CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

DİTAŞ DOĞAN YEDEK PARÇA İMALAT VE TEKNİK A.Ş.

CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2021 AND INDEPENDENT AUDITOR'S REPORT

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

INDEPENDENT SPECIAL PURPOSE AUDITOR'S REPORT

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

1. Our opinion

We have audited the accompanying consolidated financial statements of Ditaş Doğan Yedek Parça İmalat ve Teknik A.Ş. (the "Company") and its subsidiaries (collectively referred to as the "Group") which comprise the consolidated statements of financial positions as at 31 December 2021, the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for the years then ended and notes to the consolidated financial statements comprising a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2021 and its financial performance and cash flows for the years then ending, in accordance with Turkish Financial Reporting Standards ("TFRS").

2. Basis for opinion

Our audit was conducted in accordance with the Standards on Independent Auditing (the "SIA") that are part of Turkish Standards on Auditing issued by the Public Oversight Accounting and Auditing Standards Authority (the "POA"). Our responsibilities under these standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We hereby declare that we are independent of the Group in accordance with the Ethical Rules for Independent Auditors (including Independence Standards) (the "Ethical Rules") and the ethical requirements regarding independent audit in regulations issued by POA that are relevant to our audit of the financial statements. We have also fulfilled our other ethical responsibilities in accordance with the Ethical Rules and regulations. We believe that the audit evidence we have obtained during the independent audit provides a sufficient and appropriate basis for our opinion.

3. Key audit matters

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

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Key Audit Matters	How the key audit matter was addressed in the audit
Revenue recognition	
The Group operates in the automotive sub-industry sector. Revenue is the most important indicator in the Group's performance evaluation. Revenue is of great importance in terms of evaluating the results of the strategies implemented during the year and monitoring performance. It is an important issue for our audit as it is the most important consolidated financial statement item in the consolidated income statement for the accounting period ending on December 31, 2021. Explanations regarding the Group's accounting policies and revenue amounts are included in Notes 2.2 and 18.	During our audit, the following audit procedures were applied regarding the recording of revenue in the consolidated financial statements: • Understanding sales processes and evaluating the design and operational effectiveness of controls related to these processes, • Evaluating the suitability of the Group's accounting policy for revenue recognition, • Performing analytical procedures to determine whether the revenue recorded in the consolidated financial statements is at the expected levels, • Performing tests on the accuracy of customer invoices using the sampling method and matching these invoices with the delivery note and collections from the customer, • Examining the sales contracts made by the Group with customers and evaluating the timing of revenue recognition in the consolidated financial statements for different delivery methods.

Key Audit Matters	How the key audit matter was addressed in the audit
Business Combination Recognition	
The Group purchased 70% of the shares of Profil Sanayi ve Ticaret Anonim Şirketi ("Profil") and 3S Kalıp Aparat Makina Sanayi ve Ticaret Anonim Şirketi ("3S") for approximately 1,850 thousand Euros, within the scope of the Share Transfer Agreement signed on October 4, 2021 and the closing transaction on December 3, 2021. As a result of this transaction, Profil and 3S became subsidiaries of the Group and began to be consolidated with the full consolidation method. This transaction has been evaluated as a business combination in accordance with TFRS 3 "Business Combinations" standard. Since its initial accounting as a business combination has not been completed as of the date of preparation of the financial statements, it has been accounted for with provisional amounts in the consolidated financial statements as of December 31, 2021. The company completes the initial accounting of the business combination within 1 year from the date of business combination and performs the necessary will make the corrections. The values of identifiable assets and liabilities arising during the provisional accounting of the purchase transaction and the calculated goodwill value are significant amounts in terms of consolidated financial statements. However, in its ongoing work regarding the allocation of the purchase price, the Group Management also utilizes valuation experts. Considering these reasons, accounting for business combinations is an important issue for our audit. The Group's accounting policies and related explanations regarding the accounting of business combinations are included in Notes 2.2 and 3.	During our audit, the following audit procedures were applied regarding the accounting of the business combination in question: • Examining share transfer agreements and evaluating their effects on the accounting of the transaction, • Carrying out procedures within the scope of relevant independent audit standards regarding the audit of Profil and 3S's balance sheets, which are the basis for the purchase price allocation, • Checking the relevant records in the consolidated financial statements regarding the business combination transaction, the initial accounting of which was carried out with provisional amounts, • By involving our valuation experts and comparing with local and international similar transactions, the completeness, measurement method and making inquiries regarding the accuracy of • Evaluating the adequacy of the disclosures in the footnotes of the consolidated financial statements regarding business combinations

4. Responsibilities of management and those charged with governance for the consolidated financial statements

The Group management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with TFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

5. Auditor's responsibilities for the audit of the consolidated financial statements

Responsibilities of independent auditors in an independent audit are as follows:

Our aim is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an independent auditor's report that includes our opinion. Reasonable assurance expressed as a result of an independent audit conducted in accordance with SIA is a high level of assurance but does not guarantee that a material misstatement will always be detected. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an independent audit conducted in accordance with SIA, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement in the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Assess the internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our independent auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence. We also communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

B. Other Obligations Arising from Legislation

1. No matter has come to our attention that is significant according to subparagraph 4 of Article 402 of Turkish Commercial Code ("TCC") No. 6102 and that causes us to believe that the Group's bookkeeping activities concerning the period from 1 January to 31 December 2020 period are not in compliance with the TCC and provisions of the Company's articles of association related to financial reporting.

2. In accordance with subparagraph 4 of Article 402 of the TCC, the Board of Directors submitted the necessary explanations to us and provided the documents required within the context of our audit.

3. In accordance with subparagraph 4 of Article 398 of the TCC, the auditor's report on the early risk identification system and committee was submitted to the Company's Board of Directors on 3 March 2022.

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

Mert Tüten, SMMM
Partner

Istanbul, 3 March 2022

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2021 AND 31 DECEMBER 2020

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

ASSETS	Notes	Audited Current Period 31 December 2021	Audited Prior Period 31 December 2020
Current assets		**206,362,277**	**64,638,685**
Cash and cash equivalents	4	19,905,212	742,916
Trade receivables			
-Due from non-related parties	*6*	*93,669,390*	*40,990,778*
Other receivables			
-Due from related parties	*25*	*101,152*	*95,521*
-Due from non-related parties	*7*	*2,070,697*	*103,790*
Inventories	8	80,529,941	18,832,763
Prepaid expenses	9	4,683,592	1,684,407
Current tax assets		53,793	-
Other current assets	10	5,348,500	2,188,510
Non-current assets		**156,677,042**	**45,204,814**
Other receivables			
-Due from non-related parties	*7*	*34,320*	*93,040*
Financal investments accounted for using the equity method		29,396	-
Property, plant and equipment	12	98,218,516	30,334,854
Intangible assets	13	25,111,156	7,132,845
Goodwill	*3*	2,890,023	-
Right of use assets	11	19,168,614	1,775,896
Prepaid expenses	9	1,915,238	1,827,381
Deferred tax assets	23	9,309,779	4,040,798
TOTAL ASSETS		**363,039,319**	**109,843,499**

The consolidated financial statements as of and for the period ended 31 December 2021 have been approved by the Board of Directors on 3 March 2022.

DİTAŞ DOĞAN YEDEK PARÇA İMALAT VE TEKNİK A.Ş.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021 AND 31 DECEMBER 2020

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

LIABILITIES	**Notes**	**Audited Current Period 31 December 2021**	**Audited Prior Period 31 December 2020**
Current liabilities		**181,100,018**	**62,095,226**
Short-term borrowings			
- Due to non-related parties			
- Bank credits	*5*	*22,976,567*	*17,411,507*
Short-term portion of long-term borrowings			
- Short-term portion of long-term borrowings from related parties			
- Payables due to leasing transactions	*5, 25*	*1,073,039*	*707,510*
- Short-term portion of long-term borrowings from unrelated parties			
- Bank credits	*5*	*17,765,672*	*1,848,295*
- Payables due to leasing transactions	*5*	*3,327,063*	*22,339*
Trade payables			
- Due to non-related parties	*6*	*89,137,904*	*31,367,777*
Payables related to employee benefits	16	7,299,870	3,827,069
Other payables			
- Due to related parties	*25*	*2,685,687*	*312,461*
- Due to non-related parties	*7*	*27,860,021*	*179,003*
Derivative financial instruments	26	-	3,536,616
Deferred income (Excluding obligations arising from customer contracts)	9	2,830,588	721,270
Current income tax liability	23	-	48,271
Short-term provisions			
Short-term provisions for employment benefits	*16*	*2,512,896*	*1,607,990*
- Other short-term provisions	*15*	*2,146,060*	*505,118*
Other current liabilities		1,484,651	-
Non-current liabilities		**105,162,947**	**18,254,277**
Long-term borrowings			
- Due to related parties			
- Payables due to leasing transactions	*5, 25*	*2,019,948*	*1,391,169*
- Due to non-related parties			
- Bank credit	*5*	*46,156,521*	*2,702,370*
- Payables due to leasing transactions	*5*	*13,954,965*	*9,083*
Long-term provisions			
Long-term provisions for employment benefits	*16*	*28,252,761*	*14,151,655*
Deferred tax liabilities	23	13,978,752	-
Deferred income	9	800,000	-
EQUITY		**76,776,354**	**29,493,996**
Issued capital	17	26,000,000	10,000,000
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*	*(12,114,016)*	*(6,252,094)*
Other comprehensive income (losses) that will be reclassified in profit or loss			
- Change in currency translation reserves	*17*	*102,273*	*380,032*
Share premiums		294,504	-
Restricted reserves	17	5,968,266	3,028,735
Retained earnings or losses		3,660,183	2,039,552
Net profit for the period		27,348,754	5,160,162
Non-controlling interests		10,378,781	-
TOTAL LIABILITIES		**363,039,319**	**109,843,499**

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE PERIODS 1 JANUARY - 31 DECEMBER 2021 AND 2020

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

	Notes	Audited Current Period 31 December 2021	Audited Prior Period 31 December 2020
Revenue	18	258,035,502	140,625,861
Cost of Sales (-)	18	(185,065,045)	(104,309,025)
GROSS PROFIT		**72,970,457**	**36,316,836**
General Administrative Expenses (-)	19	(20,223,297)	(12,093,815)
Marketing Expenses (-)	19	(17,976,885)	(11,130,496)
Research and Development Expenses (-)	19	(4,891,123)	(4,213,851)
Other Income from Operating Activities	21	30,889,480	9,403,923
Other Expenses from Operating Activities (-)	21	(27,053,575)	(4,452,489)
OPERATING PROFIT		**33,715,057**	**13,830,108**
Income from investing activities (-)		781,540	127,353
OPERATING PROFIT BEFORE FINANCIAL INCOME		**34,496,597**	**13,957,461**
Financial expense (-)	22	(7,020,747)	(10,110,707)
PROFIT BEFORE TAX		**27,475,850**	**3,846,754**
Tax Income From Continued Operations		**(127,096)**	**1,313,408**
Tax Income/(Expense) for the Period	23	(804,507)	(108,587)
Deferred Tax Income/	23	677,411	1,421,995
NET PROFIT FOR THE PERIOD FROM CONTINUED OPERATIONS		**27,348,754**	**5,160,162**
Profit / (Loss) Distribution			
Non-controlling interests		-	-
Equity holders of the parent		27,348,754	5,160,162
Earnings per share	24	1.15	0.52
OTHER COMPREHENSIVE INCOME			
That will not be reclassified as profit or loss			
Actuarial (losses) on defined benefit plans	16	(7,327,403)	(1,924,898)
Taxes related to other comprehensive income that will not be reclassified as profit or loss			
- Deferred tax income	23	1,465,481	384,980
That will be reclassified as profit or loss			
Currency Translation Differences			
- Profit from Currency Translation Differences		(277,759)	77,667
OTHER COMPREHENSIVE LOSS		**(6,139,681)**	**(1,462,251)**
TOTAL COMPREHENSIVE INCOME		**21,209,073**	**3,697,911**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIODS 1 JANUARY - 31 DECEMBER 2021 AND 2020

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

					Other Comprehensive Income That will not Be Reclassified to Profit or Loss	Other Comprehensive Income That will Be Reclassified to Profit or Loss	Retained earnings					
	Notes	**Share Capital**	**Adjustments to share capital**	**Share premiums**	**Actuarial (losses) on defined benefit plans**	**Currency Translation Differences**	**Restricted reserves**	**Retained earnings**	**Net Profit for the Period**	**Equity holders of the parent company**	**Non-controlling interests**	**Total equity**
Balances at 1 January 2020	**17**	**10,000,000**	**15,137,609**	**-**	**(4,712,176)**	**302,365**	**3,018,735**	**1,565,470**	**1,084,082**	**26,396,085**	**-**	**26,396,085**
Transfers		-	-	-	-	-	10,000	1,074,082	(1,084,082)	-	-	-
Total comprehensive income/(loss)		-	-	-	(1,539,918)	77,667	-	-	5,160,162	3,697,911	-	3,697,911
- Profit (loss) for the period		-	-	-	-	-	-	-	*5,160,162*	*5,160,162*	-	*5,160,162*
-- Other comprehensive income (loss)		-	-	-	*(1,539,918)*	*77,667*	-	-	-	*(1,462,251)*	-	*(1,462,251)*
Dividends (*)		-	-	-	-	-	-	(600,000)	-	(600,000)	-	(600,000)
Balances at 31 December 2020	**17**	**10,000,000**	**15,137,609**	**-**	**(6,252,094)**	**380,032**	**3,028,735**	**2,039,552**	**5,160,162**	**29,493,996**	**-**	**29,493,996**
Balances at 1 January 2021	**17**	**10,000,000**	**15,137,609**	**-**	**(6,252,094)**	**380,032**	**3,028,735**	**2,039,552**	**5,160,162**	**29,493,996**	**-**	**29,493,996**
Acquisition or disposal a subsidiary		-	-	-	-	-	2,929,531	(2,929,531)	-	-	10,378,781	10,378,781
- Acquisition or disposal a subsidiary *(Note 3)*	-	-	-	-	-	-	*2,929,531*	*(2,929,531)*	-	-	*10,378,781*	10,378,781
Transfers		-	-	-	-	-	10,000	5,150,162	(5,160,162)	-	-	-
Total comprehensive income/(loss)		-	-	-	(5,861,922)	(277,759)	-	-	27,348,754	21,209,073	-	21,209,073
- Profit (loss) for the period		-	-	-	-	-	-	-	*27,348,754*	*27,348,754*	-	*27,348,754*
- Other comprehensive income (loss)		-	-	-	*(5,861,922)*	*(277,759)*	-	-	-	*(6,139,681)*	-	*(6,139,681)*
Capital increase (**)		16,000,000	-	-	-	-	-	-	-	16,000,000	-	16,000,000
Other contributions of shareholders		-	-	294,504	-	-	-	-	-	294,504	-	294,504
Dividends (*)		-	-	-	-	-	-	(600,000)	-	(600,000)	-	(600,000)
Balances at 31 December 2021	**17**	**26,000,000**	**15,137,609**	**294,504**	**(12,114,016)**	**102,273**	**5,968,266**	**3,660,183**	**27,348,754**	**66,397,573**	**10,378,781**	**76,776,354**

(*) Dividend distribution amounting to gross TRY600,000 has been decided in the Ordinary General Assembly Meeting for the year-ended 2020 as at 24 February 2021 and the "cash" dividend distribution has been completed as of 30 April 2021. dividend distribution has been completed as of 30 April 2021.

CONSOLIDATED STATEMENT OF CASH FLOW FOR THE PERIODS 1 JANUARY - 31 DECEMBER 2021

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

	Notes	Audited Current Period 1 January - 31 December 2021	Audited Prior Period 1 January - 31 December 2020
A. NET CASH FROM OPERATING ACTIVITIES		**(10,165,542)**	**12,875,851**
Profit for the period		27,348,754	5,160,162
Adjustments regarding reconciliation of net profit/(loss) for the period		**16,473,657**	**15,633,726**
Adjustments related to depreciation and amortization	11, 12, 13	12,244,205	6,445,454
Adjustments related to provision (reversal) of impairment			
Adjustments related to cancellation of impairment on receivables	*6*	*1,075,053*	*(13,000)*
Adjustments related to provision of impairment on inventories	*8*	*45,825*	*(305,704)*
Adjustments related to cancellation of impairment on receivables			
Adjustments related to provisions (reversals) for employee benefits	*16*	*3,109,607*	*1,985,975*
Adjustments related to provisions (reversal) for lawsuits and/or penalty	*15*	*(230,000)*	*271,000*
Adjustments related to interest (income) and expenses			
Adjustments related to interest income	*22*	*(91,322)*	*(44,470)*
Adjustments related to interest expense	*22*	*2,352,293*	*1,401,695*
Deferred financial expense due to purchases with maturity	*21*	*-*	*(277,833)*
Unrealised financial income due from sales with maturity	*21*	*-*	*351,430*
Adjustments related to changes in unrealised foreign exchange differences	5	3,044,849	3,723,324
Adjustments related to Fair Value Losses/(Gains)			
Adjustments for the fair value losses/(gains) of derivative financial instruments	*22*	*(3,536,616)*	*3,536,616*
Adjustments related to tax income	23	(677,411)	(1,313,408)
Adjustments related to losses (gains) on disposal of tangible assets		*(862,826)*	*(127,353)*
Changes in working capital		**(53,194,349)**	**(7,391,644)**
Adjustments for (increase)/decrease in trade receivables			
(Increase)/decrease in trade receivables from non-related parties	*6*	*(24,430,440)*	*(17,293,425)*
Adjustments regarding increase (decrease) in other receivables on operations			
Decrease/(increase) in other receivables related to operations from related parties	*25*	*95,521*	*(95,521)*
Decrease/(increase) in other receivables related to operations from non-related parties	*7*	*(1,429,853)*	*(54,371)*
Adjustments for (increase)/decrease in inventories		(22,093,733)	133,691
Decrease/(increase) in prepaid expenses	9	(2,205,309)	(92,271)
Adjustments regarding increase (decrease) in trade payables			
Increase/(decrease) in trade payables to non-related parties	*6*	*6,447,495*	*10,321,077*
Increase/(decrease) in payables due to employee benefits	16	386,364	1,418,689
Adjustments for increase/(decrease) in other liabilities related to activities			
Increase/(decrease) in other payables to related parties related to operations	*25*	*(3,312,461)*	*(934,579)*
Increase/(decrease) in other payables to non-related parties related to operations	*7*	*(1,121,972)*	*82,194*
Increase/(decrease) in deferred income (Obligations arising from customer contracts excluded)	9	2,109,318	411,890
Adjustments for other increase (decrease) in working capital			
Increase/(decrease) in other assets regarding operations		*(12,594,872)*	*(1,331,615)*
Increase/(decrease) in other liabilities regarding operations		*4,955,593*	*42,597*
Net cash from operating activities		**(9,371,938)**	**13,402,244**
Employee termination benefits paid	16	(691,540)	(482,650)
Income tax refunds (payments)	23	(102,064)	(43,743)

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

CONSOLIDATED STATEMENT OF CASH FLOW FOR THE PERIODS 1 JANUARY - 31 DECEMBER 2021

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

	Notes	Audited Current Period 1 January - 31 December 2021	Audited Prior Period 1 January - 31 December 2020
B. NET CASH FROM INVESTING ACTIVITIES		**(12,702,347)**	**(10,550,049)**
Cash inflows from sales of property, plant and equipment		1,552,538	127,353
Cash outflows from purchase of property, plant and equipment and intangible assets	12, 13	(18,329,633)	(9,351,010)
Cash outflows from purchase of shares in subsidiaries and/or business combinations and/or capital increase, net		4,162,606	-
Cash advances and debts given			
Other cash advances and liabilities		*(87,858)*	*(1,326,392)*
C. NET CASH FROM FINANCING ACTIVITIES		**42,307,944**	**(5,208,756)**
Cash inflows from borrowings	5	58,741,527	25,759,744
Cash outflows from borrowings	5	(28,204,968)	(28,213,086)
Cash outflows due to payments of lease agreements	5	(1,973,525)	(1,221,043)
Capital increase	17	16,000,000	-
Dividends paid		(600,000)	(600,000)
Interest paid		(1,746,412)	(978,724)
Interest received		91,322	44,353
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS BEFORE THE EFFECT OF CURRENCY TRANSLATION RESERVES		**19,440,055**	**(2,882,954)**
Effect of foreign currency translation differences on cash and cash equıvalents		(277,759)	1,550,437
D. NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C)		**19,162,296**	**(1,332,517)**
E. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	**4**	**742,916**	**2,075,433**
F. CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (D+E)	**4**	**19,905,212**	**742,916**

The accompanying notes are an integral part of these consolidated 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", "Company" or "Group") was established on 1972 and is registered in Turkey. Main operating activity of the Company is to manufacture steering wheel and suspension system parts for all types of land transport vehicles. The Company is a subsidiary of Doğan Şirketler Grubu Holding A.Ş. ("Doğan Holding"). The Company'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 Company 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 31,73% (31 December 2020: 31.03%) shares of Ditaş are to be considered in circulation as of 31 December 2021 (Note 17). As of 2 March 2022 shares corresponding to 31,76% of Ditaş's capital are accepted as being in "circulation".

The Company established subsidiary Ditaş America LLC in New Jersey to carry out the sale and marketing of products in the Americas the Company 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 Company 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 company 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.

The main fields of activity of the company's subsidiaries and the countries in which they operate are listed below:

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

			Share percentage in capital (%)	
Subsidiaries	**Nature of business**	**Country**	**31 December 2021**	**31 December 2020**
Profil Sanayi ve Ticaret A.Ş.	Sales and marketing of automotive supply products	Turkey	70.00	-
3S Kalıp Aparat Makina Sanayi ve Ticaret A.Ş.	Sales and marketing of automotive supply products	Turkey	70.00	-
Ditaş America LLC (1)	Sales and marketing of automotive supply products	USA	-	100.00
D-Stroy Ltd. (2)	Sales and marketing of automotive supply products	Russia	-	100.00

The registered address of the parent company is as follows:

Kayseri Yolu Üzeri 3. km. 51100 Niğde

The number of employees of the Company as of 31 December 2021 is 346 (31 December 2020: 341).

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 accompanying consolidated financial statements are prepared in accordance with 2019 TAS Taxonomy based on the requirements of Capital Markets Board ("CMB") Communiqué Serial II, No: 14.1 "Basis of Financial Reporting in Capital Markets" and Turkish Financial Reporting Standarts ("TFRS") issued by the Public Oversight Accounting and Auditing Standards Authority ("POA"), which is developed by POA and announced to the public by the decision of the POA on 15 April 2019 in accordance with paragraph 9(b) of Decree Law No. 660.

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

In accordance with the decision of CMB dated as 17 March 2005 and numbered 11/367, effective from 1 January 2005, the application of inflation accounting is no longer required for companies operating in Turkey and preparing their financial statements in accordance with TFRS. Accordingly, No: 29, "Financial Reporting in Hyperinflationary Economies" ("TAS 29"), has not been applied commencing from 1 January 2005.

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 Financial statements of subsidiaries and joint ventures operating in foreign countries

Financial statements of subsidiaries and joint ventures operating in foreign countries are prepared in accordance with the laws and regulations in force in the countries in which they are registered and required adjustments and reclassifications reflected for the purpose of fair presentation in accordance with the Group's accounting policies.

If the group entities' functional currency is different from the presentation currency; it is translated into the presentation currency as below:

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position.
- Income and expenses for each statement of profit or loss are translated at average exchange rates in the accounting period; and all resulting exchange differences are recognised as a separate component of equity and statements of other comprehensive income (currency translation differences).

When a foreign operation is partially disposed of or sold, exchange differences recorded in equity are recognised in the consolidated statement of profit or loss as part of the gain or loss on sale. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

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

2.1 Basis of Presentation (Continued)

2.1.3 Consolidation principles

The consolidated 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.

Subsidiaries

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

Control is achieved when the Group:

- Has power over the company/asset,
- Is exposed, or has rights, to variable returns from its involvement with the company/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 Company gains control until the date when the Company 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 31 December 2021 and 31 December 2020, the consolidated subsidiaries and their ownership percentages are as follows:

	Effective Partnership Rates (%) 31 December 2021	**Effective Partnership Rates (%) 31 December 2020**
Profil Sanayi ve Ticaret A.Ş.	70.00	-
3S Kalıp Aparat Makine Sanayi ve Ticaret A.Ş.	70.00	-
Ditaş Amerika LLC	-	100.00
D-Stroy Ltd.	-	100.00

2.1.4 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.

2.1.5 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 31 December 2021 with 31 December 2020. 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 - 31 December 2021, are presented comparatively with the consolidated financial statements as of the period 1 January - 31 December 2020.

In the current period, in case of a necessity, prior period financial statements are reclassified in order to comply with the presentation of its current period consolidated financial statements and significant changes are explained.

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

2.1 Basis of Presentation (Continued)

2.1.6 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.

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

There is no standard or opinion that affects the financial performance of the Group, 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 31 December 2021:

- **Amendments to IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform Phase 2;** effective from annual periods beginning on or after 1 January 2021. The Phase 2 amendments address issues that arise from the implementation of the reforms, including the replacement of one benchmark with an alternative one. The Phase 2 amendments provide additional temporary reliefs from applying specific IAS 39 and IFRS 9 hedge accounting requirements to hedging relationships directly affected by IBOR reform.

- **Amendments to IFRS 4 Insurance Contracts – deferral of IFRS 9;** effective from annual periods beginning on or after 1 January 2023. These amendments defer the date of application of IFRS 17 by two years to 1 January 2023 and change the fixed date of the temporary exemption in IFRS 4 from applying IFRS 9, Financial instrument until 1 January 2023.

b) Standards, amendments and interpretations that are issued but not effective as at 31 December 2021

- **Amendment to IFRS 16, 'Leases' – Covid-19 related rent concessions Extension of the Practical expedient;** as of March 2021, this amendment extended till June 2022 and effective from 1 April 2021.As a result of the coronavirus (COVID-19) pandemic, rent concessions have been granted to lessees. Such concessions might take a variety of forms, including payment holidays and deferral of lease payments. On 28 May 2020, the IASB published an amendment to IFRS 16 that provides an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification. Lessees can elect to account for such rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as variable lease payments in the period(s) in which the event or condition that triggers the reduced payment occurs.

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

2.1 Basis of Presentation (Continued)

2.1.7 New and revised Turkish Financial Reporting Standards ("TFRS") (Continued)

b) Standards, amendments and interpretations that are issued but not effective as at 31 December 2021

- **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.

- **Amendments to IAS 1, Presentation of financial statements' on classification of liabilities;** effective date deferred until accounting periods starting not earlier than 1 January 2024. These narrow-scope amendments to IAS 1, 'Presentation of financial statements', clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what IAS 1 means when it refers to the 'settlement' of a liability.

- **A number of narrow-scope amendments to IFRS 3, IAS 16, IAS 37 and some annual improvements on IFRS 1, IFRS 9, IAS 41 and IFRS 16;** effective from Annual periods beginning on or after 1 January 2022.

  - **Amendments to IFRS 3**, 'Business combinations' update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.

  - **Amendments to IAS 16**, 'Property, plant and equipment' prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.

  - **Amendments to IAS 37**, 'Provisions, contingent liabilities and contingent assets' specify which costs a company includes when assessing whether a contract will be loss-making.

  Annual improvements make minor amendments to IFRS 1, 'First-time Adoption of IFRS', IFRS 9, 'Financial instruments', IAS 41, 'Agriculture' and the Illustrative Examples accompanying IFRS 16, 'Leases'.

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

2.1 Basis of Presentation (Continued)

2.1.7 New and revised Turkish Financial Reporting Standards ("TFRS") (Continued)

b) Standards, amendments and interpretations that are issued but not effective as at 31 December 2021

- **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;** 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.

The Group has not determined the effects that may occur in the consolidated financial statements as a result of the application of the aforementioned standards but has not anticipated that these differences will have a significant impact on the consolidated financial statements.

2.2 Summary of Significant Accounting Policies

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.

(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.
- (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.

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

Related parties (Continued)

(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 group (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 group 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.

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 company 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 Company or their key management personnel; Company'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 25).

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).

If there is a partial or whole collection over the doubtful receivable amount subsequent to the allocation of provision for doubtful receivables, the collected portion is recognized as other income from operating activities following the write-down of the total provision amount (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 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 statement of consolidated 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 consolidated 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 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 statement of profit or loss.

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

2.2 Summary of Significant Accounting Policies (Continued)

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 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 statement of profit or loss.

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 consolidated financial statements at the date of the lease's actual start.

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

2.2 Summary of Significant Accounting Policies (Continued)

Leases (Continued)

The right of use assets

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.

Lease liability

At the effective date of the lease, the Company 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 consolidated 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 Company and the lessor. However, if such extension and early termination options are at the Company'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 Company.

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

2.2 Summary of Significant Accounting Policies (Continued)

Leases (Continued)

Facilitative applications

Contracts related to IT equipment leases (mainly printer, laptop, mobile phone, etc.), which are determined by the Company 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.

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 Company, the liabilities assumed by the Company to the previous owners of the business and the equity interests issued by the Company.
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 company, 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.

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

2.2 Summary of Significant Accounting Policies (Continued)

Business combinations (Continued)

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.

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 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)

Business combinations (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 11). 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 relationship	4 years
Other tangible assets	5 years

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

2.2 Summary of Significant Accounting Policies (Continued)

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.

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 consolidated 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 consolidated 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 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 Company 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 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 consolidated tax return for its subsidiary and its joint venture. Therefore, tax provisions, as reflected in the accompanying consolidated 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)

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 23).

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 23).

Current and deferred tax

Tax is included in the 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 23).

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 4). 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.

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 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 consolidated financial statements. Dividend distribution to the Company's shareholders is recognized as a liability in the Group's consolidated financial statements in the period in which the dividends are approved by the General Assembly (Note 17).

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

2.2 Summary of Significant Accounting Policies (Continued)

Revenue recognition

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

The Company 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 Company 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 Company will transfer the goods or the services to the client, these commitments are defined as a separate performance obligation.

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

2.2 Summary of Significant Accounting Policies (Continued)

Revenue recognition(Continued)

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 company 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 company 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).

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 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.

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

2.2 Summary of Significant Accounting Policies (Continued)

Revenue recognition(Continued)

When a party carries out the contract, the Group reflects the contract as a contract asset or contractual liability in the 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.

Original Equipment Spare Part Production

After mass-production of the equipment, the Company 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.

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

(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)

Foreign currency transactions(Continued)

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 recognized under other comprehensive income.

<u>Group companies</u>

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 31 December 2021 and 31 December 2020 are summarized below:

	Currency	**31 December 2021**	**31 December 2020**
USA	USD	13,3290	7.3405
Russia	RUB	0,17697	0.0984

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 24).

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

2.2 Summary of Significant Accounting Policies (Continued)

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 consolidated statement of financial position rather than recognised in the 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 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 consolidated financial statements.

In the case that events not requiring a correction to be made occur subsequent, those events are disclosed in the notes of consolidated financial statements (Note 28).

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)

2.3 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 Company'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 Company management has assumed the experience of the technical team in determining the useful economic lives of the tangible and intangible assets.
c) The Company'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 Company 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 31 December 2021 and 31 December 2020, we have not detected any impairment related to capital development expenses.

NOTE 3 – BUSINESS COMBINATIONS

Business combinations as of December 3, 2021:

<u>Acquisition of 3S Kalıp Aparat Makine Sanayi ve Ticaret A.Ş. and Profil Sanayi ve Ticaret A.Ş.</u>

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). 14,350,432 Turkish Liras will be paid to Profil as cash capital increase fee, as Ditaş will undertake the remaining part of the sellers' shares in the subsequent capital increase, and the remaining 12,756,746 Turkish Liras will be paid to the sellers. These amounts have been paid as of the date the financial statements were prepared.

Business combinations as of December 3, 2021:

Since the initial accounting of this acquisition within the scope of TFRS 3 business combinations standard has not been completed as of the date of preparation of the financial statements, it has been accounted for with provisional amounts in the consolidated financial statements on 31 December 2021. The company will complete the initial accounting of the business combination and make the necessary corrections within 1 year from the date of acquisition.

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

NOTE 3 – BUSINESS COMBINATIONS (Continued)

During the ongoing initial accounting of the acquisition, a positive value difference regarding the inventories and tangible assets of the acquired companies and an intangible asset resulting from the valuation of the existing customer contract emerged. The draft fair value difference, determined by an independent real estate valuation firm with a CMB license, using market approach and cost approach valuation methods, was determined as 54,062,384 TRY for tangible fixed assets. A useful life of 4 years has been determined for the intangible asset related to existing customer contracts amounting to 15,831,377 TL, which was also determined in the draft valuation study of an independent valuation company, and will be subject to straight-line depreciation throughout its useful life.

	Net book value	Fair value
Current 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 due from related parties	800,000	800,000
Provisions for employee benefits	4,902,228	4,902,228
Deferred income	12,184,989	12,184,989
Deferred tax liabilities	-	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
Goodwill as of 31 December 2021	**-**	**2,890,023**
Non-controlling interests	**-**	**10,378,781**

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

NOTE 3 – BUSINESS COMBINATION (Continued)

As of December 31, 2021, goodwill in the amount of 2,890,023 TRY has been recognized in the consolidated financial statements through business combinations, the details of which are disclosed in the consolidated statement of financial position.

	31 December 2021	**31 December 2020**
Goodwill	2,890,023	-
Total	**2,890,023**	**-**

NOTE 4 - CASH AND CASH EQUIVALENTS

	31 December 2021	**31 December 2020**
Cash	16,009	-
Banks		
-Time deposits	-	-
- Demand deposits	19,889,203	742,916
Total	**19,905,212**	**742,916**

The Company has no time deposit as of 31 December 2021 (31 December 2020: None).

Cash and cash equivalents disclosed in the consolidated statements of cash flows as of 31 December 2021 and 31 December 2020 are as follows:

	31 December 2021	**31 December 2020**
Cash and cash equivalents	19,905,212	742,916
Less: Accrued interest	-	-
Total	**19,905,212**	**742,916**

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

The details of short-term and long-term borrowings at 31 December 2021 and 31 December 2020 are as follows:

Borrowings

	31 December 2021	**31 December 2020**
Bank borrowings	86,898,760	21,962,172
Payables due to leasing transactions	20,375,015	2,130,101
Total	**107,273,775**	**24,092,273**

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

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

Short-term borrowings

	31 December 2021	31 December 2020
Short-term bank borrowings	22,976,567	17,411,507
Total	**22,976,567**	**17,411,507**

Short-term portions of long-term borrowings

	31 December 2021	31 December 2020
Short-term portions of long-term borrowings	17,765,672	1,848,295
Lease borrowings from related parties	1,073,039	707,510
Lease borrowings from non-related parties	3,327,063	22,339
Total	**22,165,774**	**2,578,144**

Long-term borrowings

	31 December 2021	31 December 2020
Long-term bank borrowings	46,156,521	2,702,370
Lease borrowings from related parties	2,019,948	1,391,169
Lease borrowings from non-related parties	13,954,965	9,083
Total	**62,131,434**	**4,102,622**

The movement table of the lease borrowings is as follows:

	2021	2020
1 January	**2,130,101**	**2,021,330**
Purchased subsidiary additions	10,631,097	-
Additions	9,120,748	340,436
Remeasurement	45,307	409,252
Payments	(2,096,161)	(1,221,043)
Interest expense (Note 22)	605,881	422,971
Currency translation differences	(61,958)	157,155
31 December	**20,375,015**	**2,130,101**

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

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

As of 31 December 2021 and 31 December 2020, the repayment schedule for long-term bank loans is as follows:

Long-term financial liabilities

	31 December 2021	31 December 2020
To be paid in 1 - 2 years	42,393,311	2,372,464
To be paid in 2 - 3 years	7,400,617	1,471,674
To be paid in 3 - 4 years	6,168,753	258,484
5 years and more	6,168,753	-
Total	**62,131,434**	**4,102,622**

As of 31 December 2021 and 31 December 2020, the repayment schedule for long-term bank loans is as follows:

	31 December 2021	31 December 2020
Financial borrowings with fixed interest rates (Notes 26)	99,773,775	19,541,608
Financial borrowings with floating interest rates (Note 26)	7,500,000	4,550,665
Total	**107,273,775**	**24,092,273**

Allocation of borrowings with fixed and floating interest rates of the Group excluding financial liabilities to be paid to the suppliers as of 31 December 2021 and 31 December 2020 are as follows:

a) Bank borrowings

	Original currency		Interest rate per annum (%)		TRY equivalent	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020	31 December 2021	31 December 2020
EUR	2,622,897	505,186	2.60-7.00	2.60-7.00	39,642,210	4,550,665
TRY	47,256,550	17,411,507	4.00-24.75	7.50-9.75	47,256,550	17,411,507
					86,898,760	**21,962,172**

The interest rates of TRY borrowings used by the Group are +4% and 24.75%, the interest rates of EUR borrowings Libor+2.60%-7.00% (31 December 2020: TRY: 7.50%, EUR: 9.75% and Libor + 2.60%).

b) Payables from leasing transactions from non-related parties

	Original currency		TRY equivalent	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
TRY	17,282,028	31,422	17,282,028	31,422
			17,282,028	**31,422**

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

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

c) Payables from leasing transactions from related parties

	Original currency		TRY equivalent	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
TRY	3,092,987	2,098,679	3,092,987	2,098,679
			3,092,987	**2,098,679**

The reconciliation of the net financial borrowings as of 31 December 2021 and 31 December 2020 are as follows:

	31 December 2021	31 December 2020
Cash and cash equivalents (Note 4)	19,905,212	742,916
Short-term borrowings	(45,142,341)	(19,989,651)
Long-term borrowings	(62,131,434)	(4,102,622)
	(87,368,563)	**(23,349,357)**

	Short-term borrowings	Long-term borrowings	Cash and cash equivalents	Net financial debt
As of 1 January 2021	**(19,989,651)**	**(4,102,622)**	**742,916**	**(23,349,357)**
Subsidiary acquisition	(23,692,740)	(13,508,976)	7,133,889	(30,067,827)
Cash flow effect	(1,193,390)	(41,458,336)	12,306,166	(30,345,560)
Foreign currency adjustments	-	(3,061,500)	(277,759)	(3,339,259)
Interest accrual, net	(266,560)	-	-	-
As of 31 December 2021	**(45,142,341)**	**(62,131,434)**	**19,905,212**	**(68,529,852)**

	Short-term borrowings	Long-term borrowings	Cash and cash equivalents	Net financial debt
As of 1 January 2020	**(11,285,752)**	**(10,125,029)**	**2,075,550**	**(19,335,231)**
TFRS 16 transition effect	(82,556)	(26,215)	-	(108,771)
Cash flow effect	(4,761,075)	7,214,426	(2,656,744)	(203,393)
Foreign currency adjustments	(3,881,747)	(1,165,804)	1,324,227	(3,723,324)
Interest accrual, net	21,479	-	(117)	21,362
As of 31 December 2020	**(19,989,651)**	**(4,102,622)**	**742,916**	**(23,349,357)**

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

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

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

	31 December 2021		
	Maturity	**Interest rate (%) (*)**	**TRY**
Short-term portion of long-term payables from related parties leasing transactions (Note 25)	1 February 2022	22.55	1,073,039
Long-term payables from related parties leasing transactions (Note 25)	1 February 2024 - 30 Eylül 2024	22.55	2,019,948
Long-term payables from third parties leasing transactions	1 February 2022	22.55	17,282,028
			20,375,015

	31 December 2020		
	Maturity	**Interest rate (%) (*)**	**TRY**
Short-term portion of long-term payables from related parties leasing transactions (Note 24)	1 December 2021	22.55	707,510
Short-term portion of long-term payables from non-related parties leasing transactions	1 December 2021	22.55	22,339
Long-term payables from related parties leasing transactions (Note 24)	1 December 2023 - 1 July 2024	22.55	1,391,169
Long-term payables from third parties leasing transactions	1 February 2022	22.55	9,083
			2,130,101

(*) Represents the inter-company borrowing rate.

NOTE 6 - TRADE RECEIVABLES AND PAYABLES

Short-term trade receivables from non-related parties:

	31 December 2021	**31 December 2020**
Trade receivables	83,766,468	40,587,026
Time notes and checks	11,767,884	1,193,661
Provision for doubtful receivables (-)	(1,864,962)	(789,909)
Total	**93,669,390**	**40,990,778**

As of 31 December 2021 and 31 December 2020 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 2020: TRY: None). 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 83 days as of the statement of financial position date (31 December 2020: 84 days).

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

NOTE 6 - TRADE RECEIVABLES AND PAYABLES (Continued)

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

Explanations on the nature and level of risks in trade receivables are provided in Note 25.

	2021	2020
1 January	**(789,909)**	**(802,909)**
Provisions during the period	(1,864,962)	-
Provisions no longer required (Note 20)	789,909	13,000
31 December	**(1,864,962)**	**(789,909)**

Short-term trade payables to non-related parties:

	31 December 2021	31 December 2020
Trade payables	64,990,173	30,602,106
Notes payable	24,147,731	765,671
Total	**89,137,904**	**31,367,777**

As of 31 December 2021 the average maturity days of trade payables is 64 days (31 December 2020: 87 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 2020: None). 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.

NOTE 7 - OTHER RECEIVABLES AND PAYABLES

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

	31 December 2021	31 December 2020
Receivables from personnel	211,737	61,910
Deposit and guarantees given	623,607	13,580
Other (*)	1,235,353	28,300
Total	**2,070,697**	**103,790**

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

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

	31 December 2021	31 December 2020
Deposit and guarantees given	34,320	93,040
Total	**34,320**	**93,040**

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

NOTE 7 - OTHER RECEIVABLES AND PAYABLES (Continued)

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

	31 December 2021	31 December 2020
Taxes and funds payable	602,843	155,628
Personnel union dues	150,000	23,375
Other liabilities (*)	27,107,178	-
Total	**27,860,021**	**179,003**

(*) It consists of payables related to the acquisition of subsidiaries.

NOTE 8 - INVENTORIES

	31 December 2021	31 December 2020
Raw materials and supplies	35,663,784	8,263,586
Semi-finished goods	31,624,445	6,444,326
Products	13,268,536	4,146,324
Goods on the road	41,001	527
	80,597,766	**18,854,763**
Provision for impairment of inventory (-)	(67,825)	(22,000)
Total	**80,529,941**	**18,832,763**

Depreciation and amortization expenses amounting to TRY110,528,206 have been reflected to cost of inventories as of 1 January - 31 December 2021 (1 January-31 December 2020: TRY57,528,864) (Note 18).

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

	2021	2020
1 January	**22,000**	**327,704**
Provisions during the period	45,825	-
Provisions no longer required	-	(305,704)
31 December	**67,825**	**22,000**

If non-moving inventory identified during the previous period is used and/or disposed of in the current period, the related amounts are recognised as provisions no longer required.

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

NOTE 9 - PREPAID EXPENSES AND DEFERRED INCOME

Short-term prepaid expenses

	31 December 2021	31 December 2020
Expenses for the coming months	2,070,121	981,857
Order advances given for inventory purchase	2,535,289	701,481
Business advances	78,182	1,069
Total	**4,683,592**	**1,684,407**

Long-term prepaid expenses

	31 December 2021	31 December 2020
Advances given for the purchase of fixed assets	1,816,059	1,785,027
Expenses for the coming years	-	42,354
Other	99,179	-
Total	**1,915,238**	**1,827,381**

Short-term deferred income

	31 December 2021	31 December 2020
Advances received	2,830,588	422,764
Incomes for the coming years (*)	-	298,506
Total	**2,830,588**	**721,270**

(*) Consist of incentives from Metal Industrialists' Union of Turkey ("MESS").

Long-term deferred income

	31 December 2021	31 December 2020
Advances received	800,000	-
Total	**800,000**	**-**

NOTE 10 - OTHER CURRENT ASSETS

Other current assets

	31 December 2021	31 December 2020
Value added tax ("VAT") receivables (*)	5,297,252	2,179,332
Personnel advances	51,248	9,178
Total	**5,348,500**	**2,188,510**

(*) It became appropriate to offset the TRY3,210,156 (31 December 2020: TRY2,179,332) portion of VAT receivables. This portion will be offset from payments to public institutions, including the Social Security Institution.

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

NOTE 11 - RIGHT OF USE ASSETS

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

	1 January 2021	Subsidiary acquisition	Additions	Disposals	Remeasurement	31 December 2021
Cost - Machine	-	5,415,487	7,217,903	-	-	12,633,390
Cost - Vehicles	944,919	982,281	1,734,903	-	45,307	3,707,410
Cost - Office	1,871,296	-	-	-	-	1,871,296
Cost - Buildings	-	12,787,356	-	-	-	12,787,356
Accumulated amortization - Vehicles	-	(3,201,075)	(799,051)	-	-	(4,000,126)
Accumulated amortization - Buildings	(457,456)	(354,493)	(507,984)	-	-	(1,319,933)
Accumulated amortization - Office	(582,863)	-	(368,124)	-	-	(950,987)
Accumulated amortization - Buildings	-	(5,559,792)	-	-	-	(5,559,792)
	1,775,896	**10,069,764**	**7,277,647**	**-**	**45,307**	**19,168,614**

	1 January 2020	Additions	Disposals	Remeasurement	31 December 2020
Cost - Vehicles	195,231	340,436	-	409,252	944,919
Cost - Office	1,897,935	-	(26,639)	-	1,871,296
Accumulated amortization - Vehicles	(109,777)	(347,679)	-	-	(457,456)
Accumulated amortization - Office	(228,736)	(368,124)	13,997	-	(582,863)
	1,754,653	**(375,367)**	**(12,642)**	**409,252**	**1,775,896**

For the period ended at 31 December 2021, 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).

NOTE 12 - PROPERTY, PLANT AND EQUIPMENT

	1 January 2021	Subsidiary acquisition	Additions	Disposals	Transfers	31 December 2021
Cost:						
Land	132,531	-	-	-	-	132,531
Land improvements	3,042,130	-	164,689	-	-	3,206,819
Buildings	10,845,795	-	-	-	-	10,845,795
Machinery and equipment	56,828,283	65,772,671	9,029,476	(509,557)	3,860,675	134,981,548
Motor vehicles	168,102	6,960,016	-	(108,070)	-	7,020,048
Furniture and fixtures	5,667,785	4,895,230	801,824	(990)	-	11,363,849
Special costs	110,962	4,843,687	64,038	-	-	5,018,687
Construction in progress	3,111,528	228,737	3,747,313	-	(4,069,091)	3,018,487
Other tangible assets	-	11,274,159	-	-	-	11,274,159
	79,907,116	**93,974,500**	**13,807,340**	**(618,617)**	**(208,416)**	**186,861,923**
Accumulated depreciation:						
Land improvements	2,413,300	-	154,628	-	-	2,567,928
Buildings	4,704,370	-	241,125	-	-	4,945,495
Machinery and equipment	37,791,051	16,794,341	7,027,306	(509,557)	-	61,103,140
Motor vehicles	105,061	1,660,016	70,498	(45,064)	-	1,790,511
Furniture and fixtures	4,539,531	2,919,230	462,883	-	-	7,921,644
Special costs	18,949	2,504,225	127,312	-	-	2,650,487
Other tangible assets	-	7,612,158	52,044	-	-	7,664,202
	49,572,262	**31,489,970**	**8,135,796**	**(554,621)**	**-**	**88,643,407**
Net book value	**30,334,854**					**98,218,516**

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

NOTE 12 - PROPERTY, PLANT AND EQUIPMENT

	1 January 2020	Additions	Disposals	Transfers	31 December 2020
Cost:					
Land	132,531	-	-	-	132,531
Land improvements	2,930,547	-	-	111,583	3,042,130
Buildings	10,786,795	19,000	-	40,000	10,845,795
Machinery and equipment	50,876,293	2,376,140	(275,335)	3,851,185	56,828,283
Motor vehicles	168,102	-	-	-	168,102
Furniture and fixtures	5,062,829	520,615	(5,659)	90,000	5,667,785
Special costs	-	21,555	-	89,407	110,962
Construction in progress	5,932,248	5,852,699	-	(8,673,419)	3,111,528
	75,889,345	**8,790,009**	**(280,994)**	**(4,491,244)**	**79,907,116**
Accumulated depreciation:					
Land improvements	2,271,983	141,317	-	-	2,413,300
Buildings	4,465,223	239,147	-	-	4,704,370
Machinery and equipment	34,941,014	3,125,372	(275,335)	-	37,791,051
Motor vehicles	83,447	21,614	-	-	105,061
Furniture and fixtures	4,149,932	395,258	(5,659)	-	4,539,531
Special costs	-	18,949	-	-	18,949
	45,911,599	**3,941,657**	**(280,994)**	**-**	**49,572,262**
Net book value	**29,977,746**				**30,334,854**

Depreciation expenses for the accounting periods ending on 31 December 2021 and 31 December 2020 are reflected in cost of sales, general administrative, marketing and research and development expenses (Note 19).

As of 31 December 2021 and 31 December 2020, there is no mortgage on property, plant and equipment.

As of 31 December 2021 and 31 December 2020, the Group does not have any tangible assets acquired by financial leasing.

NOTE 13 - INTANGIBLE ASSETS

	1 January 2021	Subsidiary acquisition	Additions	Disposals	Transfers	31 December 2021
Cost:						
Rights	3,299,262	-	388,314	-	208,416	3,895,992
Development costs	8,473,042	-	3,751,143	(625,716)	-	11,598,469
Other intangible assets	314,172	2,716,563	382,836	-	-	3,413,571
Customer relationship (Note 3)	-	15,831,377	-	-	-	15,831,377
	12,086,476	**18,547,940**	**4,522,293**	**(625,716)**	**208,416**	**34,739,409**
Accumulated depreciation:						
Rights	2,851,494	-	334,738	-	-	3,186,232
Development costs	1,807,460	-	2,075,487	-	-	3,882,947
Other intangible assets	294,677	2,241,372	23,025	-	-	2,559,074
	4,953,631	**2,241,372**	**2,433,250**	**-**	**-**	**9,628,253**
Net book value	**7,132,845**					**25,111,156**

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

NOTE 13 - INTANGIBLE ASSETS (Continued)

	1 January 2020	Additions	Transfers	31 December 2020
Cost:				
Rights	2,946,361	352,901	-	3,299,262
Development costs	3,773,698	208,100	4,491,244	8,473,042
Other intangible assets	314,172	-	-	314,172
	7,034,231	**561,001**	**4,491,244**	**12,086,476**
Accumulated depreciation:				
Rights	2,662,616	188,878	-	2,851,494
Development costs	238,353	1,569,107	-	1,807,460
Other intangible assets	264,668	30,009	-	294,677
	3,165,637	**1,787,994**	**-**	**4,953,631**
Net book value	**3,868,594**			**7,132,845**

Amortization expenses for the periods ended at 31 December 2021 and 31 December 2020 are accounted under general administrative expenses (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 TRY868,683 (31 December 2020: TRY1,218,524) is recorded against the labor expense under cost of goods sold in the financial statements as of 31 December 2021.

NOTE 15 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

Other short-term provisions

	31 December 2021	31 December 2020
Provision for ongoing lawsuits	202,000	432,000
Provision for overseas turnover premium	1,035,320	73,118
Domestic turnover bonus provisions	120,335	-
Service expenses provisions	788,405	-
Total	**2,146,060**	**505,118**

Various lawsuits have been filed and are ongoing against the Group. All of these lawsuits are business lawsuits. The Group management assesses the possible outcomes and financial impact of these lawsuits at the end of each period and allocates the provisions necessary as a result of this assessment. As of 31 December 2021, the Group had allocated provisions amounting to TRY202,000 (31 December 2020: TRY432,000) for the lawsuits.

As of 31 December 2021 and 31 December 2020, there is no case that Group does not have any provision.

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

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

Movement of lawsuit provisions for the periods ended 31 December 2021 and 2020 is as follows:

	2021	**2020**
1 January	**432,000**	**161,000**
Canceled provisions (-) (Note 20)	(230,000)	(72,000)
Provision for litigation in the period (Note 20)	-	343,000
31 December	**202,000**	**432,000**

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

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

Collaterals/pledges/mortgages ("CPM") position

As of 31 December 2021 and 31 December 2020, the Group's position in CPM is as follows:

Letters of guarantee and guarantee notes given

	31 December 2021			31 December 2020		
	TRY equivalent	TRY	EUR	TRY equivalent	TRY	EUR
A. CPM's given in the name of its own legal personality	18,695,440	534,200	1,201,625	6,848,015	955,182	654,185
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 group companies	-	-	-	-	-	-
iii. Total amount of CPM's given on behalf of 3rd parties which are not in scope of B	-	-	-	-	-	-
Total	**18,695,440**	**534,200**	**1,201,625**	**6,848,015**	**955,182**	**654,185**

As at 31 December 2021 and 31 December 2020 all CPMs of the Company were given on behalf of its own legal entity. The rate of given CPMs to the Company'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	**31 December 2021**	**31 December 2020**
Collateral notes received from vendors	590,448	1,255,468
Letters of guarantee received from customers	750,000	750,000
Collateral checks received from vendors	-	75,600
Collateral checks received from customers	598,102	-
Total	**1,938,550**	**2,081,068**

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:

	31 December 2021	**31 December 2020**
Wages payable to personnel	4,341,680	2,229,640
Social security premiums payable	1,746,570	843,235
Income tax on fees	1,211,620	754,194
Total	**7,299,870**	**3,827,069**

16.2 Short-term provisions for employment benefits:

	31 December 2021	**31 December 2020**
Provision for unused vacation	2,512,896	1,607,990
Provision for collective labour agreement	-	-
	2,512,896	**1,607,990**

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

	2021	**2020**
1 January	**1,607,990**	**1,034,062**
Provision amount allocated during the period	579,655	629,677
Impact of acquired subsidiary	358,314	-
Payment for unused vacation provision	(33,063)	(55,749)
31 December	**2,512,896**	**1,607,990**

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

NOTE 16 - PROVISION FOR EMPLOYMENT BENEFITS (Continued)

16.3 Long-term provisions for employment benefits:

	31 December 2021	31 December 2020
Provision for employment termination benefits	28,252,761	14,151,655
	28,252,761	**14,151,655**

The Company has no pension plans and benefits.

Under the Turkish Labour Law, the Company 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 31 December 2021, the maximum amount payable equivalent to one month of salary is TRY8,284.51 (exact) (31 December 2020: TRY7,117.17 (exact)) for each year of service. The retirement pay provision ceiling TRY10,848.59 which is effective from 1 January 2021, is taken into consideration in the calculation of provision for employment termination benefits (1 January 2020: TRY7,638.96(exact)).

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 Company.

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 31 December 2020, 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 11.80%(1) (31 December 2020: 11.80%), inflation rate applied as 16.90%(2) (31 December 2020: 7.43%) and increase in wages applied as 7.43% (31 December 2020: 7.43%) in the calculation.

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

(1) Discount rate used for calculating the severance payment liability is determined as the 10 years of Government Bond compound interest of 4.07% (31 December 2020: 4.70%).

(2) The upper band inflation rate of the inflation report of Central Bank of the Republic of Turkey as of the year 2021 has been used in calculating the liability for severance payment.

(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:

	2021	2020
1 January	**14,151,655**	**10,409,798**
Service cost	1,056,114	853,435
Interest cost	1,597,882	1,195,818
Actuarial loss/(gain)	7,327,403	1,924,898
Impact of acquired subsidiary	4,902,228	-
Loss due to payment/dismissal	68,202	193,891
Past service cost incurred in the last financial period	(192,246)	716
Payments during the period	(658,477)	(426,901)
31 December	**28,252,761**	**14,151,655**

NOTE 17 - EQUITY

Issued Capital

The Company 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. Company's registered capital ceiling and issued capital at 31 December 2021 and 31 December 2020 are as follows.

	31 December 2021	31 December 2020
Registered authorized capital ceiling	38,000,000	38,000,000
Issued capital	26,000,000	10,000,000

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

As of 31 December 2021 and 31 December 2020, the shareholding structure of the Group is as follows:

	(%)	31 December 2021	(%)	31 December 2020
Doğan Holding	68.24	17,742,854	68.90	6,889,559
Publicly traded on Borsa İstanbul and other [1]	31.76	8,257,146	31.10	3,110,441
Issued Capital	**100.00**	**26,000,000**	**100.00**	**10,000,000**
Adjustment to issued capital		15,137,609		15,137,609
Total		**41,137,609**		**25,137,609**

(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 31 December 2021 based on the Central Registry Agency's ("CRA") records (31 December 2020: 31.03%). In addition, as of 23 February 2021, shares corresponding to 31.76% of Ditaş's capital are considered to be "in circulation".

There are no privileged shares of the Company.

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 31 December 2021, according to the Company's records kept in line with tax legislation, TRY3,028,735 (31 December 2020: TRY3,028,735) of its restricted reserves of TRY814,881 (31 December 2020: TRY814,881) allocated from profits comprises affiliate and real estate sales earnings, and TRY2,213,854 (31 December 2020: TRY2,213,854) comprises legal reserves, calculated by considering amounts discounted 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 statement of financial position and their adjusted values based on inflation are collectively presented in equity accounts group.

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 31 December 2021 under the tax legislation "Extraordinary Reserves" are TRY21,855,845 (31 December 2020: TRY10,676,579).

Dividend distribution

The Company 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 as per the 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 Company's Consolidated Financial Statements for the 1 January 2019 - 31 December 2020 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 made in 2019 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 the Legal Statutory Records ("Statutory Records") for the period 1 January 2021 - 31 December 2021, kept as per tax legislation and prepared as per the Uniform Chart of Accounts issued by the Republic of Turkey Ministry of Finance, a "Net Period Profit" of TRY28,460,067 was observed. Considering that the limit determined in accordance with paragraph (1) of Article 519 of the TCC has been reached, a "Net Distributable Term Profit" in the amount of 28,460,067 Turkish Lira was calculated as a result of not allocating "General Legal Reserve",

- In the framework of CMB and KGK regulations, the consolidated financial statements prepared in line with TAS and TFRS taken as the base when calculating "net distributable period profit",

- After an additional "General Legal Reserve" amounting to TRY10,000 was allocated as per sub-paragraph (c) of paragraph 2 of Article 519 of the TCC, a "cash" dividend amounting to TRY600,000 (gross) and TRY510,000 (net), equal to 6.00% gross and 5.10% net of the unpaid capital, would be distributed in line with the rules of the Central Securities Depository A.Ş. on "fractions" applicable on the date the dividend distribution started, and the dividend distribution shall begin on 30 April 2022 at the latest,

- As per the CMB and POA regulations, after the above-mentioned legal and special reserves were allocated in the consolidated financial statements prepared in line with TAS and TFRS, non-distributed profit amounting to TRY4,550,162 was recognised under "Previous Years' Profit or Loss",

- The retained earnings amounting to TRY2,145,269 which were not distributed after required legal reserves were allocated according to the legal accounting records of the Company, would be included in the "Extraordinary Reserves" account.

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 TRY28,266,271.68 (31 December 2020: TRY23,280,725.43).

(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 TRY12,114,016 is accounted under shareholders’ equity (31 December 2020: TRY6,252,094).

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 TRY102,273 (31 December 2020: TRY380,032).

NOTE 18 - REVENUE AND COST OF SALES

Revenue:

	31 December 2021	31 December 2020
Independent spare parts sales	123,279,742	79,422,512
Original spare parts sales	134,755,760	61,203,349
Net sales	**258,035,502**	**140,625,861**

Cost of sales:

	31 December 2021	31 December 2020
Raw material cost (Note 8)	110,528,206	57,528,864
Labour costs (Note 19.b)	31,827,533	23,186,101
Production overhead	31,552,562	18,043,033
Depreciation and amortization (Notes 11, 12 and 13)	11,156,744	5,551,027
Total	**185,065,045**	**104,309,025**

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

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

	1 January - 31 December 2021				1 January - 31 December 2020			
	Research and development expenses	Marketing expenses	General administrative expenses	Total	Research and development expenses	Marketing expenses	General administrative expenses	Total
Service expenses	-	12,179,050	9,337,535	21,516,585	693,716	7,330,731	4,538,184	12,562,631
Personnel expenses	4,559,674	2,483,677	7,325,001	14,368,352	3,174,977	2,513,793	3,694,961	9,383,731
Payments to managers (Note 25 ii.c)	-	-	1,845,392	1,845,392	-	-	3,292,952	3,292,952
Packing materials	-	2,205,625	-	2,205,625	-	1,021,829	-	1,021,829
Depreciation and amortization (Notes 11, 12 and 13)	270,414	323,133	493,914	1,439,849	191,714	197,081	505,632	894,427
Turnover premium expenses	-	461,140	-	461,140	-	-	-	-
Export expenses	-	189,386	-	189,386	-	-	-	-
Rent expenses	-	31,772	26,886	58,658	-	-	-	-
Travel expenses	-	47,157	-	47,157	-	-	-	-
Dues expenses	-	-	334,049	334,049	-	-	-	-
Tax, Duty and Fee expenses	-	-	93,983	93,983	-	-	-	-
Education expenses	-	-	11,875	11,875	-	-	-	-
Insurance expenses	-	-	52,588	52,588	-	-	-	-
Advisory expenses	-	-	41,981	41,981	-	-	-	-
Other	61,035	55,945	660,093	424,685	153,444	67,062	62,086	282,592
Total	**4,891,123**	**17,976,885**	**20,223,297**	**43,091,305**	**4,213,851**	**11,130,496**	**12,093,815**	**27,438,162**

(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:

	31 December 2021	31 December 2020
Cost of sales (Note 18)	11,156,744	5,551,027
General and administrative expenses (Note 19)	493,914	505,632
Research and development costs (Note 19)	270,414	191,714
Marketing expenses (Note 19)	323,133	197,081
Total	**12,244,205**	**6,445,454**

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

	31 December 2021	31 December 2020
Cost of sales (Note 18)	31,827,533	23,186,101
General and administrative expenses (Note 19)	9,170,393	6,987,913
Marketing expenses (Note 19)	2,483,677	2,513,793
Research and development costs (Note 19)	4,559,674	3,174,977
Total	**48,041,277**	**35,862,784**

NOTE 21 - OTHER INCOME AND EXPENSES FROM OPERATING ACTIVITIES

Other income from operating activities

	31 December 2021	31 December 2020
Foreign exchange gains from operations	30,526,351	8,738,398
Deferred financing expense from forward purchases (*)	-	277,833
Provisions no longer required (Note 6 and 15)	205,974	85,000
Interest income	91,322	44,470
Other	65,833	258,222
Total	**30,889,480**	**9,403,923**

(*) Prior period "Finance income from sales with maturity" reversals are included.

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

NOTE 21 - OTHER INCOME AND EXPENSES FROM OPERATING ACTIVITIES (Continued)

Other expenses from operating activities

	31 December 2021	31 December 2020
Foreign exchange loss from operations	23,724,100	3,224,912
Unearned finance income from forward sales (*)	-	351,430
Compensation costs	148,916	16,543
Provision for ongoing lawsuits (Note 14)	1,864,962	343,000
Donations and grants	38,250	1,100
Non-deductible expenses and additions	756,511	-
Other	520,836	515,504
Total	**27,053,575**	**4,452,489**

(*) Prior period "Finance expense from purchases with maturity"' reversals are included.

NOTE 22 - FINANCE INCOME AND EXPENSES

	31 December 2021	31 December 2020
Foreign exchange differences, net	4,206,569	5,088,252
Expense related to derivative instruments	-	3,536,616
Interest expenses	1,746,412	978,724
Interest expenses arising from the lease obligation (Note 5)	605,881	422,971
Foreign exchange differences arising from the lease obligation	-	84,144
Other short-term borrowing expenses	461,886	-
Total	**7,020,747**	**10,110,707**

NOTE 23 - INCOME TAX

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

	31 December 2021	31 December 2020
Provision for current income tax	(294,617)	(108,587)
Prepaid corporate taxes	348,410	60,316
Current period tax (liability)/asset	**53,793**	**(48,271)**

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

NOTE 23 - INCOME TAX (Continued)

Income tax (expense)/income for the periods ended at 31 December 2021 and 2020 are detailed below:

	31 December 2021	31 December 2020
Tax income/(expense) for the period	(804,507)	(108,587)
Deferred tax income/(expense)	677,411	1,421,995
Total	**(127,096)**	**1,313,408**

Corporate Tax

Turkey

The Corporate Tax Law has been amended as of 13 September 2006 by Law No: 5520. The majority of the clauses of Law No: 5520 are effective as of 1 January 2006. Corporate tax rate for the fiscal year 2020 is 25% (2020: 22%) for Turkey. Corporate tax is payable at a rate of 20% on the total income of the Group after adjusting for certain disallowable expenses, corporate income tax exemptions (exemption for participation in subsidiaries, etc.) and corporate income tax deductions (such as research and development expenditures deduction).

Companies calculate corporate tax quarterly at the rate of 22% 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.

Within the scope of the "Law on the Amendment of Certain Tax Laws and Some Other Laws" numbered 7061, which was published in the Turkish Trade Registry Gazette dated 5 December 2017, the corporate tax rate for the years 2018, 2019 and 2020 was increased from 20% to 22%. As per this law, deferred tax assets and obligations were calculated in the financial statements dated 31 December 2018, applying a tax rate of 22% for temporary differences' portion to lead to tax effects in 2018, 2019 and 2020, and at 20% for the portion to lead to tax effects in 2021 and subsequent periods.

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.

NOTE 23 - INCOME TAX (Continued)

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.

<u>Issued premiums exemption</u>

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.

<u>Exemption for participation into foreign subsidiaries</u>

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).

<u>Investment Tax Credit Practise</u>

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.

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

NOTE 23 - INCOME TAX (Continued)

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.

Deferred tax assets and liabilities are presented in net in the consolidated 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 31 December 2021 and 31 December 2020 using the enacted tax rates are as follows:

	Cumulative temporary differences		**Deferred tax assets/(liabilities)**	
	31 December 2021	**31 December 2020**	**31 December 2021**	**31 December 2020**
Provision for employee termination benefits	28,252,761	14,151,655	5,650,552	2,830,331
Withdrawal of unrealized sales	1,055,842	1,520,099	211,168	304,020
Unused vacation provisions	2,512,896	1,520,510	502,579	304,102
Provision for lawsuits	202,000	432,000	40,400	86,400
Provision for doubtful receivables	1,864,962	202,789	372,992	40,558
Correction of R&D activations	6,117,177	4,471,800	1,223,435	894,360
Provision for impairment of inventory	67,825	22,000	13,565	4,400
Leases	1,274,210	354,205	254,842	70,841
Deferred incentive income	-	298,506	-	59,701
Fair value decrease in derivative instruments	-	3,536,616	-	707,323
Foreign exchange	1,093,073	-	218,615	-
Net difference between net book values of tangible and intangible assets and tax values	4,196,488	-	839,298	-
Other	78,605	4	15,722	1
Deferred tax assets	**46,715,839**	**26,510,184**	**9,343,168**	**5,302,037**
Net differences between the tax and registered value of property, plant and equipment inventories and intangible assets	-	(5,965,561)	-	(1,193,112)
Revaluation of tangible and intangible assets	(69,893,761)	-	(13,978,752)	-
Exchange rate valuation of advance accounts	(166,942)	(340,635)	(33,389)	(68,127)
Deferred tax liabilities	**(70,060,703)**	**(6,306,196)**	**(14,012,141)**	**(1,261,239)**
Deferred tax assets/ (liabilities) ,net			**(4,668,973)**	**4,040,798**

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

NOTE 23 - INCOME TAX (Continued)

Deferred tax (Continued)

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:

	2021	2020
1 January	**4,040,798**	**2,233,823**
Subsidiary acquisition impact	(10,852,663)	-
Deferred tax income/(expense)	677,411	1,421,995
Recognized in equity	1,465,481	384,980
31 December	**(4,668,973)**	**4,040,798**

Reconciliation of current period tax income is as follows:

	1 January - 31 December 2021	1 January - 31 December 2020
Profit before tax	**27,475,850**	**3,846,754**
Tax rate 25% (2021: 22%)	(6,868,963)	(846,286)
Tax effect:		
Non-deductible expenses, net	(72,465)	(101,592)
Exceptions, R&D and investment discounts	6,904,186	2,337,483
Effect of legal tax rate change on deferred tax amount	-	-
Other	(89,854)	(76,197)
Current period tax income	**(127,096)**	**1,313,408**

NOTE 24 - EARNING/LOSS PER SHARE

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

	1 January - 31 December 2021	1 January - 31 December 2020
Net profit for the period	27,348,754	5,160,162
Weighted average number of shares with face value of TRY1 each	23,852,055	10,000,000
Earnings per share	**1.15**	**0.52**

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

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

NOTE 25 - 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 31 December 2021 and 31 December 2020 are disclosed below:

i) Balances with related parties:

a) Short-term other receivables to related parties:

	31 December 2021	31 December 2020
Gümüştaş Madencilik ve Ticaret A.Ş. (“Gümüştaş”) (1)	-	95,521
Sezai Seyer	101,152	-
Total	**101,152**	**95,521**

(1) Comprises of information system serviced given to Gümüştaş.

b) Short-term trade payables to related parties:

	31 December 2021	31 December 2020
Değer Merkezi Hizmetler ve Yönetim Danışmanlığı A.Ş. (“Değer Merkezi”) (1)	-	301,074
Aytemiz Akaryakıt Dağıtım A.Ş. (“Aytemiz”) (2)	-	8,990
D Gayrimenkul Yatırımları ve Ticaret A.Ş. (“D Gayrimenkul”) (3)	-	2,290
Doruk Faktoring A.Ş. (“Doruk Faktoring”) (4)	-	107
Sezer Family(5)	2,685,687	-
Total	**2,685,687**	**312,461**

(1) Comprises of advisory, consultancy and technical support services purchased from Değer Merkezi.
(2) Comprises of purchases of passenger vehicles fuel.
(3) Comprises of Trump Towers office rent services.
(4) Doğan Faktoring A.Ş. changed it's name to Doruk Faktoring A.Ş. The balance arises from the debt transfers of the other related parties.
(5) Total short-term debts of the Sezer family are 5,685,687 TRY. 3,000,000 TRY is shown in the amount related to company acquisition (Note 7).

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

NOTE 25 - RELATED PARTY DISCLOSURES (Continued)

i) Balances with related parties (Continued):

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

	1 January - 31 December 2021	1 January - 31 December 2020
D Gayrimenkul Yatırımları ve Ticaret A.Ş. (1)	727,985	421,839
Değer Merkezi Hizmetler ve Yönetim Danışmanlığı A.Ş. (2)	345,054	285,671
Total	**1,073,039**	**707,510**

d) Long-term lease payables from related parties:

	1 January - 31 December 2021	1 January - 31 December 2020
D Gayrimenkul Yatırımları ve Ticaret A.Ş. (1)	1,101,141	1,214,122
Değer Merkezi Hizmetler ve Yönetim Danışmanlığı A.Ş. (2)	918,807	177,047
Total	**2,019,948**	**1,391,169**

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

ii) Transactions with related parties:

a) Product and service sales to related parties:

	1 January - 31 December 2021	1 January - 31 December 2020
Çelik Halat (1)	224,950	302,582
Gümüştaş (2)	-	80,950
Sunflower (3)	-	1,837
D Gayrimenkul	8,930	-
Total	**233,880**	**385,369**

(1) Comprises of rent an office of Trump Towers.
(2) Comprises of information system serviced given to Gümüştaş.
(3) Comprises of the electricity service received.

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

NOTE 25 - RELATED PARTY DISCLOSURES (Continued)

ii) Transactions with related parties (Continued):

b) Product and service purchases from related parties:

Operating expenses:

	1 January - 31 December 2021	**1 January - 31 December 2020**
Değer Merkezi [(1)]	2,065,261	1,982,314
D Gayrimenkul [(2)]	557,787	853,508
Aytemiz Akaryakıt [(3)]	113,588	103,522
Doruk Faktoring [(4)]	765	1,148
Çelik Halat [(5)]	40,900	-
Dmarket	44	-
Suzuki	4,640	-
Doğan Trend Oto	115,600	-
Total	**2,898,585**	**2,940,492**

(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) Doğan Faktoring A.Ş. changed it's name to Doruk Faktoring A.Ş. The balance arises from the debt transfers of the other related parties.
(5) Comprises of consultancy service provided to Çelik Halat.

c) Benefits provided to key management personnel of Company

The Company has designated its key management personnel as members of the board of directors, general manager and assistant general manager (Note 18).

	1 January - 31 December 2021	**1 January - 31 December 2020**
Salaries and other short-term provisions	1,845,392	3,292,952
Total	**1,845,392**	**3,292,952**

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

NOTE 26 - DERIVATIVE FINANCIAL INSTRUMENTS

	31 December 2021		31 December 2020	
Future currency transactions	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Short-term	-	-	-	3,536,616

The Group utilizes foreign exchange derivatives and commodity derivatives to protect future significant transactions and cash flows from financial risk. Group has signed various forward exchange contracts and option contracts regarding the management of fluctuations in exchange rates and metal prices. The derivative instruments purchased are mainly denominated in foreign currencies in which the Group operates:

	31 December 2021	31 December 2020
Forward foreign exchange contracts - Euro (*)	-	1,426,404

(*) Group, make forward foreign exchange contracts with the banks in order to hedge their foreign exchange risk; on the date of the deal sells TRY and buys Euros.

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

The Company'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 Company'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 Company.

a) Market risk

a.1) Foreign currency risk

The Company operates internationally. The Company 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 31 December 2021 and 31 December 2020, net foreign currency position of Company is as follows;

	31 December 2021	31 December 2020
Total assets	64,624,950	28,867,654
Total liabilities	(80,605,793)	(11,089,429)
Net foreign currency position	**(15,980,843)**	**17,778,225**

(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.1) Foreign currency risk (Continued)

As of 31 December 2021 and 31 December 2020, sensitivity analysis for currency risk and foreign currency denominated asset and liability balances are summarized below:

	31 December 2021			
	TRY equivalent	**USD**	**EUR**	**GBP**
1. Trade receivables	51,426,217	1,529,253	1,923,824	112,355
2. Monetary financial assets (cash, banks included)	13,198,733	61,131	820,850	-
3. Other non-monetary assets	-	-	-	-
4. Current Assets (1+2+3)	**64,624,950**	**1,590,384**	**2,744,674**	**112,355**
5. Total Assets (4)	**64,624,950**	**1,590,384**	**2,744,674**	**112,355**
6. Short-term liabilities (Note 5)	-	-	-	-
7. Short-term portion of long-term liabilities (Note 5)	-	-	-	-
8. Trade Payables	(26,950,067)	(1,313,213)	(626,131)	-
9. Other non-monetary fnancial liabilities	-	-	-	-
10. Short-term Liabilities	(26,950,067)	(1,313,213)	(626,131)	-
11. Long-term Liabilities (Note 4)	(53,655,726)	-	(3,556,492)	-
12. Total liabilities (10+11)	**(80,605,793)**	**(1,313,213)**	**(4,182,623)**	-
13. Total asset related to the cash flow hedges	-	-	-	-
14. Total liabilities related to the cash flow hedges	-	-	-	-
15. Net Asset/Liability Position Of Off Statement of Financial Position (13+14)	-	-	-	-
16. Net Foreign Currency Asset/(Liability) Position (5+12+15)	**(15,980,843)**	**277,171**	**(1,437,949)**	**112,355**
16. Net Foreign Currency Asset/(Liability) Position of Monetary Items (5+12)	**(15,980,843)**	**277,171**	**(1,437,949)**	**112,355**
Export	**49,546,713**	-	-	-
Import	**9,618,568**	**402,355**	**282,075**	-

As of 31 December 2021, foreign currency denominated asset and liability balances were converted by the following exchange rates TRY13,3290 = USD1, TRY15,0867 = EUR1, TRY17,9667 = GBP1.

(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.1) Foreign currency risk (Continued)

	31 December 2020			
	TRY equivalent	**USD**	**EUR**	**GBP**
1. Trade receivables	26,578,602	1,237,230	1,921,566	18,850
2. Monetary financial assets (cash, banks included)	91,081	10,944	1,193	-
3. Other non-monetary assets	2,197,971	2,513	241,957	-
4. Current Assets (1+2+3)	**28,867,654**	**1,250,687**	**2,164,716**	**18,850**
5. Total Assets (4)	**28,867,654**	**1,250,687**	**2,164,716**	**18,850**
6. Short-term liabilities (Note 4)	-	-	-	-
7. Short-term portion of long-term liabilities (Note 4)	(1,848,295)	-	(205,186)	-
8. Trade Payables	(5,894,011)	(267,359)	(436,446)	-
9. Other non-monetary fnancial liabilities	(644,753)	(8,744)	(64,451)	-
10. Short-term Liabilities	(8,387,059)	(276,103)	(706,083)	-
11. Long-term Liabilities (Note 4)	(2,702,370)	-	(300,000)	-
12. Total liabilities (10+11)	**(11,089,429)**	**(276,103)**	**(1,006,083)**	**-**
13. Total asset related to the cash flow hedges	-	-	-	-
14. Total liabilities related to the cash flow hedges	(12,848,905)	-	(1,426,404)	-
15. Net Asset/Liability Position Of Off Statement of Financial Position (13+14)	**(12,848,905)**	**-**	**(1,426,404)**	**-**
16. Net Foreign Currency Asset/(Liability) Position (5+12+15)	**4,929,320**	**974,584**	**(267,771)**	**18,850**
16. Net Foreign Currency Asset/(Liability) Position of Monetary Items (5+12)	**17,778,225**	**974,584**	**1,158,633**	**18,850**
Export	**86,686,611**	**3,820,634**	**6,281,069**	**207,366**
Import	**17,013,759**	**244,156**	**1,689,798**	**-**

As of 31 December 2020, foreign currency denominated asset and liability balances were converted by the following exchange rates TRY7.3405 = USD1, TRY9.0079 = EUR1, TRY9.9438 = GBP1.

The Company is exposed to foreign exchange risk primarily with respect to EUR and USD. The effect of the Company's EUR and USD foreign currency position as of 31 December 2021 and 31 December 2020 under the assumption of the appreciation and depreciation of TRY against other currencies by 20% with all other variables held constant, is as follows:

(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.1) Foreign currency risk (Continued)

	31 December 2021 Profit/(Loss)	
	Appreciation of foreign currency	**Depreciation of foreign currency**
If the USD had changed by 20% against the TRY		
USD net (liabilities)/assets	738,884	(738,884)
Hedging amount of USD (-)	-	-
USD net effect	**738,884**	**(738,884)**
If the EUR had changed by 20% against the TRY		
EUR net (liabilities)/assets	(4,338,781)	4,338,781
Hedging amount of EUR (-)	-	-
EUR Net Effect	**(4,338,781)**	**4,338,781**
If the GBP had changed by 20% against the TRY		
GBP net (liabilities)/assets	403,730	(403,730)
Hedging amount of GBP (-)	-	-
GBP Net Effect	**403,730**	**(403,730)**
Total Net Effect	**(3,196,167)**	**3,196,167**

	31 December 2020 Profit/(Loss)	
	Appreciation of foreign currency	**Depreciation of foreign currency**
If the USD had changed by 20% against the TRY		
USD net (liabilities)/assets	1,430,787	(1,430,787)
Hedging amount of USD (-)	-	-
USD net effect	**1,430,787**	**(1,430,787)**
If the EUR had changed by 20% against the TRY		
EUR net (liabilities)/assets	2,087,370	(2,087,370)
Hedging amount of EUR (-)	-	-
EUR Net Effect	**2,087,370**	**(2,087,370)**
If the GBP had changed by 20% against the TRY		
GBP net (liabilities)/assets	37,488	(37,488)
Hedging amount of GBP (-)	-	-
GBP Net Effect	**37,488**	**(37,488)**
Total Net Effect	**3,555,645**	**(3,555,645)**

(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

As of 31 December 2021, if interest rates on Euro denominated borrowings had been higher/lower by 1 basis points with all other variables held constant, profit before income taxes would have been TRY28,587,163 (31 December 2020: TRY88,115) higher/lower, mainly as a result of additional interest expense on floating rate borrowings.

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	**31 December 2021**	**31 December 2020**
Financial assets (Note 4)	-	-
Financial liabilities (Note 5)	(99,773,775)	(19,541,608)
Total	**(99,773,775)**	**(19,541,608)**

Financial instruments with floating rate	**31 December 2021**	**31 December 2020**
Financial liabilities (Note 5)	(7,500,000)	(4,550,665)
Total	**(7,500,000)**	**(4,550,665)**

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 Company's credit risk of financial instruments as of 31 December 2021 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	**-**	**93,669,390**	**101,152**	**2,105,017**	**19,889,203**
The part of maximum risk under guarantee with collateral etc.	**-**	**78,491,576**	**-**	**-**	**-**
A. Net book value of neither past due nor impaired financial assets	-	77,597,040	101,152	2,105,017	19,889,203
- 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	-	16,072,350	-	-	-
- Guaranteed amount by collateral [(1)]	-	16,473,541	-	-	-
D. Impaired asset net book value	-	-	-	-	-
- Past due (gross amount) (Note 6)	-	1,864,962	-	-	-
- Impairment (-) (Note 6)	-	(1,864,962)	-	-	-
- 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 Company's credit risk of financial instruments as of 31 December 2020 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	**-**	**40,990,778**	**95,521**	**196,830**	**742,916**
The part of maximum risk under guarantee with collateral etc.	**-**	**33,343,138**	**-**	**-**	**-**
A. Net book value of neither past due nor impaired financial assets	-	37,571,492	95,521	196,830	742,916
- The part under guarantee with collateral etc.	-	30,198,849	-	-	-
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	-	3,419,286	-	-	-
- Guaranteed amount by collateral [1]	-	3,144,289	-	-	-
D. Impaired asset net book value	-	-	-	-	-
- Past due (gross amount) (Note 5)	-	789,909	-	-	-
- Impairment (-) (Note 5)	-	(789,909)	-	-	-
- 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 Company, which are past due but not impaired including related party balances by taking into consideration past due dates are as follows:

	31 December 2021		
	Receivables		
	Trade receivables	Other receivables	Bank deposits
1 - 30 days overdue	10,392,356	-	-
1 - 6 months overdue	5,679,994	-	-
6 - 12 months overdue	-	-	-
1 - 5 years overdue	-	-	-
Up to 5 years overdue	-	-	-
Total overdue	**16,072,350**	**-**	**-**
The part under guarantee with collateral [1]	**16,473,541**	**-**	**-**

	31 December 2020		
	Receivables		
	Trade receivables	Other receivables	Bank deposits
1 - 30 days overdue	2,934,153	-	-
1 - 6 months overdue	485,133	-	-
6 - 12 months overdue	-	-	-
1 - 5 years overdue	-	-	-
Up to 5 years overdue	-	-	-
Total overdue	**3,419,286**	**-**	**-**
The part under guarantee with collateral [1]	**3,144,289**	**-**	**-**

[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 31 December 2021 and 31 December 2020, undiscounted cash flows of financial liabilities based on the agreement maturities are as follows:

	31 December 2021					
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)	22,976,567	23,227,530	5,664,185	14,802,466	2,760,879	-
Short-term portion from long-term borrowings (Note 5)	17,765,672	18,262,246	-	18,262,246	-	-
Long-term borrowings (Note 5)	46,156,521	46,556,689	-	14,913,960	23,431,914	8,210,815
Lease payables (Note 5)	20,375,015	20,375,015	4,400,102	2,019,948	13,954,965	-
Trade payables due to non-related parties (Note 6)	89,137,904	89,137,904	88,429,410	708,494	-	-
Other payables due to related parties (Note 25.i.a)	2,685,687	2,685,687	2,685,687	-	-	-
Other payables due to non-related parties (Note 6)	27,860,021	27,860,021	-	27,860,021	-	-
Payables related to employee benefits (Note 16)	7,299,870	7,299,870	4,341,680	2,958,190	-	-
Total	**234,257,257**	**235,404,962**	**105,521,064**	**81,525,325**	**40,147,758**	**8,210,815**

	31 December 2020					
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 4)	17,411,507	17,723,945	9,400,000	8,323,945	-	-
Short-term portion from long-term borrowings (Note 4)	1,848,295	1,865,299	950,200	915,099	-	-
Long-term borrowings (Note 4)	2,702,370	2,815,879	-	-	2,815,879	-
Lease payables (Note 4)	2,130,101	2,402,288	176,592	529,776	1,695,920	-
Trade payables due to non-related parties (Note 5)	31,367,777	31,367,777	29,797,163	1,570,614	-	-
Other payables due to related parties (Note 24.i.a)	312,461	312,461	312,461	-	-	-
Other payables due to non-related parties (Note 6)	179,003	179,003	179,003	-	-	-
Payables related to employee benefits (Note 15)	3,827,069	3,827,069	2,229,640	1,597,429	-	-
Total	**59,778,583**	**60,493,721**	**43,045,059**	**12,936,863**	**4,511,799**	**-**

(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 Company's objectives when managing capital are to safeguard the Company'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 Company 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:

	31 December 2021	31 December 2020
Total liability [1]	286,262,965	80,301,232
Less: Cash and cash equivalents (Note 4)	(19,905,212)	(742,916)
Net liability	262,689,812	79,558,316
Total equity	76,776,354	29,493,996
Total capital	340,244,084	109,052,312
Net Liability/total capital	**77.21%**	**72.95%**

(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 Company, using available market information and appropriate valuation methodologies for each segment of the Company. 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 Company 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:

(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 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.

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.

31 December 2021	**Level 1**	**Level 2**	**Level 3**	**Total**
Derivative instruments held for sale (Note 25)	-	-	-	-
	-	**-**	**-**	**-**

31 December 2020	**Level 1**	**Level 2**	**Level 3**	**Total**
Derivative instruments held for sale (Note 25)	-	(12,848,905)	-	(12,848,905)
	-	**(12,848,905)**	**-**	**(12,848,905)**

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

NOTE 28 - SUBSEQUENT EVENTS

Approval of Financial Statements

The financial statements for the period ended on 31 December 2021 were approved by the Board of Directors on 3 March 2022. Persons who are not members of the Board of Directors are not authorized to amend financial statements.

In accordance with the Tax Procedure Law No. 7352 and the Law on the Amendment of the Corporate Tax Law published in the Official Gazette dated 20 January 2022 and numbered 31734, the application of inflation adjustment in the financial statements prepared according to the tax procedure law was postponed to 31 December 2023.

NOTE 29 - FEES FOR SERVICES RECEIVED FROM INDEPENDENT AUDITOR /INDEPENDENT AUDIT FIRMS

The Group's explanation regarding the fees for the services received from the independent audit firms, which is based on the letter of POA dated August 19, 2021, the preparation principles of which are based on the Board Decision published in the Official Gazette on March 30, 2021, are as follows:

	1 January - 31 December 2021	1 January - 31 December 2020
Independent audit fee for the reporting period	401,250	99,750
	401,250	**99,750**

NOTE 30 - 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 2020: None).

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