CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

DİTAŞ DOĞAN YEDEK PARÇA İMALAT VE TEKNİK A.Ş.

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY - 30 JUNE 2023
AND AUDITOR'S REVIEW REPORT

pwc

CONVENIENCE TRANSLATION INTO ENGLISH OF INDEPENDENT AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

To the General Assembly of Ditaş Doğan Yedek Parça İmalat ve Teknik A.Ş.

Introduction

1. We have reviewed the accompanying statement of balance sheet of Ditaş Doğan Yedek Parça İmalat ve Teknik A.Ş. (the "Company"), as at 30 June 2023, the statement of income, the statement of other comprehensive income, the statement of changes in equity, cash flows and other explanatory notes for the six-month period then ended ("interim financial information"). The management of the Group is responsible for the preparation and fair presentation of this interim financial information in accordance with Turkish Accounting Standard 34 ("TAS 34") "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review

Scope of review

2. We conducted our review in accordance with the Standard on Review Engagements ("SRE") 2410, "Review of interim financial information performed by the independent auditor of the entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Standards on Auditing and the objective of which is to express an opinion on the financial statements. Consequently, a review on the interim financial information does not provide assurance that the audit firm will be aware of all significant matters which would have been identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

3. Based on our review, nothing has come to our attention that causes us to conclude that the accompanying consolidated interim financial information does not present fairly, in all material respects, the financial position of Ditaş Doğan Yedek Parça İmalat ve Teknik A.Ş. as at 30 June 2023, and its financial performance and cash flows for the six-month period then ended in accordance with TAS 34.

PwC Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik A.Ş.

Salim Alyanak, SMMM
Partner

11 August 2023

DİTAŞ DOĞAN YEDEK PARÇA İMALAT VE TEKNİK A.Ş.

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2023 AND 31 DECEMBER 2022

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

ASSETS	Notes	Reviewed Current Period 30 June 2023	Audited Prior Period 31 December 2022
Current assets		**515,518,390**	**429,162,130**
Cash and cash equivalents	4	23,596,460	43,059,014
Financial assets		165,581	117,996
Trade receivables			
-Due from non-related parties	*6*	*261,550,997*	*193,701,057*
Other receivables			
-Due from non-related parties	*7*	*3,906,526*	*1,663,983*
Inventories	8	198,626,204	162,479,738
Prepaid expenses	9	14,776,228	18,817,631
Current tax assets		163,391	1,298,756
Other current assets	10	12,733,093	8,023,955
Non-current assets		**247,371,726**	**226,897,808**
Other receivables			
-Due from non-related parties	*7*	*194,584*	*194,584*
Property, plant and equipment	12	130,862,163	109,326,305
Intangible assets	13	26,378,441	22,282,414
Goodwill	3	2,890,023	2,890,023
Right of use assets	11	32,405,285	37,874,563
Prepaid expenses	9	4,777,522	1,772,113
Deferred tax assets	24	49,863,708	52,557,806
TOTAL ASSETS		**762,890,116**	**656,059,938**

The financial statements as of and for the period ended 30 June 2023 have been approved by the Board of Directors on 11 August 2023.

DİTAŞ DOĞAN YEDEK PARÇA İMALAT VE TEKNİK A.Ş.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2023 AND 31 DECEMBER 2022

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

LIABILITIES	**Notes**	**Reviewed Current Period 30 June 2023**	**Audited Prior Period 31 December 2022**
Current liabilities		**523,903,887**	**407,055,095**
Short-term borrowings			
- Due to non-related parties			
- Bank credits	*5*	*226,597,675*	*204,944,021*
Short-term portion of long-term borrowings			
- Short-term portion of long-term borrowings from related parties			
- Payables due to leasing transactions	*5, 25*	*882,754*	*836,014*
- Short-term portion of long-term borrowings from unrelated parties			
- Bank credits	*5*	*17,126,000*	*20,960,695*
- Payables due to leasing transactions	*5*	*9,862,691*	*7,456,284*
Trade payables			
- Due to related parties		*945,700*	*1,092,827*
- Due to non-related parties	*6*	*203,612,591*	*141,221,092*
Payables related to employee benefits	16	17,710,690	5,865,374
Other payables			
- Due to non-related parties	*7*	*7,512,693*	*5,933,731*
Deferred income (Excluding obligations arising from customer contracts)	9	15,275,781	8,570,143
Short-term provisions			
- Short-term provisions for employment benefits	*16*	*9,158,761*	*5,359,585*
- Other short-term provisions	*15*	*7,736,513*	*3,845,054*
Other current liabilities		*7,481,978*	*970,275*
Non-current liabilities		**152,365,436**	**141,776,685**
Long-term borrowings			
- Due to related parties			
- Payables due to leasing transactions	*5, 26*	*1,555,689*	*1,191,383*
- Due to non-related parties			
- Bank credit	*5*	*41,844,458*	*36,893,815*
- Payables due to leasing transactions	*5*	*26,178,702*	*32,347,563*
Long-term provisions			
Long-term provisions for employment benefits	*16*	*82,786,587*	*71,343,924*
Deferred tax liability	24	-	-
Deferred income	*9*	-	-
EQUITY		**86,620,793**	**107,228,158**
Equity holders of the parent		**70,649,182**	**85,860,099**
Issued capital	17	42,500,000	42,500,000
Adjustments to share capital	17	15,137,609	15,137,609
Other comprehensive income (losses) that will not be reclassified in profit or loss)			
- Revaluation and measurement gains/(losses)			
Actuarial (losses) on defined benefit plans	*17*	*(55,316,558)*	*(38,957,139)*
Other comprehensive income (losses) that will be reclassified in profit or loss			
- Change in currency translation reserves	*17*	-	-
Share premiums		533,477	533,477
Restricted reserves	17	7,602,807	7,602,807
Retained earnings or losses		59,043,345	28,774,396
Net profit for the period		(26,609,618)	30,268,949
Non-controlling interests		15,971,611	21,368,059
TOTAL LIABILITIES		**762,890,116**	**656,059,938**

The accompanying notes, are an integral part of these financial statements.

DİTAŞ DOĞAN YEDEK PARÇA İMALAT VE TEKNİK A.Ş.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE PERIODS 1 JANUARY - 30 JUNE 2023 AND 2022

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

	Notes	Reviewed Current Period 1 January - 30 June 2023	Reviewed Current Period 1 April - 30 June 2023	Reviewed Prior Period 1 January - 30 June 2022	Reviewed Prior Period 1 April - 30 June 2022
Revenue	18	515,176,970	269,246,219	341,006,963	183,278,338
Cost of Sales (-)	18	(454,607,669)	(222,307,394)	(273,313,606)	(149,634,087)
Gross Profit		**60,569,301**	**46,938,825**	**67,693,357**	**33,644,251**
General Administrative Expenses (-)	19	(41,701,030)	(20,127,444)	(21,646,668)	(9,979,163)
Marketing Expenses (-)	19	(23,077,311)	(11,867,418)	(14,262,874)	(7,966,697)
Research and Development Expenses (-)	19	(6,886,110)	(3,857,281)	(2,472,761)	(1,506,704)
Other Income from Operating Activities	21	40,153,273	27,319,305	22,051,744	12,981,438
Other Expenses from Operating Activities (-)	21	(22,509,046)	(20,614,848)	(18,489,603)	(11,971,130)
Operating profit/(loss)		**6,549,077**	**17,791,139**	**32,873,195**	**15,201,995**
Income from investing activities	22	856,724	529,617	3,700,250	1,015,643
Expenses from investing activities (-)	22	(144,354)	(40,079)	(1,367,461)	(59,839)
Operating Profit/(Loss) Before Financial (Expense)/ Income		**7,261,447**	**18,280,677**	**35,205,984**	**16,157,799**
Financial Income	23	-	-	-	-
Financial Expense (-)	23	(31,965,444)	(20,273,997)	(22,528,557)	(10,755,793)
Profit/(Loss) Before Tax		**(24,703,997)**	**(2,443,320)**	**12,677,427**	**5,402,006**
Tax Expense From Continued Operations		**(6,887,576)**	**(4,018,772)**	**2,110,773**	**1,790,321**
Tax Income/(Expense) for the Period	24	-	-	(1,104,395)	1,072,196
Deferred Tax Income/(Expense)	24	(6,887,576)	(4,018,772)	3,215,168	718,125
Profit/(Loss) For the Period From Continued Operations		**(31,591,573)**	**(6,462,092)**	**14,788,200**	**7,192,327**
Profit / (Loss) Distribution					
Non-controlling interests		(4,981,955)	(2,554,617)	2,906,632	2,125,683
Equity holders of the parent		(26,609,618)	(3,907,475)	11,881,568	5,066,644
Earning per share		(0,63)	(0,36)	0.46	0.19
OTHER COMPREHENSIVE INCOME					
That will not be reclassified as profit or loss:					
Actuarial (losses) on defined benefit plans	16	(20,967,390)	(20,967,390)	-	-
Taxes related to other comprehensive income that will not be reclassified as profit or loss					
- Deferred tax income	24	4,193,478	4,193,478	-	-
That will be reclassified as profit or loss:					
Currency Translation Differences					
- Profit/(Loss) from Currency Translation Differences		-	-	-	*220,337*
OTHER COMPREHENSIVE INCOME /(LOSS)		**(16,773,912)**	**(16,773,912)**	-	***220,337***
TOTAL COMPREHENSIVE INCOME /(LOSS)		**(48,365,485)**	**(23,236,004)**	**14,788,200**	**7,412,664**
Earnıng/Loss per Share	25	(0,74)	(0,15)	0.61	0.28

The accompanying notes, are an integral part of these financial statements.

DİTAŞ DOĞAN YEDEK PARÇA İMALAT VE TEKNİK A.Ş.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIODS 1 JANUARY - 30 JUNE 2023 AND 2022

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

						Other Comprehensive Income That will Be Reclassified to Profit or Loss			Retained earnings				
	Notes	**Share Capital**	**Adjustments to share Capital**	**Capital commintment**	**Share Premium**	**Actuarial gains/(losses) on defined benefit plans**	**Currency Translation Differences**	**Restricted reserves**	**Retained earnings**	**Net profit/(loss) for the period**	**Equity holders of the the parent company**	**Non-controlling interests**	**Total equity**
Balances at 1 January 2022	**17**	**26,000,000**	**15,137,609**	**-**	**294,504**	**(12,114,016)**	**102,273**	**2,267,711**	**7,360,738**	**27,348,754**	**66,397,573**	**10,378,781**	**76,776,354**
Transfers		-	-	-	-	-	-	1,413,314	25,935,440	(27,348,754)	-	-	-
Total comprehensive income/(loss)		-	-	-	-	-	-	-	-	11,881,568	11,881,568	2,906,632	14,788,200
- Profit (loss) for the period		-	-	-	-	-	-	-	-	11,881,568	11,881,568	2,906,632	14,788,200
Dividends		-	-	-	-	-	-	-	(600,000)	-	(600,000)	-	(600,000)
Transactions related to non-controlling interests		-	-	-	-	-	-	-	-	-	-	15,328,647	15,328,647
Balances at 30 June 2022	**17**	**26,000,000**	**15,137,609**	**-**	**294,504**	**(12,114,016)**	**102,273**	**3,681,025**	**32,696,178**	**11,881,568**	**77,679,141**	**28,614,060**	**106,293,201**
Balances at 1 January 2023	**17**	**42,500,000**	**15,137,609**	**-**	**533,477**	**(38,957,139)**	**-**	**7,602,807**	**28,774,396**	**30,268,949**	**85,860,099**	**21,368,059**	**107,228,158**
Transfers		-	-	-	-	-	-	-	30,268,949	(30,268,949)	-	-	-
Total comprehensive income/(loss)		-	-	-	-	(16,359,419)	-	-	-	(26,609,618)	(42,969,037)	(5,396,448)	(48,365,485)
- Profit (loss) for the period		-	-	-	-	-	-	-	-	(26,609,618)	(26,609,618)	(4,981,955)	(31,591,573)
- Other comprehensive income (loss)		-	-	-	-	(16,359,419)	-	-	-	-	(16,359,419)	(414,493)	(16,773,912)
Capital advance		-	-	27,758,120	-	-	-	-	-	-	(27,758,120)	-	27,758,120
Transactions related to non-controlling interests		-	-	-	-	-	-	-	-	-	-	-	-
Balances at 30 June 2023	**17**	**42,500,000**	**15,137,609**	**27,758,120**	**533,477**	**(55,316,558)**	**-**	**7,602,807**	**59,043,345**	**(26,609,618)**	**70,649,182**	**15,971,611**	**86,620,793**

The accompanying notes are an integral part of these financial statements.

DİTAŞ DOĞAN YEDEK PARÇA İMALAT VE TEKNİK A.Ş.

CONSOLIDATED STATEMENT OF CASH FLOW FOR THE PERIODS 1 JANUARY - 30 JUNE 2023

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

	Notes	Reviewed Current Period 1 January - 30 June 2023	Reviewed Prior Period 1 January - 30 June 2022
A, NET CASH FROM OPERATING ACTIVITIES		**8,725,053**	**(29,155,683)**
Profit/(loss) for the period		**(26,609,618)**	**11,881,568**
Adjustments regarding reconciliation of net profit/(loss) for the period		**68,163,783**	**31,666,007**
Adjustments related to depreciation and amortization	11,12,13	25,940,456	11,472,192
Adjustments related to provision (reversal) of impairment			
Adjustments related to provision of impairment on inventories	*8*	*(2,356,496)*	*478,810*
Adjustments related to provisions			
Adjustments related to provisions (reversals) for employee benefits	*16*	*10,038,480*	*7,021,045*
Adjustments related to provisions (reversal) for lawsuits and/or penalty		1,398,257	-
Adjustments related to interest (income) and expenses			
Adjustments related to interest income	*21*	*(6,968,839)*	*(302,796)*
Adjustments related to interest expense	*22*	*17,746,873*	*11,474,521*
Adjustments related to changes in unrealised foreign exchange differences	5	16,334,200	7,702,626
Adjustments related to Fair Value Losses/(Gains)			
Adjustments for the fair value losses/(gains) of derivative financial instruments	*26*	-	-
Adjustments related to tax income	23	6,887,576	(3,215,168)
Adjustments related to losses (gains) on disposal of fixed assets			
Adjustments related to losses (gains) on disposal of tangible assets		*(856,724)*	*(2,965,223)*
Changes in working capital		**(16,901,691)**	**(73,051,594)**
Adjustments for (increase)/decrease in trade receivables			
(Increase)/decrease in trade receivables from non-related parties		*(67,849,850)*	*(44,554,694)*
Adjustments regarding increase (decrease) in other receivables on operations			
Decrease/(increase) in other receivables related to operations from related parties		*(2,242,543)*	*347,347*
Decrease/(increase) in other receivables related to operations from non-related parties		-	*(944)*
Adjustments for (increase)/decrease in inventories		(33,789,970)	(45,632,149)
Decrease/(increase) in prepaid expenses		5,340,159	(6,209,921)
Adjustments regarding increase (decrease) in trade payables			
Increase/(decrease) in trade payables to related parties		*(147,127)*	-
Increase/(decrease) in trade payables to non-related parties		*62,391,499*	*32,977,836*
Increase/(decrease) in payables due to employee benefits	16	11,845,316	(532,262)
Adjustments for increase/(decrease) in other liabilities related to activities			
Increase/(decrease) in other payables to related parties related to operations		-	*(2,685,687)*
Increase/(decrease) in other payables to non-related parties related to operations		*1,578,962*	*(24,936,555)*
Increase/(decrease) in deferred income (Obligations arising from customer contracts excluded)	9	6,705,638	1,818,349
Adjustments for other increase (decrease) in working capital			
-Increase/(decrease) in other assets regarding operations		*(9,738,681)*	*13,029,002*
-Increase/(decrease) in other liabilities regarding operations		*9,004,906*	*3,328,084*
Net cash from operating activities		**24,652,474**	**(29,504,019)**
Employee termination benefits paid	16	(15,764,030)	(506,446)
Income tax refunds (payments)	23	(163,391)	854,782

The accompanying notes are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOW FOR THE PERIODS 1 JANUARY - 30 JUNE 2023

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

	Notes	Reviewed Current Period 1 January - 30 June 2023	Reviewed Prior Period 1 January - 30 June 2022
B, NET CASH FROM INVESTING ACTIVITIES		**(47,095,336)**	**(18,681,428)**
Cash inflows from the sale of tangible and intangible assets			
Cash inflows from the sale of property, plant and equipment	*12*	*865,343*	*4,234,935*
Cash outflows from purchase of property, plant and equipment and intangible assets	12, 13	(44,955,273)	(22,938,904)
Cash advances and debts given			
Other cash advances and liabilities		*(3,005,406)*	*22,541*
C, NET CASH FROM FINANCING ACTIVITIES		**18,907,729**	**41,876,774**
Cash inflows from share and other equity issues			
Cash inflows from share premium		-	-
Cash inflows from borrowings	5	95,974,293	85,973,200
Cash outflows from borrowings	5	(89,749,236)	(30,592,503)
Cash outflows due to payments of lease agreements	5	(10,723,924)	(4,146,046)
Capital advance		27,758,120	-
Dividends paid		-	(600,000)
Interest paid		(11,320,363)	(9,060,673)
Interest received		6,968,839	302,796
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS BEFORE THE EFFECT OF CURRENCY TRANSLATION RESERVES (A+B+C)		**(19,462,554)**	**(5,960,337)**
Effect of foreign currency translation differences on cash and cash equıvalents		-	-
D, NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C)		**(19,462,554)**	**(5,960,337)**
E, CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	**4**	**43,059,014**	**19,905,212**
F, CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (D+E)	**4**	**23,596,460**	**13,944,875**

The accompanying notes are an integral part of these financial statements.

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

NOTE 1 - ORGANIZATION AND NATURE OF OPERATIONS

Ditaş Doğan Yedek Parça İmalat ve Teknik A.Ş. ("Ditaş" or "Group") was established on 1972 and is registered in Turkey. Main operating activity of The Group is to manufacture steering wheel and suspension system parts for all types of land transport vehicles. The Group is a subsidiary of Doğan Şirketler Grubu Holding A.Ş. ("Doğan Holding"). The Group's main shareholder is Aydın Doğan and Doğan Family (Işıl Doğan, Arzuhan Yalçındağ, Vuslat Sabancı, Hanzade V. Doğan Boyner ve Y.Begümhan Doğan Faralyalı).

The Group is registered with the Capital Markets Board ("CMB") and its shares have been quoted on the Istanbul Stock Exchange market (ISE) since 21 May 1991. Within the frame of Resolution No: 31/1059 dated 30 October 2014 and No: 21/655 dated 23 July 2010 of CMB, according to the records of Central Registry Agency ("CRA"), the 31.76% (31 December 2022: 31.76%) shares of Ditaş are to be considered in circulation as of 30 June 2023 (Note 17). As of 23 February 2023 shares corresponding to 31.76% of Ditaş's capital are accepted as being in "circulation".

The Group established subsidiary Ditaş America LLC in New Jersey to carry out the sale and marketing of products in the Americas The Group manufactured in 2014, and subsidiary Ditaş Trading Shanghai Co. Ltd in the People's Republic of China to carry out sales and marketing in Asia Pacific countries, and The Group owns 100% of these subsidiaries. The Group also acquired D Stroy Ltd. in Russia to carry out sales and marketing in the Commonwealth of Independent States, of which Russia is a member. Subsidiaries began operations as of 2015. Ditaş Trading Shanghai Co. Ltd.'s liquidation procedures have been completed as of 25 December 2019 and the subsidiary has been closed. Our other subsidiaries Ditaş America LLC and D-Stroy Ltd. were closed by completing the liquidation procedures respectively on May 7, 2021 and June 16, 2021.

The Group has acquired 70% of companies Profil Sanayi ve Ticaret A.Ş. and 3S Kalıp Aparat Makine Sanayi ve Ticaret A.Ş. as of December 3, 2021.

As of September 30, 2022, Profil Sanayi ve Ticaret A.Ş. and 3S Kalıp Aparat Makine Sanayi ve Ticaret A.Ş. companies are subject to merger.

The natures of the business, segment and countries of the subsidiaries ("Subsidiaries") and joint ventures ("Joint Ventures") as follows:

			Share percentage in capital (%)	
Subsidiaries	**Nature of business**	**Country**	**30 June 2023**	**31 December 2022**
Profil Sanayi ve Ticaret A.Ş	,Sales and marketing of automotive supply products	Turkey	70.00	70.00
3S Kalıp Aparat Makine (*) Sanayi ve Ticaret A.Ş	Sales and marketing of automotive supply products	Turkey	-	-
Profil GMBH	Sales and marketing of automotive supply products	Germany	70.00	70.00

(*)Company merged with Profil Sanayi ve Ticaret Anonim Şirketi on 14 September 2022.

The registered address of the parent company is as follows: Kayseri Yolu Üzeri 3. km. 51100 Niğde

The number of employees of The Group as of 30 June 2023 is 611 (31 December 2022: 610).

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Basis of Presentation

2.1.1 Preparation and Presentation of Financial Statements

Adopted Financial Reporting Standards

The consolidated financial statements of the Group have been prepared in accordance with Turkish Financial Reporting Standards ("TFRS") promulgated by the Public Oversight Accounting and Auditing Standards Authority ("POA") that are set out in the 5th article of the communiqué numbered II-14.1 "Communiqué on the Principles of Financial Reporting In Capital Markets" ("the Communiqué") announced by the Capital Markets Board ("CMB") on 13 June 2013 and published in Official Gazette numbered 28676.

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

The Group maintains their legal books of accounts in Turkish Lira in accordance with the Tax Legislation, and the Uniform Chart of Accounts (General Communiqué on Accounting System Implementation) issued by the Ministry of Finance.

These consolidated financial statements, except for the financial assets and investment properties that are presented at fair value, are prepared on the basis of historical cost.

Adjustment to the financial statements in hyperinflationary periods

The Public Oversight Authority made a statement on January 20, 2022, regarding the Implementation of Financial Reporting in Economies with High Inflation within the Scope of Turkish Financial Reporting Standards, Financial Reporting Standard for Large and Medium-Sized Enterprises. Accordingly, it has been stated that businesses applying TFRS do not need to make any corrections in their financial statements for 2021 within the scope of TAS 29 Financial Reporting in High-Inflation Economies.

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Turkish Lira, which is the functional and presentation currency of Ditaş.

2.1.2 Consolidation principles

The financial statements include the accounts of the parent company, Ditaş, its Subsidiaries (collectively referred as the "Group") on the basis set out in sections to below. The financial statements of the companies included in the consolidation are based on historical cost of the statutory records and for the purpose of fair presentation in accordance with the accounting policies described in Note 2.1.1 and Note 2.1.2 and application of uniform accounting policies and presentations; adjustments and reclassifications. Financial statements of consolidated entities are restated in accordance with the TAS considering the accounting policies and presentation requirements applied by The Group.

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

2.1 Basis of Presentation (Continued)

Subsidiaries

Subsidiaries comprise of the companies directly or indirectly controlled by Ditaş.

Control is achieved when the Group:

- Has power over The Group/asset,
- Is exposed, or has rights, to variable returns from its involvement with The Group/asset and
- Has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are indicators of a situation or an event that may cause any changes to at least one of the elements of control listed above.

When the Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in the relevant investee are sufficient to give it power, including:

- The size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders,
- Potential voting rights held by the Group, other vote holders or other parties,
- Rights arising from other contractual arrangements and
- Any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities (including voting patterns at previous shareholders' meetings).

Subsidiaries are consolidated by the date the Group takes the control and from the date the control is over, The Group has no direct and/or indirect shareholding that affects the effective ownership rate.

Intercompany transactions and balances are eliminated on consolidation. The dividends arising from shares held by Ditaş in its subsidiaries are eliminated from equity and income for the period.

Subsidiaries acquired or disposed of during the accounting period are included in the consolidation from the date at which the control of operations are transferred to the Group and excluded from the consolidation when the control is lost. Even if non-controlling interests result in a deficit balance, total comprehensive income is attributed to the owners and to the non-controlling interests.

Income and expenses of a subsidiary, acquired or disposed of the during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

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

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

2.1 Basis of Presentation (Continued)

Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of The Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of Ditaş.

As of 30 June 2023 and 31 December 2022, the consolidated subsidiaries and their ownership percentages are as follows:

	Effective Partnership Rates (%) 30 June 2023	**Effective Partnership Rates (%) 31 December 2022**
Profil Sanayi ve Ticaret A.Ş	70.00	70.00
Profil GMBH	70.00	70.00

2.1.3 Offsetting

Financial assets and liabilities are offset and the net amount is reported when there is a legally enforceable right to set-off the recognised amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

2.1.4 Comparative information and restatement of prior period financial statements

The consolidated financial statements of the Group are prepared comparatively with the previous period to identify the financial position and performance trends. The Group presents comparatively its consolidated statement of financial position as of 30 June 2023 with 31 December 2022. Consolidated statement of profit or loss and consolidated other comprehensive income, consolidated statement of cash flow and consolidated statement of changes in equity for the period ended 1 January - 30 June 2023, are presented comparatively with the consolidated financial statements as of the period 1 January - 30 June 2022.

2.1.5 Significant accounting policies and changes in accounting estimates and errors and restatement of prior period financial statements

Changes of accounting policies resulting from the first time implementation of the TAS are implemented retrospectively or prospectively in accordance with the transition provisions. Major accounting mistakes detected are applied retrospectively and the financial statements of previous period are revised. If the changes in accounting estimates only apply to one period, then they are applied in the current period when the change occurs; if the changes apply also to the future periods, they are applied in both the period of change and in the future period.

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

2.1 Basis of Presentation (Continued)

2.1.6 New and revised Turkish Financial Reporting Standards ("TFRS")

There is no standard or opinion that affects the financial performance of the Group, consolidated statement of financial position, presentation or notes in the current period excluding. In addition, below, you can also find details about the standards, which apply in the current period and do not affect the financial statements of the Group, and standards, which have not yet been come into force and not applied by the Group in advance.

a) Standards, amendments and interpretations applicable as at 30 June 2023:

- **Narrow scope amendments to IAS 1, Practice statement 2 and IAS 8;** effective from annual periods beginning on or after 1 January 2023. The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies.

- **Amendment to IAS 12 – Deferred tax related to assets and liabilities arising from a single transaction;** effective from annual periods beginning on or after 1 January 2023. These amendments require companies to recognise deferred tax on transactions that, on initial recognition give rise to equal amounts of taxable and deductible temporary differences.

- **IFRS 17, 'Insurance Contracts';** effective from annual periods beginning on or after 1 January 2023. This standard replaces IFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features.

- **Amendment to IAS 12 - International tax reform - pillar two model rules;** The deferred tax exemption and disclosure of the fact that the exception has been applied, is effective immediately. The other disclosure requirements are effective annual periods beginning on or after 1 January 2023. These amendments give companies temporary relief from accounting for deferred taxes arising from the Organisation for Economic Co-operation and Development's (OECD) international tax reform. The amendments also introduce targeted disclosure requirements for affected companies.

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

2.1 Basis of Presentation (Continued)

b) Standards, amendments and interpretations that are issued but not effective as at 30 June 2023

- **Amendment to IAS 1 – Non current liabilities with covenants; effective from annual** periods beginning on or after 1 January 2024. These amendments clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability.

- **Amendment to IFRS 16 – Leases on sale and leaseback;** effective from annual periods beginning on or after 1 January 2024. These amendments include requirements for sale and leaseback transactions in IFRS 16 to explain how an entity accounts for a sale and leaseback after the date of the transaction. Sale and leaseback transactions where some or all the lease payments are variable lease payments that do not depend on an index or rate are most likely to be impacted.

- **Amendments to IAS 7 and IFRS 7 on Supplier finance arrangements; ;** effective from annual periods beginning on or after 1 January 2024. These amendments require disclosures to enhance the transparency of supplier finance arrangements and their effects on a Group's liabilities, cash flows and exposure to liquidity risk. The disclosure requirements are the IASB's response to investors' concerns that some companies' supplier finance arrangements are not sufficiently visible, hindering investors' analysis.

- **IFRS S1, 'General requirements for disclosure of sustainability-related financial information;** effective from annual periods beginning on or after 1 January 2024. This is subject to endorsement of the standards by local jurisdictions. This standard includes the core framework for the disclosure of material information about sustainability-related risks and opportunities across an entity's value chain.

- **IFRS S2, 'Climate-related disclosures';** effective from annual periods beginning on or after 1 January 2024. This is subject to endorsement of the standards by local jurisdictions. This is the first thematic standard issued that sets out requirements for entities to disclose information about climate-related risks and opportunities.

A summary of significant accounting policies used in the preparation of the consolidated financial statements are as follows. Accounting policies are applied consistently, unless otherwise indicated.

Related parties

Related parties are people or entities that are related to the entity (reporting entity) that is preparing its financial statements.

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

Related parties (Continued)

2.2 Summary of Significant Accounting Policies

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

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

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

- (i) The entity and the reporting entity are members of the same Company (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a company of which the other entity is a member.
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
- (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 the entity (or of a parent of the entity).

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

Under the guidance of the explanations mentioned above and also in compliance with TAS 24, Doğan Şirketler Grubu Holding A.Ş. directly or indirectly has participation, including any entities under common control; real persons and/or legal entities that have direct or indirect individual or joint control over The Group and their close family members (relatives up to second-degree) and legal entities having direct or indirect individual or joint control by them and legal entities having significant effect over The Group or their key management personnel; Group's subsidiaries and members of the Board of Directors, key management personnel and their close family members (relatives up to second-degree) and real persons and/or legal entities that are directly or indirectly controlled individually or jointly (Note 26).

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, bank deposits and highly liquid investments without a significant risk over the change in their value, whose maturity at the time of purchase is three months or less (Note 4).

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

2.2 Summary of Significant Accounting Policies (Continued)

Trade receivables and provision for doubtful receivables

The Group's trade receivables from providing goods or services to customers are carried at net of unrealized finance income ("unearned financial income due to sales with maturity"). Trade receivables, net of unrealized finance income, are calculated by discounting future cash inflows of receivables carried at the original invoice amount using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition. Effective interest method is calculating the present value in accordance with the compound interest basis. The rate determined by compound interest basis and applied in this method is named "effective interest rate". Short-term receivables with indefinite interest rate are carried at cost unless the effect of imputing interest is significant (Note 6).

When calculating the impairment of trade receivables, which are recognised based on the cost amortised in financial statements and do not include an important financing component, Group preferred to adopt "simplified approach" in TFRS 9 standard.

According to "simplified approach" of TFRS 9 Standard, loss provisions concerning trade receivables are calculated equal to "lifetime expected credit loss" if trade receivables are not impaired due to valid reasons as stated in TFRS 9.

TAS 39, "Financial Instruments" valid before 1 January 2018: Instead of "realised credit losses model" in Accounting and Measurement Standard, "expected credit loss model" was defined in TFRS 9 "Financial Instruments" Standard. Expected credit loss is estimated by weighting credit losses, expected to occur throughout the expected life of financial instruments, based on previous statistics. When calculating the expected credit losses, credit losses in the previous years and forecasts of The Group are considered.

The Group decides to allocate provision for doubtful receivables, whose payment was not made within the ordinary commercial activity cycle of the Group, considering whether the trade receivable is subject to administrative and/or legal proceeding, whether or not they have a guarantee and there is an objective finding. The amount of such provision is the difference between the book value of the receivable and the collectible amount. The collectible amount is the current value of the expected cash flow, including the amounts to be collected from guarantees and collaterals, which is discounted based on the original effective interest rate of the initial receivable.

When trade receivables are not impaired for certain reasons along with realised impairment losses, Group recognises expected credit loss provision equal to lifetime expected credit loss for trade receivables as per TFRS 9. Expected credit loss is calculated by expected credit loss rates determined based on previous credit loss experiences of the Group and prospective macroeconomic indicators. Changes in expected credit loss provisions are recognised under other income and expenses from operating activities (Note 21).

After allocating a provision for the doubtful receivable amount, if all or a portion of the doubtful receivable amount is collected, the collected amount is deducted from the provision for doubtful receivables and recorded in other income from main activities (Note 6, 21).

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

2.2 Summary of Significant Accounting Policies (Continued)

Inventories

Inventories are valued at the lower of cost or estimated selling price less estimated costs necessary to make a sale (net realizable value). Cost elements included in inventory are purchasing costs and other costs necessary to prepare the asset for its intended use. Cost elements included in inventories are materials, labor and production overheads. The unit cost of inventories is determined on the moving weighted average basis (Note 8).

When the net realizable value of inventory is less than cost, the inventory is written down to the net realizable value and the expense is included in the consolidated statement of profit or loss in the period the write-down or loss occurred. When the circumstances that previously caused inventories to be written down below cost no longer exist or when there is clear evidence of an increase in net realizable value because of the changing economic circumstances, the amount of the write-down is reversed. The reversal amount is limited to the amount of the initial impairment.

Financial assets

Group classified its financial assets in three categories; financial assets carried at amortized cost, financial assets carried at fair value though profit of loss, financial assets carried at fair value though other comprehensive income. Classification is performed in accordance with the business model determined based on the purpose of benefits from financial assets and expected cash flows. Management performs the classification of financial assets at the acquisition date.

(a) Financial assets carried at amortized cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest, whose payments are fixed or predetermined, which are not actively traded and which are not derivative instruments are measured at amortized cost. They are included in current assets, except for maturities more than 12 months after the balance sheet date. Those with maturities more than 12 months are classified as non-current assets. The Group's financial assets carried at amortized cost comprise "trade receivables", "other receivables" and "cash and cash equivalents" in the consolidated statement of financial position. In addition, with recourse factoring receivables classified in trade receivables are classified as financial assets carried at amortized cost since collection risk for those receivables are not transferred to counterparty.

Impairment

Group has applied simplified approach and used impairment matrix for the calculation of impairment on its receivables carried at amortized cost, since they do not comprise of any significant finance component. In accordance with this method, if any provision is not provided to the trade receivables as a result of a specific event, Group measures expected credit loss from these receivables by the life-time expected credit loss. The calculation of expected credit loss is performed based on the past experience of the Group and its expectation based on the macroeconomic indications.

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

2.2 Summary of Significant Accounting Policies (Continued)

(b) Financial assets carried at fair value

Assets that are held by the management for collection of contractual cash flows and for selling the financial assets are measured at their fair value. If the management do not plan to dispose these assets in 12 months after the consolidated statement of financial position, they are classified as non-current assets. Group makes a choice that cannot be changed later for the equity instruments during the initial recognition and elect profit or loss or other comprehensive income for the presentation of fair value gain and loss:

i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss consist of "derivative instruments" in consolidated statement of financial position and "financial asset", which are acquired to benefit from short-term price or other fluctuations in the market or which are a part of a portfolio aiming to earn profit in the short-run, irrespective of the reason of acquisition, and kept for trading purposes. Derivative instruments are recognised as asset if their fair value is positive and as liability if their fair value is negative. Group's derivative instruments consist of transactions concerning future contracts. Financial assets that are measured by their fair value and associated with the profit or loss statement are initially reflected on the consolidated statement of financial position with their costs including the transaction cost. These financial assets are valued based on their fair value after they are recognised. Realised or unrealised profit and losses are recognised under "financing income/(expense)". Dividends are recognised as dividend income in profit or loss statement. Financial assets including the derivative products not determined as hedging instruments are classified as financial assets whose fair value difference is reflected as profit or loss.

Derivative financial instruments and hedge accounting

Derivative financial instruments, predominantly foreign currency and interest swap agreements and foreign currency forward agreements are comprised. Derivative financial instruments are subsequently remeasured at their fair value. Fair values of derivative financial instruments are obtained from quoted market prices or discounted cash flow models as appropriate. Based on positive or negative fair value, derivative financial instruments are carried as assets or liabilities in the consolidated statement of financial position respectively.

In the case of future cash flows being subject to cash flow hedges and related transactions being effective, the effective portion of changes in the fair value of derivatives that are designated and qualified as cash flow hedges is recognized in equity directly whereas the ineffective portion is recognized immediately in the consolidated statement of profit or loss.

If the cash flow hedge of a firm commitment or an expected forward transaction result in the recognition of an asset or liability, at the initial recognition of this asset or liability the gain or loss previously recognized under equity related to derivatives is included in the measurement of the initial amount of the asset or liability. In a hedge accounting that does not result in the recognition of an asset or a liability, the amounts previously recognized under equity are transferred to consolidated statement of profit or loss in the period in which the hedged item has an effect on profit or loss. The changes in the fair value of derivatives that do not meet the criteria for hedge accounting are recognized in the consolidated statement of profit or loss.

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

2.2 Summary of Significant Accounting Policies (Continued)

If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, any cumulative gain or loss previously recognized in equity remains in equity until the forecast transaction or firm commitment affects profit or loss. If the forecast transaction or firm commitment is no longer expected to occur, the cumulative gain or losses previously recognized in equity are transferred to the profit/(loss) statement.

Leases

If a contract regulates the right to control the use of an asset that is defined in the contract for a certain period and for a specific price, this contract is considered as a lease in its nature or includes a lease transaction. At the beginning of a contract, the Group assesses whether the contract is a lease or include a lease transaction. The Group considers the following conditions when assessing whether or not a contract transfers the right to control the use of a defined asset for a specified period of time:

a) The existence of a clearly or implicitly identifiable asset that constitutes the subject of the lease,
b) The lessee has the right to obtain almost all of the economic benefits from the use of the defined asset that constitutes the subject of the lease,
c) The lessee has the right to manage the use of the defined asset that constitutes the subject of the lease. According to circumstances listed below, the tenant is deemed to have the right to manage the defined asset constituting the subject of the lease:

   i. The lessee has the right to operate the property for the duration of its use (or to direct others to operate the property in its own way) and the lessor does not have the right to change these operating instructions or
   ii. Designing the asset (or certain features of the asset) in advance in a manner of how and for what purpose the asset will be used during its occupancy by the lessee.

In case that the contract fulfills these conditions, the Group reflects a right of use asset and a lease liability to the financial statements at the date of the lease's actual start.

The right of use assets

The right-of-use asset is initially recognized by the cost method and includes the followings:

a) The first measurement amount of the lease liability to be recognized as the right of use asset,
b) Deduction of all leasing incentives related to the lease, from the first measurement amount of the lease liability recorded as a right of use asset,
c) All direct costs, that are related to the lease, incurred by the Group to be added to the first measurement amount of the lease liability, which will be recognized as a right of use asset, and
d) Estimated costs to be incurred by the Group shall be added to the initial measurement amount in relation to the dismantling and transporting of the defined asset constituting the subject of the lease, the restoration of the area in which it is placed, or the restoration of the defined asset as required by the terms and conditions of the lease.

In applying the cost method, the Group measures the right of use asset by:

a) Deducting the accumulated depreciation and accumulated impairment losses and
b) Measuring the cost of the lease in accordance with the re-measurement of the lease liability.

The Group applies depreciation provisions in "TAS 16 Property, Plant and Equipment" while depreciating the right of use asset. In order to determine whether the right of use asset has been impaired or not and to recognize any impairment losses the "TAS 36 Impairment of Assets" standard is implemented.

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

2.2 Summary of Significant Accounting Policies (Continued)

Lease liability

At the effective date of the lease, the Group measures its leasing liability at the present value of the lease payments not realized at that date. If the interest rate on the lease can be easily determined, this rate is used in discount; if the implied interest rate cannot be easily determined, the payments are discounted by using the alternative borrowing interest rate of the lessee.

Lease payments that are included in the measurement of the lease liability of the Group and the payments that have not occurred on the date when the lease is actually started consist of the following:

(a) Amount deducted from all types of rental incentive receivables from fixed payments,
(b) Lease payments based on an index or a rate, lease payments made using an index or a rate at the time the initial measurement was actually started,
(c) The penalty for termination of the lease in cases the lessee shows a sign of it will use an option to terminate the lease.

After the effective date of the lease, the Group measures its lease liability as follows:

a) Increasing the book value by reflecting interest on lease liability,
b) Reducing the book value by reflecting the lease payments made,
c) Re-measures the book value to reflect any re-evaluations and reconfigurations, if any. The Group reflects the remeasured amount of the lease obligation to the financial statements as adjustment in the use of right.

Extension and early termination options

A lease obligation is determined by considering the extension of the contracts and early termination options. Most of the extension and early termination options included in the contracts consist of options that are jointly applicable by the Group and the lessor. However, if such extension and early termination options are at the Group’s discretion in accordance with the contract and the use of the options is reasonably certain, the lease term shall be determined by taking this issue into account. If there is a significant change in the conditions, the evaluation is reviewed by the Group.

Facilitative applications

Contracts related to IT equipment leases (mainly printer, laptop, mobile phone, etc.), which are determined by the Group as low value, short-term lease agreements with a period of 12 months and less, have been assessed under the exemption granted by the “TFRS 16 Leases Standard”, and payments for these contracts are recognized as an expense in the period in which they are incurred.

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

2.2 Summary of Significant Accounting Policies (Continued)

Business combinations

Business combinations are accounted for using the acuqisition method. In this method, the acquisition cost is measured as the sum of the fair value of the consideration transferred at the acquisition date and the non-controlling interest in the business. The transferred consideration is calculated as the sum of the acquisition date fair values of the assets transferred by The Group, the liabilities assumed by The Group to the previous owners of the business and the equity interests issued by The Group.
Acquisition-related costs are generally recognized as an expense as soon as they are incurred.

Purchased of identifiable assets and liabilities assumed are recognized at their fair value at the date of acquisition. The following are not accounted for in this way:

- Deferred tax assets or liabilities or assets or liabilities related to employee benefits are calculated and recognized in accordance with TAS 12, "Income Tax" and TMS 19, "Employee Benefits" Standards, respectively;
- Liabilities or equity instruments related to share-based payment agreements of the acquired entity or share-based payment agreements signed by the Group to replace the share-based payment agreements of the acquired entity are accounted for in accordance with TFRS 2, "Share-Based Payment Agreements" standard at the date of acquisition. ;
- In accordance with TFRS 5, "Non-Current Assets Held for Sale and Discontinued Operations" standard, assets (or disposal groups) classified as held for sale are accounted for in accordance with the rules specified in TFRS 5.

Goodwill is measured as the difference between the consideration measured at fair value and the net amount of the fair value of the identifiable assets and liabilities of the acquired company within the scope of TFRS 3. If the consideration measured at fair value is less than the fair value of the net identifiable assets of The Group, the difference is recorded as income. After goodwill is initially recognized, it is accounted with the value after deducting any accumulated impairment losses. Goodwill is reviewed for impairment annually or more frequently if an impairment is likely to occur. Provision for impairment of goodwill is recognized directly in the consolidated statement of profit or loss and other comprehensive income, Provision for impairment of goodwill is not canceled in subsequent periods.

Non-controlling shares, which represent shareholder shares and give their owners the right to share a certain percentage of the net assets of the enterprise in case of liquidation; They are initially measured either at their fair value or at the amounts of the identifiable net assets of the acquired business recognized in proportion to the non-controlling interest. The measurement basis is determined on a case by case basis. Other types of non-controlling interests are measured at fair value or, where applicable, in accordance with the methods specified in another IAS standard.

In cases where the consideration transferred by the Group in a business combination includes the contingent consideration; The contingent consideration is measured at fair value at the date of acquisition and is included in the consideration transferred in the business combination. If an adjustment to the fair value of the contingent consideration is required as a result of additional information that emerges during the measurement period, this adjustment is adjusted retrospectively from goodwill.

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

2.2 Summary of Significant Accounting Policies (Continued)

Business combinations (Continued)

The measurement period is the period after the acquisition date during which the acquirer can adjust the provisional amounts recognized in the business combination. This period can not be more than 1 year from the date of purchase.

Subsequent accounting adjustments for changes in the fair value of contingent consideration that are not considered measurement period adjustments vary depending on the classification made for the contingent consideration. Contingent consideration classified as equity is not remeasured and any subsequent payment related to it is recognized in equity. If the contingent consideration classified as an asset or liability is a financial instrument and is within the scope of TFRS 9, "Financial Instruments: Recognition and Measurement" standard; That contingent consideration is measured at fair value and any gain or loss arising from the change is recognized in profit or loss or other comprehensive income. Those not within the scope of TFRS 9 are; It is accounted for in accordance with TAS 37, "Provisions" or other appropriate TMS.

In a business combination that takes place in stages, in order to bring the Group's previous equity share in the acquired business to fair value; It is remeasured at the date of acquisition (the date the Group acquires control) and the resulting gain/loss, if any, is recognized in the consolidated statement of profit or loss. Amounts arising from the shares of the acquired business, which were recognized in other comprehensive income before the acquisition date, are transferred to profit/loss, assuming that the shares in question are disposed of.

In cases where purchase accounting for a business combination can not be completed at the end of the reporting date on which the acquisitions took place; The group reports provisional amounts for items for which accounting cannot be completed. These provisionally reported amounts are adjusted during the measurement period or additional assets or liabilities are recognized to reflect new information obtained about events and circumstances occurring at the acquisition date that may have an impact on the amounts recognized at the acquisition date (Note 3).

Legal acquisitions between businesses controlled by the Group are not considered within the scope of TFRS 3 Business Combinations. Therefore, goodwill is not calculated in such mergers. In addition, transactions arising between the parties in legal mergers are subject to adjustments during the preparation of consolidated financial statements. In accounting for share transfers under common control, assets and liabilities subject to business combination are included in the consolidated financial statements with their registered values. Mergers under common control are accounted for using the "Combination of Rights" method. When applying the Merger of Rights method, the financial statements are adjusted as if the transaction in question had occurred as of the beginning of the reporting period in which joint control occurred and are presented comparatively from the beginning of the reporting period in which joint control occurred. As a result of these transactions, no goodwill or bargain purchase effect is calculated (Note 3).

Business combinations subject to common control are not within the scope of TFRS 3 Business Combinations and the Group does not record goodwill for such transactions. If the book value of the net assets of the acquired business at the date of acquisition exceeds the transferred amount, the difference is considered as additional capital contributions of the shareholders and is reflected in the "Share Premium" item. In the opposite case, that is, if the transferred amount exceeds the book value of the net assets of the business on the date of merger, the difference is reflected in the "Impact of Business Combinations under Common Control " item as a reducing factor.

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

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

2.2 Summary of Significant Accounting Policies (Continued)

Goodwill

The goodwill amount arising from the purchase transaction is valued at its cost value at the date of purchase, after deducting any impairment losses.

For impairment testing, goodwill is allocated to the Group's cash-generating units (or groups of cash-generating units) that expect to benefit from the synergies of the business combination.

The cash-generating unit to which goodwill is allocated is subjected to impairment testing every year. If there are signs that the unit is impaired, the impairment test is performed more frequently.

If the recoverable amount of the cash-generating unit is lower than its book value; The impairment provision is first separated from the goodwill allocated to the unit, and then the book value of the assets within the unit is reduced. The impairment provision for goodwill is recognized directly in consolidated profit or loss. The goodwill impairment provision is not canceled in subsequent periods.

During the sale of the relevant cash-generating unit, the amount determined for goodwill is included in the calculation of profit/(loss) on the sale transaction.

Profit or loss arising from the sale or purchase of a portion of the shares of subsidiaries controlled by Ditaş Doğan (transactions in which control does not change hands) is recognized in equity. TMS 27 (Revised) Standard requires that increases or decreases in ownership rates that do not create a change in the Group's control effect, starting from the financial periods starting on 1 July 2009, should be accounted for in equity. For fiscal periods beginning before July 1, 2009; The difference in favor of the purchase price arising from the sale or purchase of a portion of the shares of subsidiaries under the control of the Group (transactions in which control did not change hands) was accounted as goodwill.

Property, plant and equipment

Property, plant and equipment are carried at cost less any accumulated depreciation and any accumulated impairment losses (Note 12). Depreciation is provided on property, plant and equipment on a straight-line basis (except land). Lands are not subject to depreciation due to their unlimited useful life. The depreciation periods for property, plant and equipment, which approximate the economic useful lives of such assets, are as follows:

	Years
Land improvements	5 - 50 years
Buildings	10 - 50 years
Machinery and equipment	5 - 20 years
Motor vehicles	5 - 10 years
Furniture and fixtures	4 - 20 years
Leasehold improvements	5 - 10 years
Customer relationships	4 years
Other tangible assets	5 years

Expected useful life, residual value and depreciation method are reviewed annually for possible effects of changes in estimates and are recognized prospectively if there is a change in estimates.

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

2.2 Summary of Significant Accounting Policies (Continued)

Property, plant and equipment (Continued)

An item of property, plant and equipment is derecognized in the consolidated statement of financial position upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized as income or expenses from investing activities in profit or loss.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount provided to allocate provision. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use. Fair value less costs to sell is the amount obtainable from the sale of an asset less the costs of disposal. Value in use is the present value of the future cash flows expected to be derived from an asset plus the residual value of the related assets as of the statement of financial position date.

Repair and maintenance expenses are charged to the consolidated statement of profit or loss as they are incurred. Capital expenditures that increase the present value of the future cash flows expected to be derived from property, plant and equipment by increasing its capacity is added to the cost of tangible fixed asset.

Gain and losses regarding sale of property, plant and equipment are accounted as other income and expenses from investing activities.

Intangible assets and related amortization

Intangible assets comprise computer softwares and its rights. Intangible assets are recorded at acquisition cost less any accumulated depreciation and any accumulated impairment losses. Amortization is provided on intangible asset on a straight-line basis over their estimated useful lives for a period of 3-5 years from the date of acquisition. Assets that have infinite useful life are not subject to amortization and are tested for impairment at least once a year (Note 13).

Intangible assets with estimated useful lives are tested to determine whether there is an indication that the intangible assets may be impaired and if the carrying value of the intangible asset is higher than the recoverable amount, the carrying value of the intangible asset is written down to its recoverable amount provided to allocate provision. The amount recoverable from an intangible asset is either the discounted net cash flows generated from the use of that intangible asset or the net sales value of that intangible asset depending whether the former or the latter being higher. Provision for impairment is recognised under the consolidated statement of profit or loss in the related period.

Customer relationship

Customer relationships acquired as part of business combinations are reflected in the financial statements at their fair value at the date of acquisition. Customer relationships have limited useful lives and are shown at cost less accumulated amortization. It is amortized on a straight-line basis over its estimated useful life (4 years).

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

2.2 Summary of Significant Accounting Policies (Continued)

Development costs

Development costs for the design and testing of detectable and unique products controlled by the Group are recognized as intangible assets when the following conditions are met:

- It is technically possible to complete the product to be ready for use,
- Management intends to complete and use or sell the product,
- Possibility to use and sell the product,
- Certainty on how the product is likely to provide future economic benefits,
- Availability of sufficient technical, financial and other resources to complete the development phase and to use or sell the product and
- Reliable measurement of expenses related to the product during the development process.

Capitalized development costs are recognized as intangible assets and are amortized beginning from the date the asset is ready for use.

Impairment of assets

At each statement of financial position date, The Group evaluates whether there are any indications that an asset other than goodwill or infinite life intangible assets may be impaired. When an indication of impairment exists, carrying value of the assets is compared with the net realizable value which is the higher of value in use and fair value less costs to sell. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Impairment exists if the carrying value of an asset or a cash generating unit including that asset is greater than its recoverable amount which is the higher of value in use or fair value less costs to sell. Impairment losses are recognized in the consolidated statement of profit or loss.

Taxation

Taxation on income includes current period income taxes and deferred taxes. Current year tax liability consists of tax liability on period income calculated according to currently enacted tax rates and tax legislation in force as of statement of financial position date and includes adjustments related to the previous year's tax liabilities. Turkish tax legislation does not permit a parent company to file a tax return for its subsidiary and its joint venture. Therefore, tax provisions, as reflected in the accompanying financial statements, have been calculated on a separate-entity basis.

Deferred income tax is provided, using the liability method, on temporary differences arising between the statutory tax bases of assets and liabilities and their carrying values for financial reporting purposes. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the statement of financial position date.

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

2.2 Summary of Significant Accounting Policies (Continued)

Taxation (Continued)

Deferred tax liabilities are recognized for all taxable temporary differences, where deferred tax assets resulting from deductible temporary differences are recognized to the extent that it is probable that future taxable profit will be available against which the deductible temporary difference can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities (Note 24).

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they are related to income taxes levied by the same taxation authority (Note 24).

Current and deferred tax

Tax is included in the consolidated statement of profit or loss, unless it is related to an operation that is accounted directly under equity. Otherwise, tax is accounted under equity as well as the related transaction (Note 24).

Financial borrowings and borrowing costs

Borrowings are recognized initially at the proceeds received, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost using the effective interest method. Any difference between proceeds, net of transaction costs, and the redemption value is recognized in the profit or loss as finance expense over the period of the borrowings (Note 5). The borrowing costs which are directly related with the acquisition, manufacturing or production of a specialty good (means that a long period of time is required to make available for sale and use as purposed) are capitalized as a part of the related asset.

Going concern

The financial statements have been prepared on a going concern basis, under the assumption that The Group will benefit from its assets and fulfill its obligations in the next year and in the natural flow of its activities.

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

2.2 Summary of Significant Accounting Policies (Continued)

Employment termination benefits

The provision for employment termination benefit represents the present value of the estimated total reserves of the future probable liability of The Group arising from the retirement of the employees measured in accordance with the Turkish Labour and Press Labour Laws (Note 16).According to the amendment in TAS 19, The Group calculated employment benefit in accordance with the report prepared by the actuarial firm and recognised all actuarial loss and gains in the other comprehensive consolidated statement of profit or loss as of the statement of financial position date.

Provisions, contingent assets and liabilities

Provisions are recognized when The Group has a present legal or constructive obligation or a result of past events, it is probable that on outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

Contingent liabilities are assessed continually to determine whether an outflow of resources comprising economic benefits has become probable. If it becomes probable that an outflow of future economic benefits will be required for an item previously treated as a contingent liability, a provision is recognized in the financial statements of the period in which the change in probability occurs except in the extremely rare circumstances where no reliable estimate can be made. If it has become virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognised by The Group in the financial statements of the period in which the change occurs.

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 Group are not included in financial tables and are treated as contingent assets or liabilities. A contingent asset is disclosed where an inflow of economic benefit is probable.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably (Note 15).

Share capital and dividends

Ordinary shares are classified as equity. Dividend income is recognized as income by The Group when right to obtain of dividend is generated in the financial statements. Dividend distribution to the Group's shareholders is recognized as a liability in the Group's financial statements in the period in which the dividends are approved by the General Assembly (Note 17).

Revenue recognition

When The Group meets its performance obligation by transferring a product or service that is committed before, the revenue is recognised in financial statements. When the client takes over the control of an asset, the asset is deemed transferred.

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

2.2 Summary of Significant Accounting Policies (Continued)

The Group transfers the revenue to the financial statements based on the following five principles:

- Determining client agreements,
- Determining performance obligations in agreements,
- Determining transaction price in agreements,
- Distributing transaction price to performance obligations in agreements,
- Recognising the revenue as each performance obligation is met.

If all the below-mentioned conditions are met, Group recognises an agreement made with the client as revenue:

- Parties to the agreement approved the agreement (in writing, orally or in other means in line with commercial practices) and committed to meet their respective obligations,
- Group can define the rights of each party concerning the goods or services to be transferred,
- Group can define payment conditions concerning the goods or services to be transferred,
- The agreement is commercial in essence,
- It is possible that the Group will collect money in return for goods and services to be transferred to the client. When determining whether the money can be collected, Group only considers its client's ability and intention to pay the money in time.

At the beginning of the agreement, Group evaluates the goods or services committed to the client in the agreement and defines each commitment to transfer goods or services as performance obligation as follows:

a) Different goods or service (goods or service packages) or
b) A group of different goods or services which are similar in a great extent and transferred to the client with the same method.

Usually, in a contract signed with a client, the goods and services the Group commits to transfer to the client are explicitly stated. If the commitments stated in the commercial conventions of a contract with a client give rise to a valid expectation that the Group will transfer the goods or the services to the client, these commitments are defined as a separate performance obligation.

Group takes into account agreement provisions and commercial customs in order to determine transaction price. Transaction price is the price, which the Group expects to deserve in return for goods and services Group committed to provide to client, excluding amounts (e.g. some sales taxes) collected on behalf of third parties. A committed price in an agreement with a client can include both the fixed amounts and variable amounts. There are variable amounts because the agreements Group made with clients have scores from turnover-based discounts, returns and customer loyalty programs. If the price the Group commits in the agreement is variable, the Group determines the price it deserves in return for goods and services committed to client through estimation. For the Group to include some or all of cancellation in cumulative revenue in the financial statements when the uncertainty about variable price is eliminated. When assessing whether or not there will be an important cancellation in cumulative revenue in the financial statements when the uncertainty about variable price is eliminated, the Group must take into account both realisation possibility and impact of revenue cancellation.

After receiving pre-payment from client, the group includes an agreement liability equal to pre-payment in return for performance liability related to transferring goods or services in the future or making them ready to be transferred. When the group completes transfer of goods or services and therefore meets its performance liability, it removes this agreement liability from financial statements (and the revenue is included in the financial statements).

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

2.2 Summary of Significant Accounting Policies (Continued)

Turnover-based premiums the Group provided to vendors and other clients for retrospective service purchase represent variable prices. Turnover-based discount amounts The Group determined through estimation are accounted as "agreement liability" in the consolidated statement of financial position.

A good or service's contractually specified price is its independent sale price. If there is more than one good or service to transfer in the contract, the Group allocates the transaction price to each performance liability (or different good or service) in an amount that shows the amount which the client expects to have a right to in return for transfer of the goods or services committed to the client. To reach its distribution target, the Group allocates the transaction price to each performance liability specified in the contract at a proportional independent sale price. To allocate the transaction price to each performance liability on a basis of a proportionate individual sale price, the Group determines the individual sale price of different goods or services that make up the basis of each performance liability in the contract at the beginning date of the contract and allocates transaction price in proportion to these individual sale prices.

The Group determines if a performance obligation is executed over time or at a specific time when the agreement for each performance obligation begins.

The Group carries out its performance obligation at a specific point in time. The Group considers the following when determining when the client takes control of the committed asset and when the Group carries out its performance obligation,

a) The entitlement to collection related to the asset,
b) The client's ownership of the legal rights to the asset,
c) The transfer of physical possession of the asset,
d) The significant risks and rewards of ownership of the asset,
e) The client's acceptance of the asset.

When a party carries out the contract, the Group reflects the contract as a contract asset or contractual liability in the consolidated statement of financial position, depending on the relationship between the business performance and client payment. The Group records its unconditional rights related to the price as a receivable.

Before The Group transfers a good or a service to the client, if the said client pays the price or the business has an unconditional receivable on the price, it reflects the contract as a contractual liability on the date the payment is made or when the payment is due (whichever is earlier). Contract liability is the liability of the business to transfer goods or services to the client in return for the amount it has collected (or earned the right to collect). In cases where the customer does not pay the cost or the performance obligation is met by transferring the goods or services to the customer before the due date, The Group presents the contract as a contract asset except the amounts presented as receivable.

A contract asset is the right to payment for goods and services transferred to the client. The Group recognises its contractual assets and liabilities capitalised in the balance without having been finalised under "contract asset" and "contractual liability" (Note 18).
The main performance obligations applicable to all departments are as follows:

Original Equipment Production

The Group mass-produces original equipment in line with its clients' requests. The control of this equipment is transferred to the client at a specific point in time. After mass-production of the equipment, the Group is contractually liable to keep spare parts for the equipment and provide them when requested. As with original equipment production, spare parts are recognised at a specific point in time when physical possession is transferred to the client.

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

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

2.2 Summary of Significant Accounting Policies (Continued)

Segment Reporting

In this context, since the Group has only one reportable segment, there is no segment reporting.

Foreign currency transactions

Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings are presented in the consolidated statement of profit or loss, under finance costs. All other foreign exchange gains and losses are presented in the consolidated statement of profit or loss on a net basis under other income or other expenses.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as available-for-sale financial assets are recognised under other comprehensive income.

Group companies

The results and financial position of all the Group entities that have a functional currency different from the presentation currency (none of which has the currency of a hyperinflationary economy) are translated into the presentation currency as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet,
- Income and expenses for each income statement are translated at average exchange rates unless this average is not reasonable approximate of the cumulative effect of the prevailing on the transaction dates in which case income and expenses are translated at the rate on the dates of the transactions and
- All resulting exchange differences are recognized in other comprehensive income.

A significant portion of the Group's foreign operations is performed in USA and Russia. Foreign currencies and exchange rates at 30 June 2023 and 31 December 2022 are summarized below:

	Currency	30 June 2023	31 December 2022
USA	USD	25,8231	18,6983
European Union	EUR	28,1540	19,9349
England	GBP	32,8076	22,4892
Russia	RUB	0,3037	0,2595

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

2.2 Summary of Significant Accounting Policies (Continued)

Earnings/(loss) per share

Earnings/(loss) per share is determined by dividing net income/ (loss) by the weighted average number of shares that have been outstanding during the period concerned.

In Turkey, companies can increase their issued capital by making a pro-rata distribution of shares ("bonus shares") to existing shareholders from retained earnings. For the purpose of earnings per share computations, such bonus share issuances are regarded as issued shares for all of the periods presented in the financial statements. Therefore, the weighted average number of shares used in earnings per share computations are made with regards to the distribution of shares occurred in the prior years (Note 25).

Government grants

Government grants are not recognized in the financial statements until there is reasonable assurance that The Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognized in profit or loss on a systematic basis over the periods in which The Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants which are financial assets, should be recognized as unearned revenue in the statement of financial position rather than recognised in the consolidated statement of profit or loss to clarify the expenditure item that is financed and transferred to profit or loss on a systematic and rational basis over the useful lives of the related asset.

Government grants (Continued)

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they become receivable.

The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates (Note 14).

Subsequent events

In the case that events requiring a correction to be made occur subsequent, the Group makes the necessary corrections to the financial statements.

In the case that events not requiring a correction to be made occur subsequent, those events are disclosed in the notes of financial statements (Note 29).

Statement of cash flows

In the statement of cash flows, cash flows during the period are classified under operating, investing or financing activities.

The cash flows raised from operating activities indicate cash flows due to the Group's activities.

The cash flows due to investing activities indicate the Group cash flows that are used for and obtained from investments (investments in property, plant and equipment and financial investments).

The cash flows due to financing activities indicate the cash obtained from financial arrangements and used in their repayment. Cash and cash equivalents include cash and bank deposits and the investments that are readily convertible into cash and highly liquid with three months or less to maturity.

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

2.2 Summary of Significant Accounting Policies (Continued)

2.3 Critical Accounting Estimates, Assumptions and Decisions

The preparation of financial statements requires management to make estimates, assumptions and estimates that affect the reported amounts of assets and liabilities, their probable commitments and undertaking as of the balance sheet date, and the amounts of income and expenses in the reporting period. Actual results may differ from estimates. Estimates are regularly reviewed, necessary corrections are made and reflected in the profit or loss table in the period in which they are realized.

The following are the assumptions made by taking into consideration the actual sources of the estimates that may be realized or materialized at the balance sheet date, which could have a significant effect on the amounts reflected in the financial statements:

a) Deferred tax assets and liabilities are recognized for the temporary timing differences arising from the differences between the Group's statutory tax financial statements and the financial statements prepared in accordance with the Turkish Accounting Standards ("TAS") issued by the Public Oversight Accounting and Auditing Standards Institution. The recoverable amount of deferred tax assets partially or fully is estimated under current conditions. During the assessment, future profit projections, losses incurred in the current period, unused losses and the date of last use of other tax assets and tax planning strategies that can be used when necessary are taken into account.

b) The Group management has assumed the experience of the technical team in determining the useful economic lives of the tangible and intangible assets.

c) The Group's management is responsible for actuarial calculations based on a number of assumptions including retirement pay liability, discount rates, future salary increases and employee retirement rates.

d) The Group provides a provision for doubtful receivables in trade receivables, if the circumstances indicate that it will not be able to collect the amounts due. In other words, the amount of this difference is the difference between the recorded value of the receipt and the possible amount of the receivable.

e) The Group is capitalising its ongoing development spendings and evaluates annually whether there is impairment regarding these capitalised assets. As of 30 June 2023 and 31 December 2022, we have not detected any impairment related to capital development expenses.

NOTE 3 – BUSINESS COMBINATIONS

Business combinations as of December 31, 2022:

Acquisition of 3S Kalıp Aparat Makine Sanayi ve Ticaret A.Ş. and Profil Sanayi ve Ticaret A.Ş.

Company purchased and transferred 70% of the shares of companies 3S Kalıp Aparat Makine Sanayi ve Ticaret A.Ş. ("3S Kalıp") and Profil Sanayi ve Ticaret A.Ş. ("Profil"), representing the fully paid capital of 11,250,000 Turkish Liras, through a subsidiary. The purchase price was realized on December 3, 2021, covered by equity and through the bank. The purchase price is 27,107,178 Turkish Liras (approximately 1.8 Million Euros). These amounts have been paid as of the date the financial statements were prepared.

Since the initial accounting of this acquisition within the scope of TFRS 3 business combinations standard has completed as of the date of preparation of the financial statements, it has been accounted in the consolidated financial statements on 31 December 2022.

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

NOTE 3 – BUSINESS COMBINATIONS (Continued)

	Net Book value	**Fair value**
Currents assets	**77,862,877**	**77,862,877**
Cash and cash equivalents	4,162,606	4,162,606
Trade receivables	29,323,225	29,323,225
Other receivables due from related parties	101,152	101,152
Other receivables due from non related parties	478,334	478,334
Inventories	39,649,270	39,649,270
Prepaid expenses	793,876	793,876
Other current assets	3,354,414	3,354,414
Non-current assets	**22,527,175**	**92,420,936**
Financial investments	29,396	29,396
Right of use assets	10,160,022	10,160,022
Property, plant and equipment	8,422,145	62,484,529
Intangible assets	537,831	537,831
Customer relationship-	15,831,377	
Deferred tax assets	3,126,088	3,126,088
Other non-current assets	251,693	251,693
Total assets	**100,390,052**	**170,283,813**
Current liabilities	**90,318,180**	**90,318,180**
Short-term borrowings	25,732,831	25,732,831
Short-term lease liabilities	2,794,779	2,794,779
Trade payables	51,322,632	51,322,632
Other payables due to related parties	5,685,687	5,685,687
Other payables due to non related parties	1,695,814	1,695,814
Other current liabilities	3,086,437	3,086,437
Non-current liabilities	**31,390,945**	**45,369,697**
Long-term borrowings	5,605,698	5,605,698
Long-term lease liabilities	7,898,030	7,898,030
Other payables to non related parties	800,000	800,000
Provisions for employment benefits	4,902,228	4,902,228
Deferred income	12,184,989	12,184,989
Deferred tax liability	-	13,978,752
TOTAL LIABILITIES	**121,709,125**	**135,687,877**
TOTAL NET ASSETS	**(21,319,073)**	**34,595,936**
Total purchase cost (Note 7)		27,107,178
Ditaş share in net assets (70%)		24,217,155
Goodwill as of share purchase date		2,890,023
Goodwil at 30 June 2023		**2,890,023**
Non-controlling interests		**10,378,781**

As of December 31, 2022, goodwill in the amount of TRY 2,890,023 has been recognized in the consolidated financial statements through business combinations, the details of which are disclosed in the consolidated statement of financial position.

	30 June 2023	**31 December 2022**
Goodwill	2,890,023	2,890,023
Total	**2,890,023**	**2,890,023**

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

NOTE 3 – BUSINESS COMBINATIONS (Continued)

Since the acquisition date is December 31, 2021, Profile has no contribution to the sales revenues in the consolidated statement of profit or loss for the period ending on December 31, 2021. If the Profil Company had been included in the consolidation as of January 1, 2021, additional sales revenue of 152,914,272 TL would have been realized in the consolidated profit or loss statement for the accounting period of January 1 - December 31, 2021. These amounts are calculated taking into account the financial statements prepared in accordance with TFRS.

The cash flow statement reconciliation as of the share purchase date is as follows:

	31 December 2021
Paid in Cash	27,107,178
Cash and cash equivalents obtained	(4,162,606)
Net cash consideration	**22,944,572**

NOTE 4 - CASH AND CASH EQUIVALENTS

	30 June 2023	**31 December 2022**
Cash in hand	-	-
Banks		
- Time deposits	14,400,000	22,610,000
- Demand deposits	9,196,460	20,449,014
Total	**23,596,460**	**43,059,014**

The Group has 267.765 TRY time deposit as of 30 Haziran 2023.

The interest rates of TRY time deposits of the Group are 12% and 32.5%.

Cash and cash equivalents disclosed in the statements of cash flows as of 30 June 2023 31 December 2022, 30 June 2022 and 31 December 2021 are as follows:

	30 June 2023	**31 December 2022**	**30 June 2022**	**31 December 2021**
Cash and cash equivalents	23,596,460	43,059,014	13,944,875	19,905,212
Total	**23,596,460**	**43,059,014**	**13,944,875**	**19,905,212**

NOTE 5 - SHORT-TERM AND LONG-TERM FINANCIAL BORROWINGS

The details of short-term and long-term borrowings at 30 June 2023 and 31 December 2022 are as follows:

Borrowings

	30 June 2023	**31 December 2022**
Bank borrowings	285,568,193	262,798,531
Payables due to leasing transactions	38,479,836	41,831,244
Total	**324,048,029**	**304,629,775**

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

NOTE 5 - SHORT-TERM AND LONG-TERM FINANCIAL BORROWINGS (Continued)

Short-term borrowings

	30 June 2023	31 December 2022
Short-term bank borrowings	226,597,675	204,944,021
Total	**226,597,675**	**204,944,021**

Short-term portions of long-term borrowings

	30 June 2023	31 December 2022
Short-term portions of long-term borrowings	17,126,060	20,960,695
Lease borrowings from related parties	882,754	836,014
Lease borrowings from non-related parties	9,862,691	7,456,284
Total	**27,871,505**	**29,252,993**

Long-term borrowings

	30 June 2023	31 December 2022
Long-term bank borrowings	41,844,458	36,893,815
Lease borrowings from related parties	1,555,689	1,191,383
Lease borrowings from non-related parties	26,178,702	32,347,563
Total	**69,578,849**	**70,432,761**

The movement table of the lease borrowings is as follows:

	2023	2022
1 January	**41,831,244**	**20,375,015**
Additions	1,562,731	7,465,082
Payments	(10,723,924)	(4,146,046)
Interest expense (Note 22)	2,020,183	1,202,887
Currency translation differences	3,789,602	-
30 June	**38,479,836**	**24,896,938**

As of 30 June 2023 and 31 December 2022, the repayment schedule for long-term bank loans is as follows:

Long-term financial liabilities

	30 June 2023	31 December 2022
To be paid in 1 - 2 years	18,750,772	18,105,714
To be paid in 2 - 3 years	16,273,837	17,884,503
To be paid in 3 - 4 years	16,046,710	15,382,805
More than 5 years	18,507,530	19,059,739
Total	**69,578,849**	**70,432,761**

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

NOTE 5 - SHORT-TERM AND LONG-TERM FINANCIAL BORROWINGS (Continued)

As of 30 June 2023 and 31 December 2022, the repayment schedule for long-term bank loans is as follows:

	30 June 2023	31 December 2022
Financial borrowings with fixed interest rates (Notes 27)	324,048,029	304,629,775
Financial borrowings with floating interest rates (Note 27)	-	-
Total	**324,048,029**	**304,629,775**

Allocation of borrowings with fixed and floating interest rates of The Group excluding financial liabilities to be paid to the suppliers as of 30 June 2023 and 31 December 2022 are as follows:

a) Bank borrowings

	Original currency		Interest rate per annum (%)		TRY equivalent	
	30 June 2023	31 December 2022	30 June 2023	31 December 2022	30 June 2023	31 December 2022
EUR	1,636,364	2,100,000	4	2.6-4.46	46,153,319	41,938,680
TRY	231,150,809	214,875,898	7.5-24.75	10.00-24.75	231,150,809	214,875,898
USD	319,451	319,451	12.50	11.00	8,264,065	5,983,953
					285,568,193	**262,798,531**

The interest rates of TRY borrowings used by the Group are 7.5% and 24.75%, the interest rates of EUR borrowings 4%, the interest rates of USD borrowings 12.5% (31 December 2022: TRY: 10% and 24.75%, EUR: 2.60% and 4.46%, USD:None).

b) Payables from leasing transactions from non-related parties

	Original currency		TRY equivalent	
	30 June 2023	31 December 2022	30 June 2023	31 December 2022
TRY	36,041,393	39,803,847	36,041,393	39,803,847
	36,041,393	**39,803,847**	**36,041,393**	**39,803,847**

c) Payables from leasing transactions from related parties

	Original currency		TRY equivalent	
	30 June 2023	31 December 2022	30 June 2023	31 December 2022
TRY	2,438,443	2,027,397	2,438,443	2,027,397
	2,438,443	**2,027,397**	**2,438,443**	**2,027,397**

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

NOTE 5 - SHORT-TERM AND LONG-TERM FINANCIAL BORROWINGS (Continued)

The reconciliation of the net financial borrowings as of 30 June 2023 and 31 December 2022 are as follows:

	30 June 2023	31 December 2022
Cash and cash equivalents (Note 4)	23,596,460	43,059,014
Short-term borrowings	(254,469,180)	(234,197,014)
Long-term borrowings	(69,578,849)	(70,432,761)
	(300,451,569)	**(261,570,761)**

	Short-term borrowings	Long-term borrowings	Cash and cash equivalents	Net financial debt
As of 1 January 2023	**(234,197,014)**	**(70,432,761)**	**43,059,014**	**(261,570,761)**
Additions	(97,130,704)	-	(19,462,554)	(116,593,258)
Payments	94,154,815	6,318,345	-	100,473,160
Foreign currency adjustments	(10,869,767)	(5,464,433)	-	(16,334,200)
Interest accrual, net	(6,426,510)	-	-	(6,426,510)
As of 30 June 2023	**(254,469,180)**	**(69,578,849)**	**23,596,460**	**(300,451,569)**

	Short-term borrowings	Long-term borrowings	Cash and cash equivalents	Net financial debt
As of 1 January 2022	**(45,142,341)**	**(62,131,434)**	**19,905,212**	**(87,368,563)**
Additions	(89,821,072)	(3,617,210)	-	(93,438,282)
Payments	34,738,549	-	(5,960,337)	28,778,212
Foreign currency adjustments	(7,702,627)	-	-	(7,702,626)
Interest accrual, net	(777,599)	(1,636,248)	-	(2,413,847)
As of 30 June 2022	**(108,705,090)**	**(67,384,892)**	**13,944,875**	**(162,145,106)**

The maturity and interest information of the lease payables are presented below;

	30 June 2023		
	Maturity	Interest rate (%) (*)	TRY
Short-term portion of long-term payables from related parties leasing transactions (Note 27)	1 February 2024	22.55	882,754
Short-term portion of long-term payables from non-related parties leasing transactions	1 February 2024	22.55	9,862,691
Long-term payables from related parties leasing transactions (Note 27)	1 April 2024-30 September 2026	22.55	1,555,689
Long-term payables from related parties leasing transactions (Note 27)	1 April 2024-30 September 2026	22.55	26,178,702
			38,479,836

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

NOTE 5 - SHORT-TERM AND LONG-TERM FINANCIAL BORROWINGS (Continued)

	31 December 2022		
	Maturity	**Interest rate (%) (*)**	**TRY**
Short-term portion of long-term payables from related parties leasing transactions (Note 27)	1 March 2023	22.55	836,014
Short-term portion of long-term payables from non-related parties leasing transactions	1 March 2023	22.55	7,456,284
Long-term payables from related parties leasing transactions (Note 27)	1 February 2024-30September 2026	22.55	1,191,383
Long-term payables from related parties leasing transactions (Note 27)	1 February 2024-30September 2026	22.55	32,347,563
			41,831,244

(*) Represents the inter-company borrowing rate.

NOTE 6 - TRADE RECEIVABLES AND PAYABLES

Short-term trade receivables from non-related parties:

	30 June 2023	31 December 2022
Trade receivables	237,919,179	167,428,558
Time notes and checks	25,460,083	29,657,622
Provision for doubtful receivables (-)	(1,828,355)	(3,385,123)
Total	**261,550,907**	**193,701,057**

As of 30 June 2023 and 31 December 2022 the maturity of time receivables is less than six months. The unearned interest income arising from the sales regarding the trade receivables of The Group in TRY, EUR and USD is not calculated (31 December 2022: not calculated). The rate used in this method is determined on the basis of compound interest called "effective interest rate"; which has been determined taking into consideration the data of the Central Bank of the Republic of Turkey. The average maturity of not overdue trade receivables of The Group is 65 days as of the statement of financial position date. (31 December 2022: 65 days).

Explanations on the nature and level of risks in trade receivables are provided in Note 26.

The movement of the provision for doubtful trade receivables is as follows:

	2023	2022
1 January	**(3,385,123)**	**(1,864,962)**
Provisions during the period	1,556,768	(393,611)
30 June	**(1,828,355)**	**(2,258,573)**

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

NOTE 6 - TRADE RECEIVABLES AND PAYABLES (Continued)

Short-term trade payables to non-related parties:

	30 June 2023	31 December 2022
Trade payables	202,055,122	133,484,524
Notes payable	1,557,469	7,736,568
Total	**203,612,591**	**141,221,092**

As of 30 June 2023 the average maturity days of trade payables is 45 days (31 December 2022: 45 days). The deferred interest income arising from purchase regarding the trade payables of The Group in TRY, EUR and USD is not calculated (31 December 2022: not calculated). The rate used in this method and determined on the basis of compound interest is called the "effective interest rate"; The rate in question was determined by taking into account the data of the Central Bank of the Republic of Turkey.

NOTE 7 - OTHER RECEIVABLES AND PAYABLES

a) Other short-term receivables from non-related parties:

	30 June 2023	31 December 2022
Receivables from personnel	379,620	389,952
Deposit and guarantees given	1,828,753	772,290
Other (*)	1,698,153	501,741
Total	**3,906,526**	**1,663,983**

(*) It consists of the receivables from the tax office.

b) Other long-term payables to non-related parties:

	30 June 2023	31 December 2022
Deposit and guarantees given	194,584	194,584
Total	**194,584**	**194,584**

c) Other short-term payables to non-related parties:

	30 June 2023	31 December 2022
Personnel union dues	7,362,693	5,783,731
Taxes and funds payable	150,000	150,000
Total	**7,512,693**	**5,933,731**

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

NOTE 8 - INVENTORIES

	30 June 2023	31 December 2022
Raw materials and supplies	93,944,818	54,267,272
Semi-finished goods	77,954,050	78,245,112
Products	25,744,660	32,056,960
Goods on the road	1,623,800	908,014
	199,267,328	**165,477,358**
Provision for impairment of inventory (-)	(641,124)	(2,997,620)
Total	**198,626,204**	**162,479,738**

The raw materials and materials expensed during the period amount to TRY330,629,482 (1 January – 31 December 2022: TRY468,257,909) (Note 18).

The movement of the provision for impairment of inventories are as follows:

	2023	2022
1 January	**2,997,620**	**67,825**
Increase in the period	-	478,810
Provisions no longer required	(2,356,496)	-
30 June	**641,124**	**546,635**

NOTE 9 - PREPAID EXPENSES AND DEFERRED INCOME

Short-term prepaid expenses

	30 June 2023	31 December 2022
Order advances given for inventory purchase	10,838,130	14,512,526
Expenses for the coming months	3,830,906	4,259,831
Business advances	107,192	45,274
Total	**14,776,228**	**18,817,631**

Long-term prepaid expenses

	30 June 2023	31 December 2022
Advances given for the purchase of fixed assets	4,670,994	1,772,113
Other	106,528	-
Total	**4,777,522**	**1,772,113**

Short-term deferred income

	30 June 2023	31 December 2022
Advances received	10,147,551	8,570,143
Short-term deferred income	5,128,230	-
Total	**15,275,781**	**8,570,143**

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

NOTE 10 - OTHER CURRENT ASSETS

Other current assets

	30 June 2023	31 December 2022
Value added tax ("VAT") receivables (*)	12,714,794	7,828,696
Personnel advances	15,386	13,206
Other	2,913	182,053
Total	**12,733,093**	**8,023,955**

(*) It became appropriate to offset the TRY975,849 (31 December 2022: TRY2,090,127) portion of VAT receivables. This portion will be offset from payments to public institutions, including the Social Security Institution.

NOTE 11 - RIGHT OF USE ASSETS

The movements of the rights of use assets during the periods are shown below:

	1 January 2023	Additions	Disposals	Transfers	30 June 2023
Cost-Machine	19,069,103	-	-	-	19,069,103
Cost-Vehicles	3,707,410	-	-	-	3,707,410
Cost- Office	5,435,074	-	-	-	5,435,074
Cost- Buildings	29,185,516	1,156,409	-	-	30,341,926
Accumulated amortization - Machine	(6,118,345)	(675,882)	-	-	(6,794,227)
Accumulated amortization - Vehicles	(2,017,592)	(419,540)	-	-	(2,437,132)
Accumulated amortization - Buildings	(5,866,246)	(5,530,265)	-	-	(11,396,511)
Accumulated amortization - Office	(5,520,358)	-	-	-	(5,520,358)
	37,874,563	**(5,469,278)**	**-**	**-**	**32,405,285**

	1 January 2022	Additions	Disposals	Transfers	30 June 2022
Cost-Machine	12,633,390	3,023,638	-	-	15,657,028
Cost-Vehicles	3,707,410	-	-	-	3,707,410
Cost- Office	1,871,296	-	-	-	1,871,296
Cost- Buildings	12,787,356	4,441,444	-	-	17,228,800
Accumulated amortization - Machine	(4,000,126)	(1,143,953)	-	-	(5,144,079)
Accumulated amortization - Vehicles	(1,319,933)	(350,869)	-	-	(1,670,802)
Accumulated amortization - Buildings	(5,559,792)	(1,348,678)	-	-	(6,908,470)
Accumulated amortization - Office	(950,987)	(184,062)	-	-	(1,135,049)
	19,168,614	**4,437,520**	**-**	**-**	**23,606,134**

For the period ended at 30 June 2023, depreciation expenses for buildings and vehicles are recorded under cost of sales and depreciation expense of office is recorded under general administrative expenses (Note 19).

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

NOTE 12 - PROPERTY, PLANT AND EQUIPMENT

	1 January 2023	Additions	Disposals	Transfers	30 June 2023
Cost:					
Land	123,967	-	-	-	123,967
Land improvements	3,206,819	-	-	1,091,214	4,298,033
Buildings	10,845,795	-	-	174,426	11,020,221
Machinery and equipment	154,531,752	5,386,100	(980,139)	775,254	159,712,967
Motor vehicles	5,435,693	6,777	-	-	5,442,470
Furniture and fixtures	12,252,667	24,250	(20,279)	3,871,945	160,128,583
Special costs	5,295,770	-	-	112,102	5,407,872
Construction in progress	14,422,213	29,770,832	-	(7,129,942)	37,063,103
Other tangible assets	14,287,660	-	(756,527)	-	13,531,133
	220,402,336	**35,187,959**	**(1,756,945)**	**(1,105,001)**	**252,728,349**
Accumulated depreciation:					
Land improvements	2,731,404	113,513	-	-	2,844,917
Buildings	5,161,043	121,756	-	-	5,282,799
Machinery and equipment	79,204,854	10,145,795	(980,139)	-	88,370,510
Motor vehicles	2,482,020	513,360	-	-	2,995,380
Furniture and fixtures	8,947,697	947,730	(15,690)	-	9,879,737
Special costs	3,427,951	325,323	-	-	3,753,274
Other tangible assets	9,121,052	371,004	(752,497)	-	8,739,569
	111,076,031	**12,538,481**	**(1,748,326)**	**-**	**121,866,186**
Net book value	**109,326,305**				**130,862,163**

	1 January 2022	Additions	Disposals	Transfers	30 June 2022
Cost:					
Land	132,531	-	-	-	132,531
Land improvements	3,206,819	-	-	-	3,206,819
Buildings	10,845,795	-	-	-	10,845,795
Machinery and equipment	134,981,548	11,100,344	-	1,268,562	147,350,454
Motor vehicles	7,020,048	6,163	(1,697,025)	-	5,329,186
Furniture and fixtures	11,363,849	203,933	(43,236)	-	11,524,546
Special costs	5,018,687	50,748	-	-	5,069,435
Construction in progress	3,018,487	4,774,740	-	(1,268,563)	6,524,664
Other tangible assets	11,274,159	3,013,501	-	-	14,287,660
	186,861,923	**19,149,429**	**(1,740,261)**	**-**	**204,271,090**
Accumulated depreciation:					
Land improvements	2,567,928	81,738	-	-	2,649,666
Buildings	4,945,495	108,538	-	-	5,054,033
Machinery and equipment	61,103,140	4,738,361	-	-	65,841,501
Motor vehicles	1,790,511	155,042	(464,662)	-	1,480,891
Furniture and fixtures	7,921,644	359,848	(5,888)	-	8,275,604
Special costs	2,650,487	431,393	-	-	3,081,880
Other tangible assets	7,664,202	286,398	-	-	7,950,600
	88,643,407	**6,161,318**	**(470,550)**	**-**	**94,334,175**
Net book value	**98,218,516**				**109,936,915**

Amortization expenses for the accounting periods ending 30 June 2023 and 31 December 2022 are reflected in cost of sales, general administrative, marketing and research and development expenses (Note 19).

As of 30 June 2023 and 31 December 2022, there is no mortgage on property, plant and equipment.

As of 30 June 2023 and 31 December 2022, The Group does not have any tangible assets acquired by financial leasing.

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

NOTE 13 - INTANGIBLE ASSETS

	1 January 2023	Additions	Transfers	30 June 2023
Cost:				
Rights	10,427,777	1,401,621	167,644	11,997,042
Development costs	14,505,610	8,365,693	937,357	23,808,660
Other intangible assets	3,692,382	-	-	3,682,382
Customer relationship	15,831,377	-	-	15,831,377
	44,457,146	**9,767,314**	**1,105,001**	**55,329,461**
Accumulated depreciation:				
Rights	5,809,663	1,629,247	-	7,438,910
Development costs	9,599,022	2,438,173	-	12,037,195
Other intangible assets	2,808,203	729,946	-	3,538,149
Other intangible assets	3,957,844	1,978,922	-	5,836,766
	22,174,732	**6,776,288**	**-**	**28,951,020**
Net book value	**22,282,414**			**26,378,441**

	1 January 2022	Additions	Transfers	30 June 2022
Cost:				
Rights	3,895,992	237,578	-	4,133,570
Development costs	11,598,469	3,504,897	-	15,103,366
Other intangible assets	3,413,571	47,000	-	3,460,571
Customer relationship	15,831,377	-	-	15,831,377
	34,739,409	**3,789,475**	**-**	**38,528,884**
Accumulated depreciation:				
Rights	3,186,232	81,074	-	3,267,306
Development costs	3,882,947	1,578,792	-	5,461,739
Other intangible assets	2,559,074	623,445	-	3,182,519
	9,628,253	**2,283,311**	**-**	**11,911,564**
Net book value	**25,111,156**			**26,617,320**

Amortization charges for the accounting periods ending 30 June 2023 and 31 December 2022 are reflected in the cost of sales (Note 19).

NOTE 14 - GOVERNMENT GRANTS

Group, benefits from the insurance premium incentive, regional incentive (Law no: 56486), incentive of the social security institution and minimum wage (Law no: 56645) under the scope of Social Security and General Health Insurance Law (Law no: 5510) and R&D incentive. In this context, The Group offset the incentive of the insurance premium amounting to TRY2,733,468 (30 June 2022: TRY1,633,183) is recorded against the labor expense under cost of goods sold in the financial statements as of 30 June 2023.

NOTE 15 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

Other short-term provisions

	30 June 2023	31 December 2022
Provision for ongoing lawsuits	4,996,783	3,598,526
Provision for overseas turnover premium	2,555,012	51,528
Provision for service expenses	184,718	195,000
Total	**7,736,513**	**3,845,054**

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

NOTE 15 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Continued)

The provision for ongoing lawsuits includes ongoing business lawsuits filed against The Group and attorney fees related to the product liability lawsuit filed in the United States. The product liability case in question will be evaluated within the scope of our Group’s product liability insurance. At the end of each period, The Group management examines the possible consequences and financial impact of these lawsuits and makes necessary provisions. As of 30 June 2023, the lawsuit provision amount is TRY4,996,783_ (31 December 2022: TRY3,598,526).

Movement of lawsuit provisions for the periods ended 30 June 2023 and 2022 is as follows:

	2023	2022
1 January	**3,598,526**	**202,000**
Provisions during the period	1,398,257	-
Canceled provisions (-)	-	-
30 June	**4,996,783**	**202,000**

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

NOTE 15 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Continued)

Collaterals/pledges/mortgages ("CPM") position

As of 30 June 2023 and 31 December 2022, the Group's position in CPM is as follows:

Letters of guarantee and guarantee notes given

	30 June 2023				31 December 2022		
	TRY equivalent	**TRY**	**EUR**	**USD**	**TRY equivalent**	**TRY**	**EUR**
A. CPM's given in the name of its own legal personality	268,816,904	258,271,119	118,000	279,000	266,481,239	208,975,768	2,683,000
B. CPM's given on behalf of 3rd parties for ordinary course of business	-	-	-	-	-	-	-
C. Total amount of other CPM's given	-	-	-	-	-	-	-
i. Total amount of other CPM's given on behalf of majority shareholders	-	-	-	-	-	-	-
ii. Total amount of CPM's given on behalf of other company companies	-	-	-	-	-	-	-
iii. Total amount of CPM's given on behalf of 3rd parties which are not in scope of B	-	-	-	-	-	-	-
Total	**268,816,904**	**258,271,119**	**118,000**	**279,000**	**266,481,239**	**208,975,768**	**2,683,000**

As at 30 June 2023 and 31 December 2022 all CPMs of The Group were given on behalf of its own legal entity. The rate of given other CPMs to the Group's total equity is 0%.

The Group does not expect any significant debt or loss related to the guarantee letters. These letters include those given to Eximbank for a loan, to suppliers for a steel purchase, to Kapadokya Doğalgaz A.Ş. for natural gas usage, to Meram Elektrik Perakende Satış A.Ş. for electricity usage and to the Niğde Enforcement Office for ongoing lawsuits.

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

NOTE 15 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Continued)

Contingent assets	**30 June 2023**	**31 December 2022**
Guarantee bills received from vendors	-	-
Letters of guarantee received from customers	3,142,751	118,335
Letters of guarantee received from vendors	-	-
Total	**3,142,751**	**118,335**

The Group received collateral bills, guarantee letters, mortgage and guarantee checks from the clients as guarantees for the Group's receivables from the independent spare parts dealers. The Group obtained collateral bills from the sellers for the advance payments and other activities.

NOTE 16 - PROVISION FOR EMPLOYMENT BENEFITS

16.1 Long-term provisions for employee benefits:

	30 June 2023	**31 December 2022**
Wages payable to personnel	7,908,234	2,459,561
Social security premiums payable	9,802,456	3,405,813
Total	**17,710,690**	**5,865,374**

16.2 Short-term provisions for employment benefits:

	30 June 2023	**31 December 2022**
Provision for unused vacation	9,158,761	5,359,585
	9,158,761	**5,359,585**

The movement of Provision for unused vacation within the period is as follows:

	2023	**2022**
1 January	**5,359,585**	**2,512,896**
Provision amount allocated during the period	3,799,176	2,451,567
Payment for unused vacation provision	-	(26,477)
30 June	**9,158,761**	**4,937,986**

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

NOTE 16 - PROVISION FOR EMPLOYMENT BENEFITS (Continued)

16.3 Long-term provisions for employment benefits:

	30 June 2023	31 December 2022
Provision for employment termination benefits	82,786,587	71,343,924
	82,786,587	**71,343,924**

There are no retirement commitment agreements for The Group other than the legal obligations in Turkey stated below.

Under the Turkish Labour Law, The Group is required to pay termination benefits to each employee who has completed one year of service and whose employment is terminated without due cause, or who is called up for military service, dies and achieves the retirement age. As of 30 June 2023, the maximum amount payable equivalent to one month of salary is TRY19,982.83 (exact) (31 December 2022: TRY15,371.40 (exact)) for each year of service. The retirement pay provision ceiling TRY23,489.83 which is effective from 1 July 2023, is taken into consideration in the calculation of provision for employment termination benefits (1 January 2023: TRY19,982.83)

Provision for employment termination benefits is calculated by estimating the present value of the future probable obligation arising from the retirement of the employees of The Group.

The standard TAS 19 "Employee Benefits" envisages the development of actuarial valuation methods in order to estimate the provision of severance pay. According to this, following assumptions were used in the calculation of total liability based on the report prepared by the actuarial firm.

The principal assumption is that the maximum liability for each year of service will increase parallel with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. Consequently, in the accompanying financial statements as at 30 June 2023, the provision has been calculated by estimating the present value of the future probable obligation arising from the retirement of the employees.

Discount rate applied as 10.60%(1) (31 December 2022: 10.60%(1)), inflation rate applied as 6.00% (31 December 2022: 9.90%) and increase in wages applied as 9.90% (31 December 2022: 9.90%) in the calculation(2).

Age of retirement is based on considering the Group's historical operating data and taken as the average age of retirement from The Group.

(1) Discount rate used for calculating the severance payment liability is determined as the 10 years of Government Bond compound interest of 0.64% (31 December 2022: 0.64%).

(2) In the calculation of severance pay liability, it was determined by taking into account the long-term inflation forecasts and salary increase rates of the Central Bank of the Republic of Turkey.

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

NOTE 16 - PROVISION FOR EMPLOYMENT BENEFITS (Continued)

16.3 Long-term provisions for employment benefits (Continued):

The movement details of provision for employee termination benefits are as follows:

	2023	2022
1 January	**71,343,924**	**28,252,761**
Service cost	3,171,570	1,373,673
Interest cost	3,067,733	3,222,282
Actuarial gain/(losses)	20,967,390	-
Payments during the period	(15,764,030)	(506,446)
30 June	**82,786,587**	**32,342,270**

NOTE 17 - EQUITY

Issued Capital

The Group adopted the registered paid-in capital system and set a limit on its registered paid-in capital representing registered type shares with a nominal value of TRY1. Group's registered capital ceiling and issued capital at 30 June 2023 and 31 December 2022 are as follows.

	30 June 2023	31 December 2022
Registered authorized capital ceiling	100,000,000	100,000,000
Issued capital	42,500,000	42,500,000

The ultimate shareholders of The Group are Aydın Doğan and Doğan Family (Işıl Doğan, Arzuhan Yalçındağ, Vuslat Sabancı, Hanzade V. Doğan Boyner ve Y. Begümhan Doğan Faralyalı).

As of 30 June 2023 and 31 December 2022, the shareholding structure of The Group is as follows:

	(%)	30 June 2023	(%)	31 December 2022
Doğan Holding	68.24	29,002,741	68.24	29,002,741
Publicly traded on Borsa İstanbul and other (1)	31.76	13,497,259	31.76	13,497,259
Issued Capital	**100**	**42,500,000**	**100**	**42,500,000**
Adjustment to issued capital		15,137,609		15,137,609
Total		**57,637,609**		**57,637,609**

(1) In accordance with the "CMB" Resolution No: 31/1059 issued on 30 October 2014 and 21/655 issued on 23 July 2010, it is regarded that 31.76% of the shares are outstanding as of 30 June 2023 based on the Central Registry Agency's ("CRA") records (31 December 2022: 31.76%). In addition, as of 3 March 2022, shares corresponding to 31.76% of Ditaş's capital are considered to be "in circulation".

There are no privileged shares of The Group.

NOTE 17 - EQUITY (Continued)

Restricted reserves

Restricted reserves are reserved from the prior period profit due to legal or contractual obligations or for certain purposes other than the profit distribution (for example, to obtain the tax advantage of gain on sale of associates). Restricted reserves are in the scope of solo legal records in accordance with TCC and TPL.

General Statutory Legal Reserves are reserved according to the article 519 of Turkish Commercial Code and used in accordance with the principles set out in this article. The aforementioned amounts should be classified in "Restricted Reserves" in accordance with the TAS.

As of 30 June 2023, according to the Group's records kept within the scope of Tax Legislation, 814,881 TL of the restricted reserves allocated from the profit amounting to 3,637,168 TL (31 December 2022: 3,637,168 TL) are from participation and real estate sales gains (31 December 2022: 814,881 TL). , 51,248,993 TL (31 December 2022: 47,990,807 TL) consists of "general legal reserves" calculated by taking into account the amounts subject to deduction in previous periods.

Capital Reserves and Retained Earnings

Subsequent to the first inflation adjusted financial statements, equity items such as; "Capital, Emission Premiums, General Statutory Legal Reserves, Statutory Reserves, Special Reserves and Extraordinary Reserves" are carried at carrying value in the consolidated statement of financial position and their adjusted values based on inflation are collectively presented in equity accounts company.

In accordance with the CMB regulations, "Issued capital", "Restricted Reserves" and "Share Premiums" shall be carried at their statutory amounts. The valuation differences resulted due to the inflation adjustment shall be disclosed as follows:

- If the difference is due to the "Issued Capital" and not yet been transferred to capital, it should be classified under "Capital adjustment difference",
- If the difference is due to "Restricted Reserves" and "Share Premium" and the amount has not been subject to dividend distribution or capital increase yet, it shall be classified under "Retained Earnings/(Losses)".

Capital adjustment differences have no other use than to be included to the share capital.

In the financial records for the period 30 June 2023 under the tax legislation "Extraordinary Reserves" are TRY51,248,993 (31 December 2022: TRY47,990,807)

Dividend distribution

The Group decides to distribute profit and makes profit distribution in accordance with the Turkish Commercial Code ("TCC"), Capital Market Law ("CML"), Capital Market Board ("CMB") Regulations and Laws; Tax Legislations; other related statutory legislation and Articles of Association and Resolutions of General Assembly. Profit distribution is determined by Profit Distribution Policy.

On the other hand:

a) Retained earnings derived from the repreparation of comparative financial statements based on the first-time adoption of TAS,
b) "Equity inflation adjustment differences" derived from resources that do not have any restriction regarding profit distribution,
c) Retained earnings derived from the first-time inflation adjustment of financial statements, can be distributed to shareholders as cash dividends.

NOTE 17 - EQUITY (Continued)

Dividend distribution (Continued)

In addition, if the financial statements include the "Purchasing Impact on Equity" item under equity, the related item is not considered as a deductible or additional item when presenting net distributable profit for the period.

At the Ordinary General Assembly Meeting dated on 24 February 2021;

- Communiqué on Financial Reporting in Capital Markets (Communiqué No. II-14.1), presentation principles prepared in accordance with Turkish Accounting Standards (TAS) and Turkish Financial Reporting Standard (TFRS) published by the Public Oversight, Accounting and Auditing Standards Board (KGK) were independently audited as required by the CMB. As a result of the "Tax Expense of the Period" and "Deferred Tax Expense" in the Group's Consolidated Financial Statements for the 1 January 2019 - 31 December 2022 accounting period, the "Net Period Profit" was TRY1,084,082. Considering that the limit determined in accordance with paragraph (1) of Article 519 of the TCC has been reached so "General Legal Reserve" was not allocated and "Donations" amounting to TRY2,300 were deducted, "Net Distributable Period Profit Including Donation" amounting to TRY5,161,262 was calculated for the accounting period, as per CMB regulations on dividend distribution,

- In accordance with the Tax Legislation and the Uniform Accounting Plan published by the Ministry of Treasury and Finance of the Republic of Turkey ("General Communiqué on Accounting System Implementation"); In our legal accounting records for the accounting periods of 01.01.2022 & 31.12.2022, there was a "Net Period Profit" of 3,258,185.99 Turkish Liras, but in accordance with Article 5/e of the Corporate Tax Law No. 5520, the net can be distributed by allocating it to a "special fund" in the liabilities. After deducting the "Real Estate Sales Profit Exception" amounting to 8,398,814.38 Turkish Liras, which was not included in the period profit base and was subject to exception, a "Net Period Loss" of 5,140,628.39 Turkish Liras was formed,

- According to our Group's Legal Accounting Records, although a period profit of 3,258,185.99 TL was generated, considering that 50% of the profit from real estate sales during the year was tax-exempt income and should be recorded in the 549 special funds account; 3,258,185.99 TL from the period profit, the remaining 5,140,628.39 TL from the "Extraordinary Reserves" account and taken into 549 special funds account,

- It was submitted to the approval of the shareholders at the Ordinary General Assembly meeting dated March 28, 2023 and was approved unanimously.

- The CMB's requires the disclosure of total amount of net profit in the statutory records and other resources which may be subject to distribution. As of the statement of financial position date, the Group's gross amount of resources that may be subject to the profit distribution amounts to TRY:None (2022: TRY3,258,185.99).

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

NOTE 17 - EQUITY (Continued)

Actuarial gains (losses) on defined benefit plans

Provision for employment termination benefits is calculated by estimating the present value of the future probable obligation arising from the retirement of the employees of The Group. The Group recognised all actuarial gains and losses in other comprehensive income. Remeasurement loss on defined benefit plans amounting to TRY55,316,558 is accounted under shareholders' equity (31 December 2022: TRY38,957,139).

Currency translation differences

Currency translation differences consist of currency translation differences of the Group's subsidiaries and joint ventures financial statements located out of Turkey using a measurement currency other than TRY and classified under equity amounting to TRY: None) (31 December 2022: None)

NOTE 18 - REVENUE AND COST OF SALES

Revenue:

	1 January - 30 June 2023	1 April - 30 June 2023	1 January - 30 June 2022	1 April - 30 June 2022
Independent spare parts sales	316,952,612	169,293,651	221,918,908	118,624,685
Original spare parts sales	186,095,097	95,741,085	115,753,071	62,928,958
Other	12,129,261	4,211,483	3,334,984	1,724,695
Net sales	**515,176,970**	**269,246,219**	**341,006,963**	**183,278,338**

Cost of sales:

	1 January - 30 June 2023	1 April - 30 June 2023	1 January - 30 June 2022	1 April - 30 June 2022
Raw material cost (Note 8)	330,629,482	158,526,803	199,729,720	105,750,576
Labour costs (Note 20, b)	42,357,227	21,281,919	22,050,122	12,305,223
Production overhead	38,090,179	17,670,546	26,879,028	14,341,118
Depreciation and amortization (Notes 12 and 13)	23,984,301	13,210,177	10,238,537	6,395,268
Externally provided benefits and services	19,546,480	11,617,949	14,416,199	10,841,902
Total	**454,607,669**	**222,307,394**	**273,313,606**	**149,634,087**

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

NOTE 19 - RESEARCH AND DEVELOPMENT, MARKETING AND GENERAL MANAGEMENT EXPENSES

	1 January - 30 June 2023				1 April - 30 June 2023			
	Research and development expenses	**Marketing expenses**	**General administrative expenses**	**Total**	**Research and development expenses**	**Marketing expenses**	**General administrative expenses**	**Total**
Service expenses	284,255	8,604,940	8,166,038	17,055,233	44,319	3,970,631	3,407,360	7,422,310
Personnel expenses	6,026,552	6,513,308	20,231,478	32,771,338	3,569,077	3,334,559	10,336,909	17,240,545
Payment to management (Note 25)	-	-	6,127,516	6,127,516	-	-	2,764,006	2,764,006
Tax expenses	-	-	723,555	723,555	-	-	406,312	406,312
Packing materials	-	2,565,121	-	2,565,121	-	1,257,871	-	1,257,871
Depreciation and amortization (Notes 12, 13)	575,303	418,138	962,714	1,956,155	243,885	206,545	547,718	998,148
Rent expenses	-	63,296	133,000	196,296	-	35,679	66,500	102,179
Insurance expenses	-	1,487,453	164,553	1,652,006	-	622,478	164,553	787,139
Travel expenses	-	526,112	587,484	1,113,596	-	299,478	430,380	729,858
Other	-	2,898,943	4,604,692	7,503,635	-	2,140,069	2,003,707	4,143,776
Total	**6,886,110**	**23,077,311**	**41,701,030**	**71,664,451**	**3,857,281**	**11,867,418**	**20,127,445**	**35,852,144**

	1 January - 30 June 2022				1 April - 30 June 2022			
	Research and development expenses	**Marketing expenses**	**General administrative expenses**	**Total**	**Research and development expenses**	**Marketing expenses**	**General administrative expenses**	**Total**
Service expenses	75,836	7,915,898	7,549,931	15,541,665	74,685	4,021,559	4,201,698	8,297,942
Personnel expenses	2,150,175	2,245,816	12,344,612	16,740,603	1,290,391	1,490,598	4,604,128	7,385,117
Tax expenses	-	16,070	436,317	452,387	-	-	186,220	186,220
Packing materials	-	2,003,832	-	2,003,832	-	1,003,069	-	1,003,069
Depreciation and amortization (Notes 12, 13)	198,094	408,552	627,009	1,233,655	92,971	373,511	521,887	988,369
Rent expenses	-	81,221	299,845	381,066	-	35,314	234,445	269,759
Insurance expenses	-	632,069	47,587	679,656	-	306,794	24,135	330,929
Travel expenses	-	328,410	222,428	550,838	-	295,389	115,891	411,280
Other	48,656	631,006	118,939	798,601	48,657	440,463	90,759	579,879
Total	**2,472,761**	**14,262,874**	**21,646,668**	**38,382,303**	**1,506,704**	**7,966,697**	**9,979,163**	**19,452,564**

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

NOTE 20 - EXPENSES BY NATURE

a) The Group's depreciation and amortization expenses are as follows:

	1 January - 30 June 2023	**1 April - 30 June 2023**	**1 January - 30 June 2022**	**1 April - 30 June 2022**
Cost of sales (Note 18)	23,984,301	13,210,177	10,238,537	6,395,268
General and administrative expenses (Note 19)	962,713	547,718	627,009	521,887
Research and development costs (Note 19)	575,303	243,885	198,094	163,053
Marketing expenses (Note 19)	418,138	206,544	408,552	303,429
Total	**25,940,456**	**14,208,324**	**11,472,192**	**7,383,637**

b) The Group's personnel expenses are as follows:

	1 January - 30 June 2023	**1 April - 30 June 2023**	**1 January - 30 June 2022**	**1 April - 30 June 2022**
Cost of sales (Note 18)	42,357,227	21,281,919	22,050,122	12,305,223
General and administrative expenses (Note 19)	26,358,994	13,100,914	12,344,612	4,604,128
Marketing expenses (Note 19)	6,513,308	3,334,559	2,245,816	1,490,598
Research and development costs (Note 19)	6,026,552	3,569,077	2,150,175	1,290,391
Total	**81,256,081**	**41,286,469**	**38,790,725**	**19,690,340**

NOTE 21 - OTHER INCOME AND EXPENSES FROM OPERATING ACTIVITIES

Other income from operating activities

	1 January - 30 June 2023	**1 April - 30 June 2023**	**1 January - 30 June 2022**	**1 April - 30 June 2022**
Foreign exchange gains from operations	26,479,946	22,218,271	21,748,948	13,585,043
Provisions no longer required (Note 14)	439,962	(1,319,886)	-	-
Interest income	6,968,839	2,543,373	302,796	142,355
Other	6,264,526	3,877,547	-	(745,960)
Total	**40,153,273**	**27,319,305**	**22,051,744**	**12,981,438**

Other expenses from operating activities

	1 January - 30 June 2023	**1 April - 30 June 2023**	**1 January - 30 June 2022**	**1 April - 30 June 2022**
Foreign exchange loss from operations	17,957,779	16,768,083	16,454,798	10,337,311
Unearned finance income from forward sales (*)	-	-	249,724	213,251
Provision for ongoing litigation (Note 14)			393,000	613,947
Provision for doubtful trade receivable	855,592	855,592		-
Other	3,695,675	2,991,173	1,392,081	806,621
Total	**22,509,046**	**20,614,848**	**18,489,603**	**11,971,130**

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

NOTE 22 - INVESTMENT INCOME AND EXPENSES, NET

	1 January - 30 June 2023	1 April - 30 June 2023	1 January - 30 June 2022	1 April - 30 June 2022
Property, plant and equipment sales profit	856,724	529,617	3,700,250	1,015,643
Other,net	(144,354)	(40,079)	(1,367,461)	(59,839)
Total	**712,370**	**489,538**	**2,332,789**	**955,804**

NOTE 23 - FINANCE INCOME AND EXPENSES

Finance Expenses

	1 January - 30 June 2023	1 April - 30 June 2023	1 January - 30 June 2022	1 April - 30 June 2022
Foreign exchange differences, net	15,834,400	13,458,775	8,289,310	3,946,156
Interest expenses	11,320,363	3,918,180	10,271,635	4,642,759
Other	2,790,498	2,400,713	2,764,725	1,424,113
Interest expenses arising from the lease obligation	2,020,183	946,329	1,202,887	742,765
Total	**31,965,444**	**20,723,997**	**22,528,557**	**10,755,793**

NOTE 24 - INCOME TAX

Turkish tax legislation does not permit a parent company and its subsidiaries to file a tax return. Therefore, provisions for taxes, as reflected in these financial statements, have been calculated on a separate-entity basis for all the subsidiaries consolidated on a line-by-line basis.

	30 June 2023	31 December 2022
Provision for current income tax	-	(1,038,774)
Prepaid corporate taxes	163,391	2,337,530
Current period tax (liability)/asset	**163,391**	**1,298,756**

Income tax (expense)/income for the periods ended at 30 June 2023 and 2021 are detailed below:

	1 January - 30 June 2023	1 April - 30 June 2023	1 January - 30 June 2022	1 April - 30 June 2022
Tax income/(expense) for the period	-	-	(1,104,395)	1,072,196)
Deferred tax income/(expense)	(6,887,576)	(4,018,772)	3,215,168	718,125
Total	**(6,887,576)**	**(4,018,772)**	**2,110,773**	**1,790,321**

NOTE 24 - INCOME TAX (Continued)

Corporate Tax

Turkey

The corporate tax rate is applied to the tax base that will be found as a result of adding the expenses that are not deductible in accordance with the tax laws to the commercial income of the institutions and deducting the exemptions (such as the participation earnings exemption) and deductions (such as the R&D discount) included in the tax laws. No further tax is paid if the profit is not distributed.

Companies calculate corporate tax quarterly over their corporate income and these amounts are disclosed by the end of 14th day and paid by the end of the 17th day of the second month following each calendar quarter-end. Advance taxes paid in the period are offset against the following period's corporate tax liability. If there is an outstanding advance tax balance as a result of offsetting, the related amount may either be refunded in cash or used to offset against for other payables to the government.

With the amendment to the Corporate Tax Law, which came into force by being published in the Official Gazette No. 31462 dated 22 April 2021, the corporate tax rate in Turkey is 20% as of 30 June 2023 (2022: 23%). In the Group's financial statements dated June 30, 2021; When calculating deferred tax assets and liabilities for subsidiaries located in Turkey, the tax rate of 20% will be used for the parts of the relevant temporary differences that will occur as of 2023.

According to, Amendments in Tax Procedural Law, Income Tax Law and Corporate Tax Law ("Law No. 5024") published in the Official Gazette on 30 December 2003 and the income or corporations taxpayers whose determine their profits on the basis of the statement of financial position, the financial statements are subject to inflation adjustment starting from 1 January 2004.

In accordance with the related law, the cumulative inflation of last 36 months inflation rate (PPI) must exceed 100% and the inflation rate (PPI) of last 12 months must exceed 10% in order to adjust inflation. There has not been any inflation adjustment after 2005 due to the absence of conditions required.

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns by the 25th of the fourth month following the close of the financial year to which they relate.

Tax authorities can review accounting records within five years and if they determine any errors on the accounting records, tax payable can be reassessed as a result of another tax assessment.

Under the Turkish tax legislation, tax losses can be carried forward to offset against future taxable income for up to 5 years.

There are numerous exemptions in the Corporate Tax Law concerning the corporations. The exemptions that are related to The Group are as follows:

<u>Exemption for participation in subsidiaries</u>

Dividend income from participation in shares of capital of another fully fledged taxpayer corporation (except for dividends from investment funds participation certificates and investment partnerships shares) are exempt from corporate tax.

NOTE 24 - INCOME TAX (Continued)

Corporate Tax (Continued)

Issued premiums exemption

Gains from issued premiums derived from the disposal of sales at nominal values during incorporations and the capital increase of joint stock companies are exempt from corporate tax.

Exemption for participation into foreign subsidiaries

For companies participating in 10% or more of the capital of a non-resident limited liability or joint stock company,(except for those whose principal activity is financial leasing or investment property) for at least one year until the date of the income is generated and transferred to Turkey until the date of the filing of the corporate income tax return of the fiscal year in which the income is generated is exempt from corporation tax subject to those subsidiaries being subject to corporate income tax, or alike, in their country of legal residence or business center at the rate of at least 15% (minimum corporate income tax applicable in Turkey for those whose principal activity is finance assurance or insurance).

Investment Tax Credit Practise

Article 5 of Law No. 6009 which became effective after being promulgated in Official Gazette No. 27659 dated 01 August 2010, and the statement "pertaining only to the years 2006, 2007 and 2008" in temporary article 69 of Income Tax Law No. 193, which was annulled with Constitutional Court decision No. 2009/144 after being promulgated in the Official Gazette dated 8 January 2010, have been changed. With this new arrangement, it is possible to continue benefiting from the investment allowance which cannot be deducted due to inadequate earnings and which was carried forward without a time limit; however, the amount to be deducted as an investment allowance cannot exceed 25% of the total revenue in the relevant year when determining the tax base. The same arrangement brought the principle that the corporate income tax rate of 20% which is in effect shall apply to those who can benefit from the investment allowance exemption instead of the 30% tax rate.

The provision "However, the amount deducted as an investment allowance cannot exceed 25% of the related revenue when determining the tax base" regarding the 25% limit added to temporary article 69 with Law No. 6009 was annulled with Constitutional Court decision (stay of execution) No. E: 2010/93, K: 2012/9 dated 09 February 2012, which was promulgated in Official Gazette No. 28208 dated 18 February 2012 on the grounds that it is contrary to the Constitutional Law.

The regulation related to the 25% limitation was cancelled by decision no. 2012/9 dated 9 February 2012 of the Constitutional Court. The Constitutional Court's relevant decision has not yet been promulgated in the Official Gazette. However, the motion of the Court, case no. 2010/93 decision no. 2012/9, granting a stay of execution until the Court's decision of cancellation is published in the Official Gazette, was promulgated in the Official Gazette dated 18 February 2012.

Deferred tax

The Group recognises deferred tax assets and liabilities based upon temporary differences arising between their financial statements as reported under the POA's Financial Reporting Standards. The temporary differences arise due to accounting treatments made in different reporting periods based on the applicable tax laws and the transfer of financial losses.

Deferred taxes are calculated on temporary differences that are expected to be realized or settled based on the taxable income in coming years under the liability method using tax rates enacted at the statement of financial position dates which are disclosed in the table and explanations above.

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

NOTE 24 - INCOME TAX (Continued)

Deferred tax (Continued)

Deferred tax assets and liabilities are presented in net in the financial statements of The Group, since they are presented in net in the financial statements of subsidiaries and joint ventures, which are each individual tax payers. Temporary differences, deferred tax assets and deferred tax liabilities at the table below are presented based on gross amounts.

The composition of cumulative temporary differences and the related deferred tax assets and liabilities in respect of items for which deferred tax has been provided at 30 June 2023 and 31 December 2022 using the enacted tax rates are as follows:

	Cumulative temporary differences		Deferred tax assets/(liabilities)	
	30 June 2023	31 December 2022	30 June 2023	31 December 2022
Provision for employee termination benefits	82,786,587	71,343,924	16,557,317	14,268,785
Withdrawal of unrealized sales	4,154,851	2,469,643	830,970	493,929
Unused vacation provisions	9,158,761	5,359,585	1,831,752	1,071,917
Provision for lawsuits	4,996,783	3,598,526	999,357	719,705
Provision for doubtful receivables	1,884,807	4,411,010	376,961	882,202
Correction of R&D activations	6,117,177	6,117,177	1,223,435	1,223,435
Provision for impairment of inventory	641,124	2,997,620	128,225	599,524
Leases	6,170,337	5,756,325	1,234,067	1,151,465
Net difference between net book values of tangible and intangible assets and tax values	97,304,846	113,483,393	19,460,970	22,696,680
Deferred taxes calculated from accumulated losses	9,905,866	9,905,866	1,981,173	1,981,173
Deferred incentive revenues	27,508,420	27,508,420	5,501,684	5,501,684
Other	-	9,916,217	-	1,983,243
Deferred tax assets	**250,629,559**	**262,868,706**	**50,125,911**	**52,573,742**
Exchange differences	-	(79,680)	-	(15,936)
Other	(1,311,019)	-	(262,203)	-
Deferred tax liabilities	**(1,311,019)**	**(79,680)**	**(262,203)**	(15,936)
Deferred tax assets/(liabilities) ,net	**249,318,540**	**262,789,026**	**49,863,708**	**52,557,806**

The rates to be applied for the deferred tax assets and liabilities calculated according to the liability method over the future long-term temporary differences are valid tax rates at the balance sheet date and these rates are included in the table above and explanations.

The movement details of deferred tax income is as follows:

	2023	2022
1 January	**52,557,806**	**(4,668,973)**
Deferred tax income	(6,887,576)	3,215,168
Recognized in equity	4,193,478	-
30 June	**49,863,708**	**(1,453,805)**

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

NOTE 24 - INCOME TAX (Continued)

Deferred tax (Continued)

Reconciliation of current period tax income is as follows:

	1 January - 30 June 2023	1 January - 30 June 2022
Profit before tax	**(24,703,997)**	**12,677,427**
Tax rate 20% (2022: 23%)	4,940,799	(2,915,808)
Tax effect:		
Exceptions, investment discounts	-	5,269,085
Non-deductible expenses	1,122,903	(51,570)
Accumulated losses for which deferred tax has not been calculated	(10,192,356)	-
Other	(2,758,922)	(190,934)
Current period tax income	**(6,887,576)**	**2,110,773**

NOTE 25 - EARNING/LOSS PER SHARE

Gain/(loss) per share for each class of shares is disclosed below:

	1 January - 30 June 2023	1 April - 30 June 2023	1 January - 30 June 2022	1 April - 30 June 2022
Net profit/(loss) for the period	(31,591,573)	(6,462,092)	15,974,640	8,378,767
Weighted average number of shares with face value of TRY1 each	42,500,000	42,500,000	23,852,055	23,852,055
Earnings/(losses) per share	**(0,74)**	**(0,15)**	**0.67**	**0.35**

There are no differences between base per share and proportional profit/(loss) for any periods.

NOTE 26 - RELATED PARTY DISCLOSURES

As of the statement of financial position date, due from and to related parties and related party transactions for the periods ending 30 June 2023 and 31 December 2022 are disclosed below:

a) Short-term portion of long-term lease payables from related parties:

	1 January - 30 June 2023	1 January - 31 December 2022
D Gayrimenkul Yatırımları ve Ticaret A.Ş. (1)	305,314	265,061
Değer Merkezi Hizmetler ve Yönetim Danışmanlığı A.Ş. (2)	577,440	570,953
Total	**882,754**	**836,014**

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

NOTE 26 - RELATED PARTY DISCLOSURES (Continued)

b) Long-term lease payables from related parties:

	1 January - 30 June 2023	1 January - 31 December 2022
D Gayrimenkul Yatırımları ve Ticaret A.Ş. (1)	734,178	599,892
Değer Merkezi Hizmetler ve Yönetim Danışmanlığı A.Ş. (2)	821,511	591,491
Total	**1,555,689**	**1,191,383**

(1) Comprises of rent an office from Trump Towers.
(2) Comprises of rent a car services purchased from Değer Merkezi.

ii) <u>Transactions with related parties:</u>

a) Product and service sales to related parties:

	1 January - 30 June 2023	1 April - 30 June 2023	1 January - 30 June 2022	1 April - 30 June 2022
Karel Elek. A.Ş. (1)	1,710	1,710	-	-
D Gayrimenkul (2)	-	-	10,698	-
Total	**1,710**	**1,710**	**10,698**	**10,698**

(1) Comprises of electricity bill
(2) Comprises of the information systems service provided to Gümüştaş

b) Product and service purchases from related parties:

<u>Operating expenses:</u>

	1 January - 30 June 2023	1 April - 30 June 2023	1 January - 30 June 2022	1 April - 30 June 2022
Değer Merkezi (1)	4,002,737	1,924,713	1,489,020	816,747
D Gayrimenkul (2)	-	-	280,892	135,672
Suzuki Motor Araçlar Paz.A.Ş	309,135	157,414	270,647	138,209
Aytemiz Akaryakıt (3)	298,277	160,961	255,336	158,183
Doğan Trend (4)	500,545	369,842	201,060	105,626
Doğan Şirketler Grubu Holding A.Ş.	818	-	18,297	-
Doruk Faktoring	605	303	576	288
Total	**5,112,117**	**2,613,233**	**2,515,828**	**1,354,725**

(1) Comprises of advisory, consultancy and technical support services and rent a car, travel services purchased from Değer Merkezi Hizmetler ve Yönetim Danışmanlığı A.Ş.
(2) Comprises of Trump Towers office rent services.
(3) Comprises of vehicle identification service purchases from Aytemiz Akaryakıt.
(4) Comprises of car rental services received from Doğan Trend.

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

NOTE 26 - RELATED PARTY DISCLOSURES (Continued)

c) Benefits provided to key management personnel of Group

The Group has designated its key management personnel as members of the board of directors, general manager and assistant general manager.

	1 January - 30 June 2023	1 April - 30 June 2023	1 January - 30 June 2022	1 April - 30 June 2022
Salaries and other short-term provisions	6,127,516	2,764,006	2,126,196	2,037,096
Total	**6,127,516**	**2,764,006**	**2,126,196**	**2,037,096**

NOTE 27 - NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS

The Group's activities expose it to a variety of financial risks; these risks are credit risk, market risk including the effects of changes in debt and equity market prices, foreign currency exchange rates, fair value interest rate risk and cash flow interest rate risk, and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance of The Group.

a) Market risk

a.1) Foreign currency risk

The Group operates internationally. The Group is exposed to foreign exchange risk through the impact of rate changes on the translation of foreign currency liabilities to local currency. These risks are monitored and limited by analyzing foreign currency position. These risks are monitored and limited by analyzing foreign currency position.

As of 30 June 2023 and 31 December 2022, net foreign currency position of Group is as follows;

	30 June 2023	31 December 2022
Total assets	112,735,764	75,733,583
Total liabilities	(179,404,772)	(122,942,157)
Net foreign currency position	**(66,669,008)**	**(47,208,574)**

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

NOTE 27 - NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS (Continued)

a) Market risk (Continued)

As of 30 June 2023 and 31 December 2022, sensitivity analysis for currency risk and foreign currency denominated asset and liability balances are summarized below:

		30 June 2023				
		TRY equivalent	**USD**	**EUR**	**GBP**	**RUB**
1.	Trade receivables	108,446,907	1,284,169	2,566,665	92,112	-
2.	Monetary financial assets (cash, banks included)	3,510,134	42,233	85,940	-	-
3.	Other non-monetary assets	778,723	28,000	1,978	-	-
4.	**Current Assets (1+2+3)**	**112,735,764**	**1,354,402**	**2,654,583**	**92,112**	**-**
5.	**Total Assets (4)**	**112,735,764**	**1,354,402**	**2,654,583**	**92,112**	**-**
6.	Short-term liabilities (Note 5)	(16,692,370)	(319,451)	(299,352)	-	-
8.	Trade Payables	(116,994,689)	(2,311,627)	(2,027,201)	(516)	-
11.	Long-term Liabilities (Note 5)	(45,717,713)	-	(1,620,920)	-	-
12.	**Total liabilities (10+11)**	**(179,404,772)**	**(2,631,078)**	**(3,947,473)**	**(516)**	**-**
13.	Total asset related to the cash flow hedges (Note 25)	-	-	-	-	-
14.	Total liabilities related to the cash flow hedges (Note 25)	-	-	-	-	-
15.	**Net Asset/Liability Position Of Off Statement of Financial Position (13+14)**	**-**	**-**	**-**	**-**	**-**
16.	**Net Foreign Currency Asset/(Liability) Position (5+12+15)**	**(66,669,008)**	**(1,276,676)**	**(1,292,890)**	**91,596**	**-**
17.	**Net Foreign Currency Asset/(Liability) Position of Monetary Items (5+12)**	**(66,669,008)**	**(1,276,676)**	**(1,292,890)**	**91,596**	**-**
Export		**228,519,227**	**2,098,871**	**5,819,991**	**305,369**	**-**
Import		**55,209,055**	**922,048**	**1,115,256**	**-**	**-**

		31 December 2022				
		TRY equivalent	**USD**	**EUR**	**GBP**	**RUB**
1.	Trade receivables	64,234,385	1,103,500	1,847,687	107,745	-
2.	Monetary financial assets (cash, banks included)	10,975,646	145,158	414,420	-	-
3.	Other non-monetary assets	523,552	28,000	-	-	-
4.	**Current Assets (1+2+3)**	**75,733,583**	**1,276,658**	**2,262,107**	**107,745**	**-**
5.	**Total Assets (4)**	**75,733,583**	**1,276,658**	**2,262,107**	**107,745**	**-**
6.	Short-term liabilities (Note 5)	-	(319,451)	-	-	-
8.	Trade Payables	(65,026,837)	(2,511,113)	(900,039)	(627)	-
11.	Long-term Liabilities (Note 5)	(57,915,320)	-	(2,900,000)	-	-
12.	**Total liabilities (10+11)**	**(122,942,157)**	**(2,830,564)**	**(3,800,039)**	**(627)**	**-**
13.	Total asset related to the cash flow hedges (Note 25)	-	-	-	-	-
14.	Total liabilities related to the cash flow hedges (Note 25)	-	-	-	-	-
15.	**Net Asset/Liability Position Of Off Statement of Financial Position (13+14)**	**-**	**-**	**-**	**-**	**-**
16.	**Net Foreign Currency Asset/(Liability) Position (5+12+15)**	**(47,208,574)**	**(1,553,904)**	**(1,537,932)**	**107,118**	**-**
17.	**Net Foreign Currency Asset/(Liability) Position of Monetary Items (5+12)**	**(47,208,574)**	**(1,553,904)**	**(1,537,932)**	**107,118**	
Export		**257,928,108**	**4,960,168**	**7,738,395**	**451,282**	**-**
Import		**-**	**-**	**-**	**-**	**-**

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

NOTE 27 - NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS (Continued)

a) Market risk (Continued)

The Group is exposed to foreign exchange risk primarily with respect to EUR and USD. The effect of the Group's EUR and USD foreign currency position as of 30 June 2023 and 31 December 2022 under the assumption of the appreciation and depreciation of TRY against other currencies by 10% with all other variables held constant, is as follows:

	30 June 2023 Profit/(Loss)	
	Appreciation of foreign currency	**Depreciation of foreign currency**
If the USD had changed by 20% against the TRY		
USD net (liabilities)/assets	(6,615,045)	6,615,045
Hedging amount of USD (-)	-	-
USD net effect	**(6,615,045)**	**6,615,045**
If the EUR had changed by 20% against the TRY		
EUR net (liabilities)/assets	(7,319,751)	7,319,751
Hedging amount of EUR (-)	-	-
EUR Net Effect	**(7,319,751)**	**7,319,751**
If the GBP had changed by 20% against the TRY		
GBP net (liabilities)/assets	600,995	(600,995)
Hedging amount of GBP (-)	-	-
GBP Net Effect	**600,995**	**(600,995)**
Total Net Effect	**(13,333,801)**	**13,333,801**

	31 December 2022 Profit/(Loss)	
	Appreciation of foreign currency	**Depreciation of foreign currency**
If the USD had changed by 20% against the TRY		
USD net (liabilities)/assets	(4,966,935)	4,966,935
Hedging amount of USD (-)	-	-
USD net effect	**(4,966,935)**	**4,966,935**
If the EUR had changed by 20% against the TRY		
EUR net (liabilities)/assets	(6,158,986)	6,158,986
Hedging amount of EUR (-)	-	-
EUR Net Effect	**(6,158,986)**	**6,158,986**
If the GBP had changed by 20% against the TRY		
GBP net (liabilities)/assets	7,786	(7,786)
Hedging amount of GBP (-)	-	-
GBP Net Effect	**7,786**	**(7,786)**
Total Net Effect	**(10,636,352)**	**10,636,352**

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

NOTE 27 - NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS (Continued)

a) Market risk (Continued)

a.2) Price risk

The Group does not have any financial assets with price risk.

a.3) Cash-flow and fair value of financial instruments

The Group is subject to fair value interest rate risk because of loans with fixed interest rates. Group management manages this risk by balancing the assets and the liabilities that are sensitive to interest rates.

Financial instruments with fixed rate	30 June 2023	31 December 2022
Financial assets (Note 4)	-	-
Financial liabilities (Note 5)	324,048,029	304,629,775
Total	**324,048,029**	**304,629,775**

Financial instruments with floating rate	30 June 2023	31 December 2022
Financial liabilities (Note 5)	-	-
Total	**-**	**-**

b) Credit risk

Credit risk consists of deposits at banks and clients subject to credit risk, including uncollected receivables and transfers guaranteed. The Group prefers working with banks with high credit ratings. Management assesses the client's credit quality, considering financial position, previous experience and other factors, because there are no independent assessment opportunities for clients. The Group relieves these risks by limiting the average risk for the other party in each agreement and taking securities when necessary. Group management assesses the trade receivables that have passed their maturity periods (which is 90 days on average) considering the current market conditions, and after allocating necessary provisions for doubtful receivables, indicates this in net amounts on the balance sheet.

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

NOTE 27 - NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS (Continued)

b) Credit risk (Continued)

The table representing the Group's credit risk of financial instruments as of 30 June 2023 is as follows:

	Trade receivables		Other receivables		Bank
	Related parties	**Other**	**Related parties**	**Other**	**deposits**
Exposure to maximum credit risk as at balance sheet date	**-**	**261,550,907**	**-**	**4,101,110**	**23,596,460**
The part of maximum risk under guarantee with collateral etc.	**-**	**62,018,035**	**-**	**-**	**-**
A. Net book value of neither past due nor impaired financial assets	-	196,812,792	-	4,101,110	23,596,460
- The part under guarantee with collateral etc.	-	62,018,035	-	-	-
B. Book value of restructured otherwise accepted as past due and impaired financial assets	-	-	-	-	-
C. Net book value of past due but not impaired assets	-	64,738,115	-	-	-
- Guaranteed amount by collateral (1)					
D. Impaired asset net book value	-	-	-	-	-
- Past due (gross amount) (Note 6)	-	1,828,355	-	-	-
- Impairment (-) (Note 6)	-	(1,828,355)	-	-	-
- Net value collateralized or guaranteed	-	-	-	-	-

(1) Represents overdue receivable that is guaranteed by receivables insurance.

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

NOTE 27 - NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS (Continued)

b) Credit risk (Continued)

The table representing the Group's credit risk of financial instruments as of 31 December 2022 is as follows:

	Trade receivables		Other receivables		Bank
	Related parties	**Other**	**Related parties**	**Other**	**deposits**
Exposure to maximum credit risk as at balance sheet date	**-**	**193,701,057**	**-**	**1,858,567**	**43,059,014**
The part of maximum risk under guarantee with collateral etc.	**-**	**62,018,035**	**-**	**-**	**-**
A. Net book value of neither past due nor impaired financial assets	-	164,203,491	-	1,858,567	43,059,014
- The part under guarantee with collateral etc.	-	62,018,035	-	-	-
B. Book value of restructured otherwise accepted as past due and impaired financial assets	-	-	-	-	-
C. Net book value of past due but not impaired assets	-	29,497,566	-	-	-
- Guaranteed amount by collateral [1]					
D. Impaired asset net book value	-	-	-	-	-
- Past due (gross amount) (Note 6)	-	3,385,123	-	-	-
- Impairment (-) (Note 6)	-	(3,385,123)	-	-	-
- Net value collateralized or guaranteed	-	-	-	-	-

[1] Represents overdue receivable that is guaranteed by receivables insurance.

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

NOTE 27 - NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS (Continued)

b) Credit risk (Continued)

The aging of the receivables of The Group, which are past due but not impaired including related party balances by taking into consideration past due dates are as follows:

	30 June 2023		
	Receivables		
	Trade receivables	Other receivables	Bank deposits
1 - 30 days overdue	40,211,094	-	-
1 - 6 months overdue	6,008,089	-	-
6 - 12 months overdue	18,518,932	-	-
1 - 5 years overdue	-	-	-
Up to 5 years overdue	-	-	-
Total overdue	**64,738,115**	**-**	**-**
The part under guarantee with collateral (1)	**64,738,115**	**-**	**-**

	31 December 2022		
	Receivables		
	Trade receivables	Other receivables	Bank deposits
1 - 30 days overdue	20,238,611	-	-
1 - 6 months overdue	5,952,897	-	-
6 - 12 months overdue	3,306,058	-	-
1 - 5 years overdue	-	-	-
Up to 5 years overdue	-	-	-
Total overdue	**29,497,566**	**-**	**-**
The part under guarantee with collateral (1)	**29,497,566**	**-**	**-**

(1) Guarantees consist of guarantee letters received, collaterals, credit risk insurance and mortgages from customers.

c) Liquidity risk

Conservative liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions.

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

NOTE 27 - NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS (Continued)

c) Liquidity risk (Continued)

As of 30 June 2023 and 31 December 2022, undiscounted cash flows of financial liabilities based on the agreement maturities are as follows:

	30 June 2023					
Non-derivative financial liabilities	**Book value**	**Contractual undiscounted cash flow**	**Less than 3 months**	**3 - 12 months**	**1 - 5 years**	**On demand**
Short term borrowings (Note 5)	226,597,675	231,695,420	754,151	230,941,269	-	-
Short-term portion from long-term borrowings (Note 5)	17,126,060	18,739,257	-	18,739,257	-	-
Long-term borrowings (Note 5)	41,844,458	49,483,700	-	-	49,483,700	-
Lease payables (Note 5)	38,479,836	42,586,350	-	12,141,907	30,444,443	-
Trade payables due to non-related parties (Note 6)	203,612,591	203,612,591	202,055,122	1,557,469	-	-
Other payables due to non-related parties (Note 7)	7,512,693	7,512,693	7,512,693	-	-	-
Payables related to employee benefits (Note 16)	17,710,690	17,710,690	7,908,234	9,802,456	-	-
Total	**552,884,003**	**571,340,701**	**218,230,200**	**273,182,358**	**79,928,145**	**-**

	30 June 2023					
Non-derivative financial liabilities	**Book value**	**Contractual undiscounted cash flow**	**Less than 3 months**	**3 - 12 months**	**1 - 5 years**	**On demand**
Short term borrowings (Note 5)	204,944,021	244,446,857	3,719,237	240,727,60	-	-
Short-term portion from long-term borrowings (Note 5)	20,960,695	21,112,555	-	21,112,555	-	-
Long-term borrowings (Note 5)	36,893,815	45,107,140	-	-	45,107,140	-
Lease payables (Note 5)	41,831,244	41,931,244	-	8,292,298	33,538,946	-
Trade payables due to non-related parties (Note 6)	141,221,092	141,221,092	133,484,524	7,736,568	-	-
Other payables due to non-related parties (Note 7)	5,933,731	5,933,731	5,933,731	-	-	-
Payables related to employee benefits (Note 16)	5,865,374	5,865,374	2,459,561	3,405,813	-	-
Total	**457,649,972**	**505,517,993**	**145,597,053**	**281,274,854**	**78,646,086**	**-**

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

NOTE 27 - NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS (Continued)

d) Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group monitors capital on the basis of the net liability/total equity ratio. Net liability is calculated as the total liability less cash and cash equivalents, derivative instruments and tax liabilities. Total equity is calculated as the total of net liability and the equity as shown in the statement of financial position.

The net liability/total equity ratio is summarized below:

	30 June 2023	31 December 2022
Total liability [(1)]	676,269,323	548,831,780
Less: Cash and cash equivalents (Note 4)	(23,596,460)	(43,059,014)
Net liability	652,672,863	505,772,766
Total equity	86,620,793	107,228,158
Total capital	739,293,656	613,000,924
Net Liability/total capital	**88.28%**	**82.51%**

(1) The amounts are calculated by deducting profit for the period, income tax payable, and deferred tax liability accounts from total liability.

e) Fair value of financial instruments

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

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

The following methods and assumptions are used in the estimation of the fair value of the financial instruments for which it is practicable to estimate fair value:

Monetary assets

The fair values of balances denominated in foreign currencies, which are translated at the period end exchange rates, are considered to approximate carrying value.

The fair values of certain financial assets carried at cost, including fair values of cash and due from banks are considered to approximate their respective carrying values due to their short-term nature and immateriality of losses on collectibility. The fair value of investment securities has been estimated based on the market prices at the statement of financial position dates.

Trade receivables are disclosed at their amortized cost using the effective interest rate method and the carrying values of trade receivables along with the related allowances for collectability are estimated to be at their fair values.

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

NOTE 27 - NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS (Continued)

e) Fair value of financial instruments (Continued)

Monetary liabilities

The fair value of bank borrowings and other monetary liabilities are considered to approximate their respective carrying values due to their short-term nature.

Long-term borrowings, which are principally at variable rates, and denominated in foreign currencies, are translated at the period-end exchange rates and accordingly, their fair values approximate their carrying values.

Trade payables are disclosed at their amortized cost using the effective interest rate method and accordingly their carrying amounts approximate their fair values.

The fair value of financial instruments

The fair values of financial assets and financial liabilities are determined as follows:

a. First Level: The fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices.

b. Second Level: The fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on prices from observable current market transactions.

c. Third Level: The fair value of the financial assets and financial liabilities is determined in accordance with the unobservable current market data.

30 June 2023	**Level 1**	**Level 2**	**Level 3**	**Total**
Derivative instruments held for sale	-	-	-	-
	-	-	-	-

31 December 2022	**Level 1**	**Level 2**	**Level 3**	**Total**
Derivative instruments held for sale	-	-	-	-
	-	-	-	-

NOTE 28 - SUBSEQUENT EVENTS

Approval of Financial Statements

The financial statements for the period ended on 30 June 2023 were approved by the Board of Directors on 11 August 2023. Persons who are not members of the Board of Directors are not authorized to amend financial statements.

NOTE 28 - SUBSEQUENT EVENTS (Continued)

With the "Bill on Amending Additional Motor Vehicle Tax Application, on Certain Laws and on Provision No. 375 to Compensate for the Economic Losses Arising From Earthquakes on 6 February2023", which was on the agenda of the Grand National Assembly of Türkiye on 5 July 2023,Corporate Income Tax rate was increased by 5 points. As a result, the Corporate Income Tax rate was raised from 20% to 25% (and for certain organisations, notably financial organisations, it was raised from 25% to 30%) and it was proposed that the regulation exempting earnings from immovable sales from Corporate Income Tax to be repealed. The bill became law on 15 July 2023.

Due to the effective date of the law, studies regarding measurement of impact on deferred tax assets/liabilities carried are ongoing as of the reporting date.

NOTE 29 - OTHER MATTERS THAT REQUIRED TO BE DISCLOSED WHICH MAY HAVE SIGNIFICANT EFFECT ON THE FINANCIAL STATEMENTS OR REQUIRED TO BE DISCLOSED TO MAKE FINANCIAL STATEMENTS INTERPRETABLE AND UNDERSTANDABLE

None (31 December 2022: None).

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