402,568)</u>	<u>(6,973,894,150)</u>

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26. MARKETING EXPENSES, GENERAL ADMINISTRATIVE EXPENSES, RESEARCH AND DEVELOPMENT EXPENSES

	1 January- 31 December 2023	1 January- 31 December 2022
General administrative expenses (-)	(811,728,317)	(397,993,806)
Marketing expenses (-)	(595,185,392)	(451,979,081)
Research and development expenses (-)	(208,192,131)	(179,185,298)
	<u>(1,615,105,840)</u>	<u>(1,029,158,185)</u>

a) Marketing Expenses

	1 January- 31 December 2023	1 January- 31 December 2022
Personnel expenses	(237,365,579)	(225,350,399)
Advertisement expenses	(118,886,603)	(67,214,222)
Depreciation expenses	(114,133,101)	(56,779,650)
Transportation expenses	(17,527,462)	(27,270,439)
Travel expenses	(13,634,662)	(11,736,518)
Dealer meeting expense	(12,492,106)	(8,801,369)
Exhibition and fair expenses	(10,953,931)	(11,261,794)
Insurance expenses	(10,653,617)	(2,893,788)
Rent expenses	(9,102,456)	(1,742,296)
Cleaning Expenses	(7,768,814)	(4,388,339)
Energy and maintenance expenses	(4,082,816)	(10,457,017)
Outsourced security costs	(3,680,992)	(2,149,306)
Litigation and consultancy expenses	(3,534,291)	(2,239,404)
Tax duty fees	(2,905,541)	(2,131,949)
Representation expenses	(2,597,356)	(2,268,753)
Information technologies expenses	(889,124)	(866,017)
Telephone Expenses	(545,470)	(638,502)
Other	(24,431,471)	(13,789,319)
	<u>(595,185,392)</u>	<u>(451,979,081)</u>

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26. MARKETING EXPENSES, GENERAL ADMINISTRATIVE EXPENSES, RESEARCH AND DEVELOPMENT EXPENSES (cont'd)

b) General Administrative Expenses

	1 January- 31 December 2023	1 January- 31 December 2022
Personnel expenses	(176,197,589)	(162,904,776)
Repair maintenance cleaning expense	(164,567,207)	(46,007,621)
Depreciation expenses	(143,489,203)	(67,608,644)
Provision for doubtful receivable (net)	(122,267,037)	(23,465)
Tax duty fees	(30,537,266)	(4,632,717)
Consultancy expenses	(24,962,007)	(21,319,553)
Energy expenses	(23,880,710)	(23,613,861)
Oursourced security costs	(14,141,621)	(7,910,094)
Transportation expenses	(6,672,115)	(10,126,003)
Travel expenses	(6,595,575)	(6,427,630)
Insurance expenses	(4,733,976)	(1,802,250)
Rent expenses	(3,714,680)	(1,423,037)
Ligitatiton and consultancy expenses	(3,377,473)	(20,010,343)
Information technologies expenses	(1,601,950)	(679,416)
Representation expenses	(1,229,512)	(621,690)
Announcement and general assembly expenses	(868,306)	(1,820,001)
Stationery expenses	(749,454)	(678,721)
Dues expenses	(491,560)	(449,639)
PTT expense	(195,290)	(155,473)
Meeting expenses	(97,457)	(307,043)
Other	(81,358,329)	(19,471,829)
	<u>(811,728,317)</u>	<u>(397,993,806)</u>

c) Research and Development Expenses

	1 January- 31 December 2023	1 January- 31 December 2022
Depreciation expenses	(75,392,312)	(61,381,730)
Personnel expenses	(54,034,194)	(51,187,363)
License and License Usage Expenses	(17,574,906)	(11,955,766)
Information technologies expense	(15,237,862)	(12,630,523)
Repair maintenance cleaning expense	(13,909,595)	(10,539,677)
Transportation expenses	(8,945,573)	(8,394,755)
Consultancy expenses	(4,902,995)	(10,798,878)
Oursourced security costs	(1,131,003)	(815,117)
Energy expenses	(715,661)	(1,120,991)
Incusance expenses	(704,848)	(616,785)
Tax duty fees	(373,961)	(456,126)
PTT expense	(166,326)	(160,299)
Stationary expenses	(150,385)	(224,819)
Other	(14,952,510)	(8,902,469)
	<u>(208,192,131)</u>	<u>(179,185,298)</u>

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27. EXPENSES BY NATURE

For the periods ended 31 December 2023 and 2022, details of depreciation and amortisation expenses are as follows:

a) Depreciation and Amortization Expenses

	1 January- 31 December 2023	1 January- 31 December 2022
Tangible and right-of-use assets	(392,102,866)	(267,407,951)
Production cost	(187,797,381)	(131,973,058)
Marketing expenses	(62,569,364)	(44,859,961)
General administrative expenses	(107,756,058)	(65,777,544)
Research and development expenses	(33,980,063)	(24,797,388)
Intangible assets	(152,345,070)	(68,661,032)
Production cost	(23,635,939)	(18,325,901)
Marketing expenses	(51,563,737)	(11,919,689)
General administrative expenses	(35,733,145)	(1,831,100)
Research and development expenses	(41,412,249)	(36,584,342)
Investment properties	(1,002,261)	(1,274,131)
Expenses from investing activities	(1,002,261)	(1,274,131)
	<u>(545,450,197)</u>	<u>(337,343,114)</u>

b) Employee Benefits

	1 January- 31 December 2023	1 January- 31 December 2022
Personnel Expenses		
Salary and wages	(498,998,583)	(489,751,643)
Social insurance expenses	(70,360,136)	(52,426,353)
Other benefit and services	(181,694,884)	(124,843,227)
	<u>(751,053,603)</u>	<u>(667,021,223)</u>

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28. OTHER OPERATING INCOME

Other operating income for the years ended 31 December 2023 and 2022 is as follows:

	1 January- 31 December 2023	1 January- 31 December 2022
Exchange difference income (*)	94,411,329	59,670,296
Service income	18,087,570	-
Scrap, waste and recycling revenues	7,478,534	6,929,222
Interest income from sales	809,872	917,461
Damage compensation income	1,125,778	455,256
Other income	30,088,154	12,249,981
	<u>152,001,237</u>	<u>80,222,216</u>

(*) It arises from trade receivables and trade payables.

29. OTHER OPERATING EXPENSES

Other operating expenses for the years ended 31 December 2023 and 2022 are as follows:

	1 January- 31 December 2023	1 January- 31 December 2022
Exchange difference expense (*)	(710,818,901)	(396,868,560)
Rediscount expense related to other payables	-	(1,005,705)
Other expense and losses	(99,121,223)	(16,857,700)
	<u>(809,940,124)</u>	<u>(414,731,965)</u>

(*) It arises from trade receivables and trade payables.

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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 2023 and 2022 are as follows:

	1 January- 31 December 2023	1 January- 31 December 2022
Fixed asset sales profit	816,050,803	8,334,943
Rents received	2,454,324	2,156,807
Associate sales profit	446,633,173	-
Other (*)	4,763,729	3,468,575
	<u>1,269,902,029</u>	<u>13,960,325</u>

(*) Consists of currency hedged deposits and investment fund income.

b) Expenses from Investing Activities

The details of expenses from investing activities for the year ended 31 December 2023 and 2022 are as follows:

	1 January- 31 December 2023	1 January- 31 December 2022
Fixed asset sales loss	(664,789)	(1,004,223)
Depreciation of investment properties (Note 17)	(1,002,261)	(1,274,131)
Other	(139,839)	(993,234)
	<u>(1,806,889)</u>	<u>(3,271,588)</u>

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(Amounts expressed in thousands of Turkish Lira (“TL”) in terms of the purchasing power of the TL at 31 January 2024, unless otherwise indicated.)

31. FINANCE INCOME AND EXPENSES

a) Finance Income

The details of financing income for the years ended 31 December 2023 and 2022 are as follows:

	1 January- 31 December 2023	1 January- 31 December 2022
Interest income	752,582,209	160,872,010
Exchange difference income	774,123,401	243,865,350
Option transactions income	100,694,338	52,285,117
	<u>1,627,399,948</u>	<u>457,022,477</u>

b) Finance Expenses

The details of financing expenses for the years ended 31 December 2023 and 2022 are as follows:

	1 January- 31 December 2023	1 January- 31 December 2022
Bank loan interest expenses	(2,024,592,005)	(1,711,920,279)
Interest expense related to bond and bill transactions	(984,247,340)	(238,825,118)
Interest expenses related to lease liabilities	(22,482,883)	(24,896,206)
Employment termination benefit interest expenses	(12,051,269)	(8,449,245)
Banking transaction expenses	(314,131,226)	(152,298,513)
Interest expenses	(174,882,767)	-
Factoring expenses	(680,232,488)	122,416,773
Option transactions expenses	(30,393,541)	(23,090,555)
Exchange difference expense	(301,837,214)	(70,484)
	<u>(4,544,850,733)</u>	<u>(2,281,967,173)</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 2023 is 25% (2022: 23% and 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 per cent. This regulation became effective as of 5 December 2017.

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32. INCOME TAXES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (cont’d)

Corporate Tax (cont’d)

	31 December 2023	31 December 2022
Provision for current corporate tax	(55,121,474)	(103,834,221)
Less: Prepaid taxes and funds	<u>88,407,432</u>	<u>197,182,440</u>
Current tax assets / (liabilities)	<u><u>33,285,958</u></u>	<u><u>93,348,219</u></u>

Deferred Tax:

The Group recognizes deferred tax assets and liabilities based upon temporary differences arising between its financial statements as reported for TFRS purposes and its statutory tax financial statements. These differences usually result in the recognition of revenue and expenses in different reporting periods for TFRS and tax purposes and they are given below.

The tax rate used in the calculation of deferred tax assets and liabilities is 25% for the temporary timing differences expected to reverse (2022: 25%, 23% and 20%).

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 2023	1 January- 31 December 2022
<u>Tax (expense) / income consists of:</u>		
Current tax (expense)	(56,347,009)	(141,420,483)
Deferred tax (expense) / income	<u>676,743,043</u>	<u>107,070,879</u>
Total tax (expense) / income	<u><u>620,396,034</u></u>	<u><u>(34,349,604)</u></u>
	31 December 2023	31 December 2022
<u>Deferred tax assets / (liabilities) :</u>		
Tax advantage from investment discount	253,738,635	160,253,034
Accumulated financial loss tax advantage	503,052,480	-
Employment termination benefit and severance incentive premium provisions	18,466,344	18,982,480
Provision for unused vacation and premium	19,274,167	28,165,891
Differences in book values of inventories	(302,375,723)	(121,365,620)
Depreciation of property, plant and equipment/amortization of other intangible assets	28,254,041	(123,564,795)
Fair value differences of derivative instruments	446,784	697,678
Other	<u>45,976,131</u>	<u>(33,545,639)</u>
	<u><u>566,832,859</u></u>	<u><u>(70,376,971)</u></u>

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32. INCOME TAXES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (cont’d)

Movement of deferred tax assets/(liabilities) for the year ended 31 December 2023 and 2022 is as follows:

	1 January- 31 December 2023	1 January- 31 December 2022
Movement of deferred tax asset / (liability):		
Opening balance as of 1 January	(70,376,971)	(259,105,866)
(Expense) / income recognized in statement of income	676,743,043	107,070,879
Income recognized in the statement of other comprehensive income	4,742,032	20,507,801
Consolidation disposal effect (Note 38)	12,290,044	-
Inflation accounting effect	(44,378,119)	69,703,594
Foreign currency translation differences	(12,187,170)	(8,553,379)
Closing balance as of 31 December	<u>566,832,859</u>	<u>(70,376,971)</u>
	1 January- 31 December 2023	1 January- 31 December 2022
<u>Reconciliation of tax provision:</u>		
Profit before tax	(1,514,853,866)	1,179,055,068
Income tax rate of 25% (2022: 23% - 22%)	25%	22%
Expected tax expense	<u>378,713,467</u>	<u>(259,392,115)</u>
Tax effects of:		
- non-deductable expenses	154,375,806	6,515,859
- non-deductable expenses	(130,836,080)	(34,583,982)
- change of tax rate from 20% to 25% and 23%	-	-
- additional tax	(55,782,342)	-
- tax ledger inflation adjustment	1,027,732,042	-
- non-taxable inflation adjustments	(1,129,384,264)	(386,737,824)
- effect of revaluation of property, plant and equipment and intangible assets	33,647,411	375,730,114
- investment incentive discount	156,481,734	255,559,182
- cash capital interest discount	184,036,850	28,800,179
- effect of other non-taxable items	1,411,410	(20,241,017)
Tax provision income / (expense) in the statement of profit or loss	<u>620,396,034</u>	<u>(34,349,604)</u>

(*) As of 31 December 2023, the Group has accumulated tax losses amounting to TL 94,891,020 (31 December 2022: TL 76,985,634). Tax advantage of these losses amounting to TL 23,722,755 is not included in the deferred tax calculation (31 December 2022: TL 15,397,127)

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33. EARNINGS PER SHARE

Earnings / (loss) per share	1 January-	1 January-
	31 December	31 December
	2023	2022
Weighted average number of shares outstanding during the period (*)	253,000,000,000	134,986,263,736
Parent net profit/loss for the period	(878,239,047)	1,166,523,784
Profit/loss per share from continuing operations		
-one hundred shares of common stock (TL)	-0.35	0.86

(*) 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 2023, it has been decided that the distributable profit for the 2022 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.

34. RELATED PARTY DISCLOSURES

Details of the balances and transactions between the Group and other related parties are explained below:

Balances with related parties	Receivables	Payables	Receivables	Payables
OYAK İnşaat A.Ş. (*)	-	64,063,873	-	31,721,543
OYAK Pazarlama Hizmet Turizm A.Ş. (*)	3,394,773	4,620,197	-	10,423,566
OYAK Biyoteknoloji San.ve Ticaret A.Ş. (*)	-	11,108,712	-	4,975,023
OYAK Savunma ve Güvenlik Hiz. A.Ş. (*)	-	11,479,276	-	11,413,342
Omsan Lojistik A.Ş. (*)	-	5,371,658	-	5,686,941
İndisol Bilişim ve Teknoloji A.Ş. (*)	-	1,675,300	-	-
OYAK Yatırım Menkul Değerler A.Ş. (*)	-	-	-	-
OYAK Akaryakıt ve LPG Yatırımları A.Ş. (*)	-	4,767,388	-	3,488,592
Güzel Enerji Akaryakıt A.Ş. (*)	-	1,525,463	1,328	2,266,707
OYAK Grup Sigorta ve Reasürans Brokerliği A.Ş. (*)	-	46,897,351	-	16,204,823
OYAK Elektrik Enerjisi Toptan Satış A.Ş. (*)	-	-	-	-
Tamek Grup Gıda Üretim A.Ş. (*)	-	541,895	56,385	16,858
Ataer Holding A.Ş. (*)	-	989,330	-	186,449
Satem Grup Gıda Dağıtım ve Pazarlama A.Ş. (*)	25,608,743	75,917	81,673	25,736
Likitgaz Dağıtım Ve Endüstri A.Ş. (*)	356	-	-	-
Doco Petrol Ve Danışmanlık A.Ş. (*)	-	145,309	-	564
OYAK (**)	-	19,050,486	-	14,669,704
OYAK Gıda Ve Tarım Holding Anonim Şirketi (*)	57,272	-	43,012	-
Kümaş Manyezit San.A.Ş. (*)	-	-	2,597	-
Sagra Grup Gıda A.Ş. (*)	426,491	-	56,387	-
	<u>29,487,635</u>	<u>172,312,155</u>	<u>241,382</u>	<u>101,079,848</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.

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34. RELATED PARTY DISCLOSURES (cont'd)

	31 December 2023	31 December 2022
Short-term advances given to related parties		
OYAK Elektrik Enerjisi Toptan Satış A.Ş. (*)	1,500,568	6,257,525
	<u>1,500,568</u>	<u>6,257,525</u>
Other short-term receivables from related parties		
Arma İlaç Sanayi ve Ticaret A.Ş. (*)	723,653,016	-
OYAK Gıda Ve Tarım Holding Anonim Şirketi (*)	456,034,600	-
OYAK (**)	312,500,000	-
	<u>1,492,187,616</u>	<u>-</u>

(*) The maturity of other short-term receivables from related parties is less than one year and no interest is charged on the relevant receivables. Arma İlaç Sanayi ve Ticaret A.Ş. and OYAK receivables are related to fixed asset sales. The receivables of Oyak Gıda ve Tarım Holding Anonim Şirketi consist of the balance related to the sale of the subsidiary.

	31 December 2023	31 December 2022
Other short-term payables to related parties		
OYAK Akaryakıt ve LPG Yatırımları A.Ş.(*)	428,452,105	-
OYAK(**)	307,200,000	-
Founder's Shares of Dividends to be Paid	7,125,585	11,814,770
	<u>742,777,690</u>	<u>11,814,770</u>
Other long-term payables to related parties		
OYAK Sermaye Yatırımları A.Ş. (*)	111,954,399	116,625,112
	<u>111,954,399</u>	<u>116,625,112</u>

Other short and long-term payables to related parties consist of amounts received for financing purposes and interest is charged. The interest rate for other short-term debts to related parties is in the range of 48% - 45%. For other long-term debts to related parties, a 2% interest rate in AUD is used.

	31 December 2023	31 December 2022
Other long-term payables to related parties		
OYAK Sermaye Yatırımları A.Ş. (*)	111,954,399	116,625,112
	<u>111,954,399</u>	<u>116,625,112</u>

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	31 December 2023	31 December 2022
<u>Maturity difference expenses to related parties</u>		
OYAK Akaryakıt ve LPG Yatırımları A.Ş.(*)	94,105,179	-
OYAK (**)	80,777,588	-
	<u>174,882,767</u>	<u>-</u>

(*) Companies managed by the parent company

(**) Main partner of the Company

(***)It consists of the portion of previous years' dividend payments that have not yet been completed as of December 31, 2023.

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34. RELATED PARTY DISCLOSURES (cont'd)

Transactions with related parties	1 January - 31 December 2023		1 January - 31 December 2022	
	Purchases	Sales	Purchases	Sales
OYAK İnşaat A.Ş. (*)	1,202,379,878	-	510,158,635	8,332
OYAK Pazarlama Hizmet Turizm A.Ş. (*)	87,185,154	16,276,459	38,381,647	7,754
OYAK Biyoteknoloji Sanayi ve Tic.A.Ş. (*)	71,356,937	2,003,005	55,265,978	1,470
OYAK Savunma ve Güvenlik Hiz. A.Ş. (*)	70,280,801	-	20,172,223	-
OYAK Elektrik Enerjisi Toptan Satış A.Ş. (*)	41,639,474	-	30,910,124	-
OYAK Yatırım Menkul Değerler A.Ş. (*)	32,183,848	-	10,992,151	-
Omsan Lojistik A.Ş. (*)	33,611,642	-	45,709,500	-
Güzel Enerji Akaryakıt A.Ş. (*)	22,229,649	-	14,885,792	17,359
Doco Petrol ve Danışmanlık A.Ş. (*)	3,283,198	-	3,895,902	6,658
İndisol Bilişim ve Teknoloji A.Ş. (*)	4,754,717	-	-	-
OYAK Yenilenebilir Enerji A.Ş. (*)	4,196,853	-	-	-
Mais Motorlu Araçlar İmal ve Satış A.Ş. (*)	28,783	-	15,326	15,073
Likitgaz Dağıtım Ve Endüstri A.Ş. (*)	-	-	-	44,762
OYAK Sermaye Yatırımları A.Ş. (*)	4,471,878	-	1,306,497	-
Ordu Yardımlaşma Kurumu (**)	-	-	366,245	11,080
Satem Grup Gıda Dağıtım ve Pazarlama A.Ş. (*)	-	21,595,953	64,805	2,866
Tamek Grup Gıda Üretim A.Ş. (*)	-	5,576,475	-	3,707,488
Ereğli Demir ve Çelik Fabrikaları T.A.Ş. (*)	-	-	-	260,793
İskenderun Demir Ve Çelik A.Ş. (*)	-	-	-	41,164
Akdeniz Chemson Kimya Sanayi ve Ticaret A.Ş. (*)	-	-	-	23,366
OYAK Denizcilik ve Liman İşletmeleri A.Ş. (*)	-	-	-	17,315
Erdemir Çelik Servis Merkezi San. ve Tic. A.Ş. (*)	-	4,988	-	15,698
OYAK Çimento Fabrikaları A.Ş. (*)	-	-	-	7,188
Erdemir Madencilik San Ve Tic. A.Ş. (*)	-	-	-	5,158
Other (*)	-	-	-	36,913
	<u>1,577,602,812</u>	<u>45,456,880</u>	<u>732,124,825</u>	<u>4,230,437</u>

(*) Companies managed by the parent

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 2023	1 January- 31 December 2022
Salaries and other short-term benefits	<u>52,219,031</u>	<u>54,374,511</u>
	<u>52,219,031</u>	<u>54,374,511</u>

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35. NATURE AND LEVEL OF THE RISKS ARISING FROM FINANCIAL INSTRUMENTS

Capital risk management

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

The capital structure of the Group consists of debts including the loans disclosed in Note 4 and Note 7, cash and cash equivalents, and equity items including issued capital, reserves and previous year profits disclosed respectively in Note 24.

The Board of Directors of the Group convenes regularly, reviewing the capital structure and indebtedness of the Group. During these reviews, the Board evaluates the risks associated with each capital class together with the cost of capital. The Group aims to maintain the balance of its capital structure by obtaining new loans or repaying the existing debts, based on the recommendations of the Board.

The general strategy of the Group does not differ from the previous period.

Financial risk factors

The Group is exposed to market risk (exchange rate risk and price risk), credit risk and liquidity risk due to its activities. The Group’s risk management program is generally focused on minimizing the potential negative impacts of the uncertainty in the financial markets on the Group’s financial performance. The Group also uses derivative products occasionally as protection against financial risks.

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35. NATURE AND LEVEL OF THE RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont’d)

Credit risk management

Credit risks exposed in terms of financial instruments

	<u>Receivables</u>				<u>Deposits at Banks</u>	<u>Other Cash Equivalents</u>	<u>Financial Investments</u>	<u>Derivative Instruments</u>
	<u>Trade Receivables</u>		<u>Other Receivables</u>					
<u>31 December 2023</u>	<u>Related Party</u>	<u>Other Party</u>	<u>Related Party</u>	<u>Other Party</u>				
Maximum credit risk exposed as of reporting date (A+B+C+D) (*)	29,487,635	3,005,476,159	1,492,187,616	12,653,096	4,464,898,602	157,003,982	970,858,747	-
- Secured portion of the maximum risk with guarantee etc (**)	-	1,011,758,957	-	-	-	-	-	-
A. Financial assets not past due nor impaired instruments	29,487,635	2,848,423,084	1,492,187,616	12,653,096	4,464,898,602	157,003,982	970,858,747	-
B. Assets past due but not impaired	-	156,911,962	-	-	-	-	-	-
- Secured portion with guarantee etc	-	83,178,545	-	-	-	-	-	-
C. Net book value of impaired assets	-	125,794,497	-	-	-	-	-	-
- Past due (gross book value)	-		-	-	-	-	-	-
- Impairment (-)	-	(125,653,384)	-	-	-	-	-	-
- Secured portion of the net value with guarantee etc	-	141,113	-	-	-	-	-	-
- Not past due (gross book value)	-	-	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-	-	-
- Secured portion of the net value with guarantee etc	-	-	-	-	-	-	-	-
D. Items including off-balance sheet risk	-	-	-	-	-	-	-	-

(*) The factors that increase the credit reliability, such as guarantee received are not considered in the determination of the balance.

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

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35. NATURE AND LEVEL OF THE RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont’d)

Credit risk management (cont’d)

Credit risks exposed in terms of financial instruments	Receivables				Deposits at Banks	Other Cash Equivalents	Financial Investments	Derivative Instruments
	Trade Receivables		Other Receivables					
	Related Party	Other Party	Related Party	Other Party				
31 December 2022								
Raporlama tarihi itibarıyla maruz kalınan azami kredi riski (A+B+C+D) (*)	241,382	6,738,191,272	-	65,130,362	2,381,216,729	141,809,435	268,026	48,039,917
- Secured portion of the maximum risk with guarantee etc (**)	-	1,410,591,579	-	-	-	-	-	-
A. Financial assets not past due nor impaired instruments	241,382	6,623,990,577	-	65,130,362	2,381,216,729	141,809,435	268,026	48,039,917
B. Assets past due but not impaired	-	114,059,582	-	-	-	-	-	-
- Secured portion with guarantee etc	-	53,119,739	-	-	-	-	-	-
C. Net book value of impaired assets	-	16,753,028	-	-	-	-	-	-
- Past due (gross book value)	-	-	-	-	-	-	-	-
- Impairment (-)	-	(16,611,915)	-	-	-	-	-	-
- Secured portion of the net value with guarantee etc	-	141,113	-	-	-	-	-	-
- Not past due (gross book value)	-	-	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-	-	-
- Secured portion of the net value with guarantee etc	-	-	-	-	-	-	-	-
D. Items including off-balance sheet risk	-	-	-	-	-	-	-	-

(*) The factors that increase the credit reliability, such as guarantee received are not considered in the determination of the balance.

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

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35. NATURE AND LEVEL OF THE RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

Credit risk management (cont'd)

Credit 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 2023</u>	<u>31 December 2022</u>
	<u>Trade</u>	<u>Trade</u>
	<u>Receivables</u>	<u>Receivables</u>
1-30 days overdue	39,264,106	66,369,260
1-3 months overdue	73,294,162	22,163,231
3-12 months overdue	43,380,115	25,294,577
1-5 years overdue	126,768,076	16,985,542
Total overdue receivables	<u>282,706,459</u>	<u>130,812,610</u>
Secured portion with guarantee etc.	<u>83,319,658</u>	<u>53,260,852</u>

Provisions made for TL 125,653,384 of the overdue receivables, as of the balance sheet date. (31 December 2022: TL 16,611,915). 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>2023</u>	<u>2022</u>
Letters of guarantee	<u>83,319,658</u>	<u>53,260,852</u>
	<u>83,319,658</u>	<u>53,260,852</u>

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35. NATURE AND LEVEL OF THE RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont’d)

Liquidity risk management

The main responsibility regarding liquidity risk management belongs to the Board of Directors. The Board of Directors has established a suitable liquidity risk management for the short, medium and long-term funding and liquidity requirements of the Group Management. The Group manages the liquidity risk by regularly monitoring the estimated and actual cash flows and ensuring the continuity of sufficient funds and borrowing reserves, by matching the maturities of financial assets and liabilities.

The following table demonstrates the maturity distribution of the Group’s financial liabilities which are not in the nature of derivatives. The following tables have been prepared based on the earliest dates when payment should be made and without discounting the Group’s liabilities. Interests payable over the liabilities in question are included in the table below. Derivative financial liabilities on the other hand have been arranged according to undiscounted net cash inflows and outflows. Forward instruments are paid as net amounts for future transactions which must be paid as gross amounts and are realized over the undiscounted, gross cash inflows and outflows. The amount disclosed when the receivables or payables are not fixed is determined by using the interest rate derived from the yield curves on the report date.

31 December 2023

<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 1-6 years (III)</u>
Non-derivative financial liabilities					
Financial liabilities	14,436,062,776	17,020,350,365	4,448,651,025	11,360,842,873	1,210,856,467
Trade payables	1,400,078,976	1,400,078,976	1,159,920,303	240,158,673	-
Payables related to employee benefits	81,300,469	81,300,469	16,594,529	64,705,940	-
Other payables	870,696,215	977,315,312	341,137,082	524,223,831	111,954,399
	16,788,138,436	19,479,045,122	5,966,302,939	12,189,931,317	1,322,810,866
Derivative financial liabilities					
Derivative cash inflows	(1,787,136)	154,550,550	-	154,550,550	-
Derivative cash outflows	-	(172,725,000)	-	(172,725,000)	-
	(1,787,136)	(18,174,450)	-	(18,174,450)	-

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 1-6 years (III)</u>
Non-derivative financial liabilities					
Financial liabilities	12,021,059,726	12,463,730,538	5,828,250,174	6,593,843,866	41,636,498
Trade payables	1,576,102,206	1,576,102,206	661,830,249	914,271,957	-
Payables related to employee benefits	136,243,514	136,243,514	10,752,084	125,491,430	-
Other payables	160,616,924	160,616,924	27,184,633	16,807,179	116,625,112
	13,894,022,370	14,336,693,182	6,528,017,140	7,650,414,432	158,261,610
Derivative financial liabilities					
Derivative cash inflows	40,512,240	537,286,697	10,013,165	527,273,532	-
Derivative cash outflows	-	(483,622,835)	(10,512,100)	(473,110,735)	-
	40,512,240	53,663,862	(498,935)	54,162,797	-

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35. NATURE AND LEVEL OF THE RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

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:

35. NATURE AND LEVEL OF THE RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

Exchange rate risk management (cont'd)

	31 December 2023		
	TL Equivalent (Functional currency)	US Dollar	Euro
Trade Receivable	58,296,674	1,980,307	-
Monetary Financial Assets	1,451,258,678	49,201,455	87,690
Non-Monetary Financial Assets	82,674,244	2,437,659	335,052
Other	1,107,791,233	9,465	34,000,000
CURRENT ASSETS	2,700,020,827	53,628,886	34,422,742
Non-Monetary Financial Assets	-	-	-
NON-CURRENT ASSETS	-	-	-
TOTAL ASSETS	2,700,020,827	53,628,886	34,422,742
Financial Liabilities	391,528,060	13,300,000	-
Trade Payables	461,496,099	14,597,756	975,150
CURRENT LIABILITIES	853,024,159	27,897,756	975,150
Financial Liabilities	874,314,540	29,700,000	-
NON-CURRENT LIABILITIES	874,314,540	29,700,000	-
TOTAL LIABILITIES	1,727,338,699	57,597,756	975,150
Net asset/ liability position of off-balance sheet derivative instruments	-	-	-
Amount of active off-balance sheet foreign currency derivatives	-	-	-
Net foreign currency asset liability position	972,682,128	(3,968,870)	33,447,592
Fair value of financial instruments used for foreign currency hedging	-	-	-
Amounts of hedged portion of foreign currency assets	-	-	-
Export	199,368,342	8,768,519	2,061
Import	2,680,672,429	119,178,950	7,117,716

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35. NATURE AND LEVEL OF THE RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont’d)

Exchange rate risk management (cont’d)

	31 December 2022		
	TL Equivalent (Functional currency)	US Dollar	Euro
Trade Receivable	132,976,140	4,316,043	-
Monetary Financial Assets	193,833,684	6,278,690	11,840
Non-Monetary Financial Assets	76,477,849	2,425,155	53,565
CURRENT ASSETS	403,287,673	13,019,888	65,405
Non-Monetary Financial Assets	-	-	-
NON-CURRENT ASSETS	-	-	-
TOTAL ASSETS	403,287,673	13,019,888	65,405
Financial Liabilities	65,694,633	-	2,000,000
Trade Payables	1,172,070,876	34,329,659	3,482,269
CURRENT LIABILITIES	1,237,765,509	34,329,659	5,482,269
Financial Liabilities	-	-	-
NON-CURRENT LIABILITIES	-	-	-
TOTAL LIABILITIES	1,237,765,509	34,329,659	5,482,269
Net asset/ liability position of off-balance sheet derivative instruments	535,321,256	15,242,800	2,000,000
Amount of active off-balance sheet foreign currency derivatives	535,321,256	15,242,800	2,000,000
Net foreign currency asset liability position	(299,156,580)	(6,066,971)	(3,416,864)
Fair value of financial instruments used for foreign currency hedging	37,361,597	-	-
Amounts of hedged portion of foreign currency assets	65,694,633	-	2,000,000
Export	296,690,416	10,419,154	860
Import	4,730,641,315	163,256,545	11,715,355

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35. NATURE AND LEVEL OF THE RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

Sensitivity to exchange rate risk

The Group is exposed to exchange rate risk, primarily in USD and Euro.

The following table shows the Group's sensitivity to a 10% increase and decrease in USD and Euro rates. The 10% rate refers to the rate used while reporting the exchange rate risk to senior managers within the Group. The sensitivity analysis only covers the monetary items in open foreign currency at the end of the year and shows the effects of the 10% change in exchange rates at the end of the year for these items. A negative value signifies a decline in the profit/loss and other equity items.

	31 December 2023	
	Profit / Loss	
	Appreciation of foreign currency	Depreciation of foreign currency
In case USD appreciates 10% against TL		
Net asset/liability of USD	(11,683,639)	11,683,639
Portion hedged from USD risk (-)	-	-
USD net effect	(11,683,639)	11,683,639
In case EUR appreciates 10% against TL		
Net asset/liability of EUR	108,951,852	(108,951,852)
Portion hedged from EUR risk (-)	-	-
EUR net effect	108,951,852	(108,951,852)
TOTAL	97,268,213	(97,268,213)

	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	(65,654,840)	65,654,840
Portion hedged from USD risk (-)	46,962,663	(46,962,663)
USD net effect	(18,692,177)	18,692,177
In case EUR appreciates 10% against TL		
Net asset/liability of EUR	(17,792,944)	17,792,944
Portion hedged from EUR risk (-)	6,569,463	(6,569,463)
EUR net effect	(11,223,481)	11,223,481
TOTAL	(29,915,658)	29,915,658

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35. NATURE AND LEVEL OF THE RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont’d)

Interest rate risk management

The Group keeps its risk related with the changes in the interest rate very low in order to provide financing. The financial liabilities of the Group consist of fixed-interest instruments. Therefore, the Group does not have any risks which may be from fluctuations in the interest rate.

Price risk

Price risk is a combination of foreign currency, interest and market risk and is naturally managed by the Group by matching its payables and receivables in the same currency with the assets and liabilities bearing interest. Market risk is closely monitored by the Group by reviewing market information and through suitable valuation methods.

36. FINANCIAL INSTRUMENTS

Fair value measurements hierarchy table

The Group classifies the fair value measurements of financial instruments, which are reflected in the financial statements at fair value, as follows, by using a three-level hierarchy, depending on the source of inputs of each financial instrument class.

Level 1: Valuation techniques where market prices traded (unadjusted) in an active market are used for the designated financial instruments.

Level 2: Other valuation techniques that include direct or indirect observable input.

Level 3: Valuation techniques that do not include observable market input

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36. FINANCIAL INSTRUMENTS (cont’d)

Fair value measurements hierarchy table (cont’d)

Classes and fair values of financial instruments

	Financial assets at amortized cost	Financial assets at fair value through other comprehensive income	Financial assets at fair value through profit or loss	Financial liabilities at amortized cost	Note
31 December 2023					
<u>Financial assets</u>					
Cash and cash equivalents	4,622,175,507	-	-	-	4
Trade receivables	3,034,963,794	-	-	-	8a
Financial investments	-	-	970,858,747	-	5
<u>Financial liabilities</u>					
Financial liabilities	-	-	-	14,436,062,776	7
Trade payables	-	-	-	1,400,078,976	8b
Payables related to employee benefits	-	-	-	81,300,469	9
Derivative instruments	-	-	1,787,136	-	6
Other payables	-	-	-	870,696,215	10b
31 December 2022					
<u>Financial assets</u>					
Cash and cash equivalents	2,523,329,279	-	-	-	4
Trade receivables	6,738,432,654	-	-	-	8a
Financial investments	-	-	268,026	-	5
Derivative instruments	-	48,039,917	-	-	6
<u>Financial liabilities</u>					
Financial liabilities	-	-	-	12,021,059,726	7
Trade payables	-	-	-	1,576,102,206	8b
Payables related to employee benefits	-	-	-	136,243,514	9
Derivative instruments	-	-	7,527,677	-	6
Other payables	-	-	-	160,616,924	10b

The Group is of the opinion that the booked values of financial instruments reflect their fair values.

As of the reporting date, the fair value of derivative instruments is at Level 2.

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36. FINANCIAL INSTRUMENTS (cont’d)

Fair value measurements hierarchy table (cont’d)

Fair values of financial instruments

Fair values of financial assets and liabilities are determined as follows:

- The fair value of financial assets and liabilities traded in an active liquid market is determined over the quoted market price, under standard terms and conditions.
- The fair value of financial assets and liabilities other than derivatives are determined within the framework of generally accepted pricing models. These models are based on discounted cash flows based on prices from observable data market transactions.
- The fair value of derivative instruments is calculated using their quoted prices. Option pricing model is used for derivative instruments that contain options.

37. FEES FOR SERVICES RECEIVED FROM THE INDEPENDENT AUDIT FIRM

The fees related to the services received by the Group from the Independent Audit Firm (IAF) for the periods 1 January - 31 December 2023 and 2022 are as follows:

	2023			2022		
	IAF	Other IAF	Total	IAF	Other IAF	Total
Independent audit fee for the reporting period	5,489,796	-	5,489,796	1,588,055	-	1,588,055
	<u>5,489,796</u>	<u>-</u>	<u>5,489,796</u>	<u>1,588,055</u>	<u>-</u>	<u>1,588,055</u>

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38. DISPOSAL OF SUBSIDIARY

During the period, the Group sold its subsidiary Arma İlaç Sanayi ve Ticaret A.Ş. to Oyak Gıda Tarım Holding.

Less: Amount of cash and cash equivalents of the subsidiary sold (4,567,429)
451,467,171

Book value of disposed assets	Total
Cash and Cash Equivalents	4,567,429
Trade and Other Receivables	1,414,610
Inventories	58,060,274
Prepaid Expenses	3,650,180
Other Current Assets	83,737,207
Current Assets	<u>151,429,700</u>
Other Receivables	41,195
Property, Plant and Equipment	408,811,067
Intangible Assets	101,688,424
Deferred Tax Asset	0
Non-Current Assets	<u>510,540,686</u>
Trade and Other Payables	734,375,263
Financial Debts	38,062,394
Payables Related to Employee Benefits	12,333,100
Other Non-Current Liabilities	646,136
Non-Current Liabilities	<u>785,416,893</u>
Other Current Liabilities	4,019,462
Deferred Tax Liability	12,290,044
Current Liabilities	<u>16,309,506</u>
Net Asset Value	<u>(139,756,013)</u>
Profit on sale of subsidiary	
Amount Received	456,034,600
Registered Value of Net Assets	139,756,013
Goodwill	(149,157,440)
Sales Profit	<u>446,633,173</u>
Net amount from sale of subsidiary	
Cash and cash equivalents received	456,034,600
Less: Amount of cash and cash equivalents of the subsidiary sold	(4,567,429)
	<u>451,467,171</u>

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39. EVENTS AFTER THE REPORTING PERIOD

According to the Special Situation Disclosure made by the Group on the Public Disclosure Platform on 19 February 2024;

“The amendment to the articles of association was approved at the Extraordinary General Assembly meeting held within the scope of public offering of FERBİS Tarım Ticaret ve Sanayi A.Ş., our 100% subsidiary, and the new articles of association was registered in the trade registry.”

According to the Special Situation Disclosure made by the Group on the Public Disclosure Platform on 21 February 2024;

“The application made by our HEKTAŞ Ticaret Türk A.Ş. Orhangazi Branch, operating in Bursa, to obtain an R&D Center Certificate within the scope of Law No. 5746, has been approved by the Ministry of Industry and Technology and it has been decided to grant an R&D Center Certificate to our Orhangazi Branch and to allow the business to benefit from the incentives and exemptions provided within the scope of Law No. 5746, based on the periods determined by the legislation.”