# FORTE BİLGİ İLETİŞİM TEKNOLOJİLERİ VE SAVUNMA SANAYİ ANONİM ŞİRKETİ AND ITS SUBSIDIARY

## CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS FOR THE PERIOD ENDED AT 31 DECEMBER 2022, 2021 AND 2020 TOGETHER WITH INDEPENDENT AUDITORS' REPORT

***(ORIGINALLY ISSUED IN TURKISH)***

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# INDEPENDENT AUDITORS REPORT

To the Board of Directors and General Assembly
Forte Bilgi İletişim Teknolojileri ve Savunma Sanayi Anonim Şirketi
Ankara, Turkey

## A. Audit of the Consolidated Financial Statements

### 1. Opinion

We have audited the consolidated financial statements of Forte Bilgi İletişim Teknolojileri ve Savunma Sanayi Anonim Şirketi (referred as "Parent Company" and/or "the Company") and its subsidiary ("the Group"), which comprise the consolidated statements of financial position as at 31 December 2022, 2021 and 2020 and the consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements as of 31 December 2022 present fairly, in all material respects, the consolidated financial position of Forte Bilgi İletişim Teknolojileri ve Savunma Sanayi Anonim Şirketi and its subsidiary as at 31 December 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Turkish Accounting Standards ("TAS") and Turkish Financial Reporting Standards ("TFRS").

The accompanying consolidated financial statements as of 31 December 2021 and 2020 present fairly in all material respects, excluding the possible effects of the matter stated in the paragraph named "Basis for Qualified Opinion", the consolidated financial position of Forte Bilgi İletişim Teknolojileri ve Savunma Sanayi Anonim Şirketi and its subsidiary as at 31 December 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Turkish Accounting Standards ("TAS") and Turkish Financial Reporting Standards ("TFRS").

### 2. Basis for Qualified Opinion

Since we have been appointed after 31 December 2020 to conduct a speacial audit of the Group, we have not been able to observe the physical inventory count as of the beginning of the period ("31 December 2020") of the accompanying consolidated financial statements as of 31 December 2021. Although we have participated in the inventory count dated 31 December 2021, for the reasons mentioned above, we have not been able to determine whether an additional adjustment is required for the cost of sales account item in the accompanying consolidated profit or loss statement for the accounting periods ending on 31 December 2021 and 2020, and for the inventories account item in the attached financial position statement as of 31 December 2020.

We conducted our audit in accordance with the standards on auditing issued by Capital Markets Board ("CMB") and the Standards on Independent Auditing ("SIA") which is a part of Turkish Auditing Standards published by the Public Oversight Accounting and Auditing Standards Authority ("POA"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We declare that we are independent of the Group in accordance with the Code of Ethics for Independent Auditors ("Code of Ethics") published by the POA, together with the ethical requirements that are relevant to our audit of the consolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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### 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.

| **Key audit matter** | **How the matter was addressed in our audit** |
|---|---|
| ***Recoverability Of Trade Receivables*** | |
| As of 31 December 2022, trade receivables constitute a significant portion of total assets with the amount of TRY 175,707,414 (31 December 2021: TRY 114,840,624 - 31 December 2020: TRY 83,375,815) .<br><br>However, the impairment provisions calculated for commercial receivables are accounted for as a result of estimates made taking into account collateral from customers, customers' past payment performance and creditworthiness information, and maturity analyses of credit balances. These estimates are highly sensitive to future market conditions. For these reasons, the recoverability of such receivables is an important issue in terms of our independent audit.<br><br>Explanations about the Group's accounting policies and amounts related to trade receivables are found in Notes 2.c, 10 and 35. | During our independent audit process, the following audit procedures regarding the recoverability of trade receivables have been implemented;<br><br>- Understanding the process related to collection follow-up of the Group's trade receivables, evaluating the operational efficiency of the internal controls included in the process,<br><br>- Analytical review of the aging work and comparison of the collection turnover rate with the previous year,<br><br>- To investigate whether there is any dispute or litigation situation regarding the collection and to get information about the follow-up receivables from legal advisors,<br><br>- Testing trade receivable balances by sending confirmation letters by sampling method,<br><br>- Testing the collections made in the following period by sampling method,<br><br>- Evaluation of the adequacy of the disclosures in the financial statements for the recoverability of trade receivables.<br><br>As a result of the studies which are stated as above, on the recoverability of trade receivables, we have not found any significant findings. |

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| Key audit matter | How the matter was addressed in our audit |
|---|---|
| *Capitalizing Development Costs* | |
| In the consolidated financial statements of the Group as of 31 December 2022, there are development costs with a net book value of TRY 28,177,236, which are accounted for under intangible assets (31 December 2021: TRY 11,281,412 – 31 December 2020: TRY 4,839,916). The Group takes into account TAS 38 "Intangible Assets" in capitalizing the costs incurred in relation to development costs. | Our audit procedures in this area includes the followings;<br><br>- Understanding how the criteria in the TAS 38 "Intangible Assets" standard are met by meeting with the senior managers of the Group, and the feasibility studies on the details of the projects and the economic benefits that the projects will provide in the future by discussing with the project managers, |
| For the projects that the Group has completed the feasibility studies and thinks will provide cash flow in the future, the costs related to the software development processes, generally related to the personnel, are capitalized within the scope of development activities.<br><br>Capitalization is made by calculating the ratios determined within the framework of the estimates and assumptions regarding the future income expectations made by the management and the project managers, and the time worked by the personnel regarding the development activities. | -By taking the project-based cost details of the capitalized costs, checking intangible assets with the movement statement,<br><br>-Analytical testing of each project by taking the breakdown of personnel and capitalized costs for the tests of personnel costs associated with projects,<br><br>- Selecting the personnel subject to capitalization by sampling method, conducting interviews with them and understanding the development activities they have done within the scope of the projects they are involved in, |
| Capitalization calculations have been identified as a key audit matter, as they are significant in terms of the consolidated financial statements and include management's estimates on this matter.<br><br>Explanations about the Group's accounting policies and amounts related to development costs are found in Note 2.c and 20. | -Performing analytical examinations in order to detect the existence of unusual transactions,<br><br>As a result of the studies which are stated as above,regarding the capitalization of development costs, we have not found any significant findings on the subject. |

| Key audit matter | How the matter was addressed in our audit |
|---|---|
| *Recording of Revenue* | |
| The main revenue items of the Group are generally; consists of sales of merchandise ("hardware") and software. | Our audit procedures in this area includes the followings; |
| Revenue is recognized in the financial statements on an accrual basis, based on the fair value of the amount received or to be received, upon delivery, probability of determining the amount of income reliably and the economic benefits associated with the transaction. Net sales are offered by deducting returns, discounts and commissions from sales of goods. | -Evaluating the effectiveness of key internal controls to include revenue in consolidated financial statements,<br><br>- Evaluating the compliance of the revenue with the accounting policies and its inclusion in the consolidated financial statements in the appropriate financial reporting period by examining the risk and return transfers through the sales documents received for the sales transactions selected by the sampling method, |
| The revenue and accounting of the profit for the accounting period in which the product is sold depends on an appropriate evaluation of whether the product is linked to the sales contract. Due to the nature of the Group's operations, there may be situations where the risk and return do not pass to the customer, since the production is completed and invoiced to the customer, but the obligation regarding the commercial delivery method has not yet been met. In accordance with the principle of periodicity of sales, evaluations should also be made regarding the recording of revenue in the correct period of this product. Due to the complexity of commercial contracts, accounting for revenue has been identified as a key audit issue, since it is important to select accounting for each situation and reflect revenue to financial statements in the correct period. | - By examining the provisions of the commercial conditions in the contracts made with the customers; Evaluating the timing of the recognition of merchandise and software revenues for different arrangements,<br><br>-Sending reconciliation for trade receivables selected by sampling method and checking their compatibility with the consolidated financial statements,<br><br>- Performing analytical examinations in order to detect the existence of unusual transactions, |
| For the accounting of revenue, see Note 2 Revenue for details of the accounting policies used and the significant accounting estimates and assumptions used. | As a result of the studies which are stated as above, regarding the accounting of the revenue, we have not found any significant findings on the subject. |

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**4. Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements**

Management of the Group is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with standards on auditing issued by Capital Markets Board ("CMB") and the Standards on Independent Auditing ("SIA") which is a part of Turkish Auditing Standards published by the Public Oversight Accounting and Auditing Standards Authority ("POA"), 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. Independent Auditor's Responsibilities for the Independent 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 audit in accordance with the standards on auditing issued by SIA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

i) Idenlify and assess the risks of material misstatement of the Consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsivc 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).

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

iii) The appropriateness of accounting policies used by management and the reasonableness of accounting estimates and related disclosures are evaluated.

iv) 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 in our report, we are required to draw attention to the relevant disclosures in the consolidated financial statements or, if these explanations are insufficient, we need to give an opinion other than a positive opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may terminate the Group as a going concern.

v) Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether they reflect the underlying transactions and events in a manner that ensures fair presentation.

We communicate with those charged with management 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 have notified those responsible for senior management that we comply with the ethical provisions regarding independence. In addition, we have conveyed all relations and other issues that may be considered to have an impact on independence, and the relevant measures, if any, to those responsible for senior management.

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. In cases where the legislation does not allow the disclosure of the matter to the public, or in exceptional cases where the negative consequences of public disclosure are reasonably expected to exceed the public interest arising from the disclosure, we may decide not to disclose the relevant matter in our independent auditor's report.

**B. Report on Other Legal and Regulatory Requirements**

In accordance with paragraph four of the Article 402 of TCC, nothing has come to our attention that may cause us to believe that the Group's set of accounts and financial statements prepared for the periods 01 January - 31 December 2022, 2021 and 2020 does not comply with TCC and the provisions of the Company's articles of association in relation to financial reporting.

In accordance with paragraph four of the Article 402 of TCC, the Board of Directors provided us all the required information and documentation with respect to our audit.

The engagement partner who conducted and concluded this independent audit is Ömer Çekiç.

Ram Bağımsız Denetim ve Danışmanlık Anonim Şirketi
*Member firm of ShineWing International*

Ömer Çekiç
Managing Partner

T.C.
BAĞIMSIZ DENETÇİ
1923

21 February 2023
Istanbul, Turkey

(Currency - Turkish Lira unless expressed otherwise.)

| | **Footnote References** | **Current Period Audited 31.12.2022** | **Prior Period Audited 31.12.2021** | **Prior Period Audited 31.12.2020** |
|---|---|---|---|---|
| **ASSETS** | | | | |
| **Current Assets** | | | | |
| Cash and Cash Equivalent | 7 | 55,142,251 | 27,557,017 | 55,161,277 |
| Trade Receivables | 10 | 175,707,414 | 114,840,624 | 83,375,815 |
| *- Trade receivables from related parties* | | - | - | - |
| *- Trade receivables from other parties* | | *175,707,414* | *114,840,624* | *83,375,815* |
| Other Receivables | 11 | 622,055 | 308,435 | 9,793,364 |
| *- Other receivables from related parties* | | - | - | *9,494,054* |
| *- Other receivables from other parties* | | *622,055* | *308,435* | *299,310* |
| Revenue from Contracts with Customers | 12 | 14,454,966 | - | - |
| Inventories | 14 | 101,611,425 | 28,171,861 | 32,146,060 |
| Derivative Instruments | 25 | - | 494,975 | - |
| Prepaid Expenses | 16 | 7,450,496 | 6,212,872 | 1,697,800 |
| Assets Relevant to Current Period Taxes | 33 | - | 57,373 | - |
| Other Current Assets | 15 | 10,040,257 | 646,541 | 152,727 |
| **TOTAL CURRENT ASSETS** | | **365,028,864** | **178,289,698** | **182,327,043** |
| | | | | |
| **NON-CURRENT ASSETS** | | | | |
| Inventories | 14 | - | - | 1,266,797 |
| Other Receivables | 11 | 345,892 | 104,243 | 95,843 |
| *- Other receivables from related parties* | | - | - | - |
| *- Other receivables from other parties* | | *345,892* | *104,243* | *95,843* |
| Financial Investments | 8 | 78,000 | - | - |
| Right of Use Assets | 18 | 3,460,910 | 815,115 | 747,015 |
| Tangible Fixed Assets | 19 | 3,168,850 | 1,703,345 | 1,653,879 |
| Intangible Fixed Assets | 20 | 28,177,783 | 11,282,256 | 4,841,058 |
| Prepaid Expenses | 16 | 702,163 | 186,211 | 3,982,000 |
| Deferred Tax Assets | 33 | 761,377 | 1,873,702 | 750,875 |
| | | | | |
| **TOTAL NON-CURRENT ASSETS** | | **36,694,975** | **15,964,872** | **13,337,467** |
| **TOTAL ASSETS** | | **401,723,839** | **194,254,570** | **195,664,510** |

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

(Currency - Turkish Lira unless expressed otherwise.)

| | Footnote References | Current Period Audited 31.12.2022 | Prior Period Audited 31.12.2021 | Prior Period Audited 31.12.2020 |
|---|---|---|---|---|
| **LIABILITIES** | | | | |
| **CURRENT LIABILITIES** | | | | |
| Financial Borrowings | 9 | 95,193,091 | 125,497 | 48,345 |
| Current Installment of Long Term Financial Borrowings | 9 | 2,157,461 | 694,454 | 476,509 |
| Trade Payables | 10 | 136,809,149 | 107,823,526 | 106,149,565 |
| *- Trade payables to related parties* | | - | - | - |
| *- Trade payables to other parties* | | *136,809,149* | *107,823,526* | *106,149,565* |
| Employee Benefit Liabilities | 13 | 1,278,186 | 393,831 | 182,646 |
| Other Payables | 11 | 449,696 | 2,297,660 | 5,659,977 |
| *- Other payables to related parties* | | - | - | - |
| *- Other payables to other parties* | | *449,696* | *2,297,660* | *5,659,977* |
| Deferred Income | 17 | 383,916 | 1,248,012 | 33,382 |
| Current Tax Liabilities | 33 | 6,090,996 | 3,447,218 | 5,224,293 |
| Short Term Provisions | | 1,720,808 | 983,383 | 6,768,076 |
| *- Provision for employee benefits* | 24 | *1,007,105* | *457,030* | *83,573* |
| *- Other Short Term Provisions* | 22 | *713,703* | *526,353* | *6,684,503* |
| Derivative Instruments | 25 | 1,328,720 | - | 1,229,900 |
| **TOTAL CURRENT LIABILITIES** | | **245,412,023** | **117,013,581** | **125,772,693** |
| | | | | |
| **NON-CURRENT LIABILITIES** | | | | |
| Financial Borrowings | 9 | 1,495,147 | 290,368 | 405,069 |
| Other Payables | 11 | - | - | 2,062,906 |
| *- Other payables to related parties* | | - | - | - |
| *- Other payables to other parties* | | - | - | *2,062,906* |
| Deferred Income | 17 | 520,691 | - | 2,188,559 |
| Long Term Provisions | | 8,300,132 | 4,050,286 | 3,279,126 |
| *- Provision for employee benefits* | 24 | *1,128,839* | *841,637* | *615,591* |
| *- Other Long Term Provisions* | 22 | *7,171,293* | *3,208,649* | *2,663,535* |
| | | | | |
| **TOTAL NON-CURRENT LIABILITIES** | | **10,315,970** | **4,340,654** | **7,935,660** |
| **TOTAL LIABILITIES** | | **255,727,993** | **121,354,235** | **133,708,353** |
| | | | | |
| **SHAREHOLDERS' EQUITY** | | | | |
| **Parent Company's Equity** | | **145,995,846** | **72,900,335** | **52,677,018** |
| Paid In Capital | 26.1 | 45,000,000 | 45,000,000 | 2,400,000 |
| Other Comprehensive Income or Loss | | | | |
| Not to Be Reclassified Under Profit or Loss | | (119,851) | (25,867) | (13,694) |
| *Remeasurement Gains (Losses)* | | *(119,851)* | *(25,867)* | *(13,694)* |
| *- Actuarial gains/losses on defined benefit plans* | 26.4 | *(119,851)* | *(25,867)* | *(13,694)* |
| Restricted Reserves | 26.2 | 2,201,959 | 2,201,959 | 71,959 |
| Retained Earnings or Losses | 26.3 | 25,724,243 | 2,267,892 | 18,925,225 |
| Net Profit or Loss for the Period | 34 | 73,189,495 | 23,456,351 | 31,293,528 |
| **Minority Interests** | 26.5 | **-** | **-** | **9,279,139** |
| **TOTAL SHAREHOLDERS' EQUITY** | | **145,995,846** | **72,900,335** | **61,956,157** |
| **TOTAL LIABILITIES** | | **401,723,839** | **194,254,570** | **195,664,510** |

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

(Currency - Turkish Lira unless expressed otherwise.)

| | **Footnote References** | **Current Period Audited 01.01.- 31.12.2022** | **Prior Period Audited 01.01.- 31.12.2021** | **Prior Period Audited 01.01.- 31.12.2020** |
|---|---|---|---|---|
| **PROFIT OR LOSS** | | | | |
| Sales | 27.1 | 378,430,042 | 215,350,934 | 204,326,360 |
| Cost of Sales | 27.2 | (272,968,112) | (176,519,253) | (150,370,927) |
| **GROSS PROFIT / (LOSS)** | | **105,461,930** | **38,831,681** | **53,955,433** |
| General Administrative Expenses | 29.1 | (9,207,181) | (3,052,857) | (1,960,956) |
| Marketing Expense | 29.2 | (5,398,222) | (2,682,824) | (2,433,516) |
| Research and Development Expenses | 29.3 | (967,852) | (304,742) | - |
| Other Income From Operating Activities | 30.1 | 43,938,420 | 16,506,189 | 7,664,013 |
| Other Expense From Operating Activities | 30.2 | (33,391,136) | (28,188,825) | (6,289,462) |
| **PROFIT/ (LOSS) FROM OPERATING ACTIVITIES** | | **100,435,959** | **21,108,622** | **50,935,512** |
| Income From Investment Activities | 31.1 | - | 367,412 | 505,624 |
| Expense From Investment Activities | 31.2 | - | (121) | - |
| **OPERATING INCOME BEFORE FINANCIAL INCOME/ (EXPENSE)** | | **100,435,959** | **21,475,913** | **51,441,136** |
| Financial Income | 32.1 | 8,158,608 | 13,626,236 | 1,160,489 |
| Financial Expenses | 32.2 | (21,828,149) | (6,596,900) | (5,506,509) |
| **PROFIT/ (LOSS) BEFORE TAXATION** | | **86,766,418** | **28,505,249** | **47,095,116** |
| **Operating Activity Tax Income/ (Expense)** | | **(13,576,923)** | **(5,048,898)** | **(6,218,825)** |
| Current Tax (Expense) / Income | 33 | (12,441,102) | (6,168,682) | (6,055,669) |
| Deferred Tax (Expense) / Income | 33 | (1,135,821) | 1,119,784 | (163,156) |
| **PROFIT / (LOSS) FOR THE PERIOD** | 34 | **73,189,495** | **23,456,351** | **40,876,291** |
| **Profit / (Loss) Distribution** | | | | |
| Minority Interests | 34 | **-** | **-** | 9,582,763 |
| Parent Company's Share | 34 | 73,189,495 | 23,456,351 | 31,293,528 |
| **Earnings Per Share** | 34 | **1.63** | **1,695.07** | **13,038.97** |

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

(Currency - Turkish Lira unless expressed otherwise.)

| | **Footnote References** | **Current Period Audited 01.01.- 31.12.2022** | **Prior Period Audited 01.01.- 31.12.2021** | **Prior Period Audited 01.01.- 31.12.2020** |
|---|---|---|---|---|
| **PROFIT / (LOSS) FOR THE PERIOD** | | **73,189,495** | **23,456,351** | **40,876,291** |
| ***OTHER COMPREHENSIVE INCOME / (LOSS)*** | | | | |
| **Not To Be Reclassified To Profit or Loss** | | **(93,984)** | **(12,173)** | **(12,470)** |
| Gains / (Losses) on Remeasurement on Defined Benefit Plans | 24 | (117,480) | (15,216) | (15,587) |
| Taxes in Other Comprehensive Income Not to Be Reclassified to Profit or Loss | | 23,496 | 3,043 | 3,117 |
| - Deferred Tax Expense / Income | 33 | *23,496* | *3,043* | *3,117* |
| **OTHER COMPREHENSIVE INCOME /(EXPENSE)** | | **(93,984)** | **(12,173)** | **(12,470)** |
| **TOTAL COMPREHENSIVE INCOME /(EXPENSE)** | | **73,095,511** | **23,444,178** | **40,863,821** |
| **Distribution of Total Comprehensive Income /(Expense)** | | | | |
| Minority Interests | | - | - | 9,584,289 |
| Parent Company Shares | | 73,095,511 | 23,444,178 | 31,279,532 |

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

(Currency - Turkish Lira unless expressed otherwise.)

| | | | Other Comprehensive Retained Earnings Not to be Reclassified to Profit or Loss | | Retained Earnings | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Footnote References | Paid in Capital | Gain/(Losses) on Remeasuremens on Defined Benefit Plans | Restricted Reserves | Retained Earnings or Losses | Net Profit/ (Loss) for the Period | Parent Company's Equity | Minority Interests | Total Shareholder's Equity |
| **Balances at 31 December 2019** | | **2,400,000** | **302** | **71,959** | **7,618,345** | **11,306,880** | **21,397,486** | **(305,150)** | **21,092,336** |
| Transfer | 26.3 | - | - | - | 11,306,880 | (11,306,880) | - | - | - |
| Total Comprehensive Income (Expense) | | - | (13,996) | - | - | 31,293,528 | **31,279,532** | **9,584,289** | **40,863,821** |
| *- Profit (Loss) for the Period* | 34 | - | - | - | - | *31,293,528* | ***31,293,528*** | *9,582,763* | ***40,876,291*** |
| *- Other Comprehensive Income (Loss)* | 26.4 | - | *(13,996)* | - | - | - | ***(13,996)*** | *1,526* | ***(12,470)*** |
| **Balances at 31 December 2020** | | **2,400,000** | **(13,694)** | **71,959** | **18,925,225** | **31,293,528** | **52,677,018** | **9,279,139** | **61,956,157** |
| Transfer | 26.3 | - | - | 2,130,000 | 29,163,528 | (31,293,528) | - | - | - |
| *Capital Increase* | | | | | | | | | |
| - Transfer | 26.1 | 42,600,000 | - | - | (42,600,000) | - | - | - | - |
| Transactions with Non-Controlling Shareholders | 4 | - | - | - | (3,220,861) | - | **(3,220,861)** | (9,279,139) | **(12,500,000)** |
| Total Comprehensive Income (Expense) | | - | (12,173) | - | - | 23,456,351 | **23,444,178** | - | **23,444,178** |
| *- Profit (Loss) for the Period* | 34 | - | - | - | - | *23,456,351* | ***23,456,351*** | - | ***23,456,351*** |
| *- Other Comprehensive Income (Loss)* | 26.4 | - | *(12,173)* | - | - | - | ***(12,173)*** | - | ***(12,173)*** |
| **Balances at 31 December 2021** | | **45,000,000** | **(25,867)** | **2,201,959** | **2,267,892** | **23,456,351** | **72,900,335** | - | **72,900,335** |
| Transfer | 26.3 | | | - | 23,456,351 | (23,456,351) | - | - | - |
| Total Comprehensive Income (Expense) | | - | (93,984) | - | - | 73,189,495 | **73,095,511** | - | **73,095,511** |
| *- Profit (Loss) for the Period* | 34 | - | - | - | - | *73,189,495* | ***73,189,495*** | - | ***73,189,495*** |
| *- Other Comprehensive Income (Loss)* | 26.4 | - | *(93,984)* | - | - | - | ***(93,984)*** | - | ***(93,984)*** |
| **Balances at 31 December 2022** | | **45,000,000** | **(119,851)** | **2,201,959** | **25,724,243** | **73,189,495** | **145,995,846** | - | **145,995,846** |

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

(Currency - Turkish Lira unless expressed otherwise.)

| | Footnote References | Current Period Audited 01.01.- 31.12.2022 | Prior Period Audited 01.01.- 31.12.2021 | Prior Period Audited 01.01.- 31.12.2020 |
|---|---|---|---|---|
| **CASH FLOW FROM OPERATING ACTIVITIES** | | **(42,127,997)** | **(9,155,012)** | **46,854,472** |
| Net Profit (Loss) For the Period | 34 | 73,189,495 | 23,456,351 | 40,876,291 |
| *- Operating Activity Profit (Loss) For the Period* | | *73,189,495* | *23,456,351* | *40,876,291* |
| *- Discontinued Operations Profit (Loss) For the Period* | | - | - | - |
| **Adjustments Related to Reconciliation of Profit / (Loss)** | | | | |
| Adjustments to Depreciation and Amortization Expenses | 18 - 19 - 20 | 2,746,338 | 1,239,136 | 857,593 |
| Adjustments to Impairment (Cancellation) | | 697,774 | (17,177) | 2,664 |
| *-Adjustments to Impairment (Cancellation) in Receivables* | 30 | *698,473* | *(103,657)* | *69,935* |
| *-Adjustments to Impairment (Cancellation) in Inventory* | 14 | *(699)* | *86,480* | *(67,271)* |
| Adjustments to Provisions | | 4,319,716 | (5,402,206) | 6,347,693 |
| *-Adjustments to Employee Benefit Provisions* | 24 | *169,722* | *210,830* | *307,845* |
| *-Adjustments for Warranty Provisions* | 22 | *4,149,994* | *(5,613,036)* | *6,039,848* |
| Adjustments to Interest (Income) and Expense | 32 | 5,325,773 | (1,826,823) | 197,303 |
| *- Adjustments to Interest Income* | | *4,268,984* | *(1,668,256)* | *(564,665)* |
| *- Adjustments to Interest Expense* | | *1,056,789* | *(158,567)* | *761,968* |
| *- Adjustments of discount on trade payables* | 30.2 | *5,522,749* | *3,151,603* | *2,718,576* |
| *- Adjustments of discount on trade receivables* | 30.1 | *(4,465,960)* | *(3,310,170)* | *(1,956,608)* |
| Adjustments to Tax (Income) and Expense | 33 | 1,135,821 | (1,119,784) | 163,156 |
| **Changes in Operating Capital** | | | | |
| Revenue from Contracts with Customers | 12 | (14,532,966) | - | - |
| Changes in Trade Receivables | 10 | (57,099,303) | (28,050,982) | (36,992,162) |
| *- Changes in Trade Receivables From Related Parties* | | - | - | - |
| *- Changes in Trade Receivables From Other Parties* | | *(57,099,303)* | *(28,050,982)* | *(36,992,162)* |
| Changes in Other Receivables Related to Operating Activities | 11 | (555,269) | 9,476,529 | (7,839,448) |
| *- Changes in Other Receivables From Related Parties* | | - | *9,494,054* | *(8,594,054)* |
| *- Changes in Other Receivables From Other Parties* | | *(555,269)* | *(17,525)* | *754,606* |
| Changes in Inventory | 14 | (73,438,865) | 5,154,516 | (15,775,295) |
| Changes in Prepaid Expenses | 16 | (1,753,576) | (719,283) | (1,755,771) |
| Changes in Other Assets Related Activities | 15 - 25 | (8,841,368) | (1,046,162) | (89,129) |
| Changes in Other Liabilities Related Activities | 22 | 1,328,720 | (6,842,936) | 959,312 |
| Changes in Trade Payables | 10 | 23,462,874 | (1,477,642) | 55,079,221 |
| *- Changes in Trade Payables to Relates Parties* | | - | - | - |
| *- Changes in Trade Payables to Other Parties* | | *23,462,874* | *(1,477,642)* | *55,079,221* |
| Changes in Employee Benefit Payables | 13 | 884,355 | 373,457 | 6,667 |
| Changes in Other Payables Related the Operating Activities | 11 | 1,345,889 | (1,378,077) | 9,052,827 |
| *- Changes in Other Payables Related the Operating Activities to Related Parties* | | - | - | - |
| *- Changes in Other Payables Related the Operating Activities to Other Parties* | | *1,345,889* | *(1,378,077)* | *9,052,827* |
| Changes in Deferred Income | 17 | (343,405) | (973,929) | (4,236,450) |

(Currency - Turkish Lira unless expressed otherwise.)

| | **Footnote References** | **Current Period Audited 01.01.- 31.12.2022** | **Prior Period Audited 01.01.- 31.12.2021** | **Prior Period Audited 01.01.- 31.12.2020** |
|---|---|---|---|---|
| **CASH FLOW FROM INVESTING ACTIVITIES** | | **(19,699,287)** | **(7,060,214)** | **(4,111,692)** |
| Cash Outflow From Purchasing of Tangible and Intangible Asset | | (19,699,287) | (7,061,567) | (4,111,692) |
| *- Cash Outflow From Purchasing of Tangible Asset* | 19 | *(1,946,856)* | *(428,247)* | *(1,101,052)* |
| *- Cash Outflow From Purchasing of Intangible Asset* | 20 | *(17,752,431)* | *(6,633,320)* | *(3,010,640)* |
| Cash Inflow From Sales of Tangible and Intangible Asset | | - | 1,353 | - |
| *- Cash Inflow from Sales of Tangible Asset* | 19 | - | *1,353* | - |
| **CASH FLOW FROM FINANCING ACTIVITIES** | | **89,412,518** | **(11,389,034)** | **(26,950)** |
| Transactions with Non-Controlling Shareholders | 4 | - | (12,500,000) | - |
| Cash Inflow From Financial Borrowing | | 125,452,193 | 2,413,761 | 2,109,285 |
| *- Cash inflow from loans* | 9 | *125,452,193* | *2,413,761* | *2,109,285* |
| Cash Outflow From Borrowing Payment | | (31,770,691) | (2,971,051) | (2,700,900) |
| *- Cash outflow from loan repayments* | 9 | *(31,770,691)* | *(2,971,051)* | *(2,700,900)* |
| Interest Paid | 32.2 | (5,922,895) | (38,538) | (7,250) |
| Interest Earned | 32.1 | 1,653,911 | 1,706,794 | 571,915 |
| **NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS BEFORE EFFECT OF EXCHANGE RATE CHANGES** | | **27,585,234** | **(27,604,260)** | **42,715,830** |
| Effect Of Exchange Rates On Cash And Cash Equivalent | | - | - | - |
| **NET INCREASE/DECREASE OF CASH AND CASH EQUIVALENTS** | | **27,585,234** | **(27,604,260)** | **42,715,830** |
| **CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD** | 7 | **27,557,017** | **55,161,277** | **12,445,447** |
| **CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD** | 7 | **55,142,251** | **27,557,017** | **55,161,277** |

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

## NOTE 1 – GROUP'S ORGANIZATION AND NATURE OF ACTIVITIES

For the purpose of the consolidated financial statements, Forte Bilgi İletişim Teknolojileri ve Savunma Sanayi Anonim Şirketi and its subsidiary are referred as "Group". The summarized information for the entities is presented as following;

Forte Bilgi İletişim Teknolojileri ve Savunma Sanayi Anonim Şirketi (Referred as "Parent Company" and/or "the Company")

Forte Bilgi İletişim Teknolojileri ve Savunma Sanayi Anonim Şirketi ("the Company") was established at 3 May 2006 with the title of "Forte Bilgi ve İletişim Teknolojileri Sanayi ve Ticaret Anonim Şirketi" and as of 24 Saptember 2021, it changed its title and nature of the company and started to use its current title. The main field of activity of the company is; to buy and sell all kinds of electronic data processing and communication machines and to provide technical support for related products; in addition, to produce and develop application software, database, operating system software, productivity-enhancing software, to carry out R&D activities related to them, and to provide installation and technical support for them. The company carries out its R&D activities at its branch in Hacettepe University Technopolis.

As of 31 December 2022, the software projects of the Company are as follows;

- Ministry of National Defense Information System Modernization Project
- Factory Production Management System – ELDERP
- Integrated Logistics Support System - FORIPS
- Smart Project Management and Analysis System – DESKFORPM
- Interactive Technical Documentation System - Viewer FORSDOC-VIEWER
- Interactive Technical Documentation System - Editor - FORSDOC AUTHOR

The average personnel number of the Company for the period ended at 31 December 2022 is 108 (31 December 2021: 62 - 31 December 2020: 45). The number of personnel transferred from ELD Bilişim to the Parent Company in the accounting period ending on 31 December 2022 is 16.

The capital structure of the Parent company as of 31 December 2022, 2021 and 2020, is presented at Note 26.1

As of report date, the registered address of the Company is as following;

Mustafa Kemal Mahallesi, 2123 Caddesi, Cepa Sitesi Alışveriş Merkezi No: 2 / 501
Çankaya / Ankara / Turkey

As of report date, the branch addresses of the Company are as following:

*Hacettepe Technopolis Branch*
Üniversiteler Mahallesi, 1596. Cadde, Hacettepe Teknokent Sitesi 5. Ar-Ge B Blok No:8 B/11
Çankaya / Ankara / Turkey

*Erzurum Branch*
Aslanpaşa Mahallesi, Ziya Bey Caddesi, Koçak Kundura Blok No:14
Oltu / Erzurum / Turkey

*Adana Branch*
Cumhuriyet Mahallesi, Taştekin Sokak, B Blok No:137BC
Kozan / Adana / Turkey

(Currency –Turkish Lira 'TRY' unlessed expressed otherwise)

ELD Bilişim Sanayi Ticaret Anonim Şirketi ("ELD Bilişim" or "the Company")

ELD Bilişim Sanayi Ticaret Anonim Şirketi was established on 5 April 2018 in Ankara / Turkey and its main field of activity is; to serve in the public institutions and defense industry in the fields of system integration and software development.

As of 31 December 2022, the software projects of the Company are as follows;

- Material Codification and Integrated Logistics Information System - KODTR
- Electronic Documentation Software – ELDOK
- Customer Relationship Management (CRM) - DeskForSM
- Network Management System – FORNETPLAN
- Organization Information System – OIS

The average personnel number of the ELD Bilişim for the period ended at 31 December 2022 is 19 (31 December 2021: 42 - 31 December 2020: 42). The number of personnel transferred from ELD Bilişim to the Parent Company in the accounting period ending on 31 December 2022 is 16.

The capital structure of the ELD Bilişim as of December 2022, 2021 and 2020 is as following;

| | 31 December 2022 | | 31 December 2021 | | 31 December 2020 | |
|---|---|---|---|---|---|---|
| Shareholders | Share ratio | Share Amount (TL) | Share ratio | Share Amount (TL) | Share ratio | Share Amount (TL) |
| Forte Bilgi İletişim Teknolojileri ve Savunma Sanayi Anonim Şirketi | 100.00% | 50,000 | 100.00% | 50,000 | 50.00% | 25,000 |
| Hasan Cengiz Bayrak | - | - | - | - | 50.00% | 25,000 |
| Total | 100.00% | 50,000 | 100.00% | 50,000 | 100.00% | 50,000 |

Forte Bilgi İletişim Teknolojileri ve Savunma Sanayi Anonim Şirketi, acquired 50% of ELD Bilişim Sanayi Ticaret Anonim Şirketi on 06 March 2019. Forte Bilgi İletişim Teknolojileri ve Savunma Sanayi Anonim Şirketi acquired with the amount of 12,500,000 TL the remaining 50% share of ELD Bilişim Sanayi Ticaret Anonim Şirketi on 03 September 2021 and increased its share in ELD Bilişim to 100% (Note 4).

The registered address of the ELD Bilişim is as following;

Üniversiteler Mahallesi 1596 Cadde
Hacettepe Teknokent Sitesi 5. Ar-Ge B Blok No:8 B/9
Çankaya / Ankara / Turkey

## NOTE 2 – BASIS OF THE CONSOLIDATED FINANCIAL STATEMENT

### 2.a Basis of Presentation

**Compatibility Statement**

The Parent Company prepares its statutory financial statements in accordance with the principles of CMB, Turkish Commercial Code and Tax Legislation and the Uniform Chart of Accounts issued by the Ministry of Finance and presents in Turkish Liras ("TRY").

The financial statements of Group have been prepared in accordance with the communiqué numbered II-14, 1 "Communiqué on the Principles of Financial Reporting In Capital Markets" (the Communiqué") announced by the Capital Markets Board ("CMB") (here in after will be referred to as "the CMB Reporting Standards") on 13 June 2013 which is published on Official Gazette numbered 28676 and required adjustments and reclassifications are reflected.

The consolidated financial statements and explanatory notes have presented according the new formats and obligatory information decelerated by Capital Market Board on 07 June 2013.

The consolidated financial statements are based on the group's legal records and expressed in TRY and have been prepared by subjecting the Company to a number of corrections and classification changes in order to properly present the company's situation according to the Turkish Accounting Standards published by the POA.

**Consolidated Financial Statements Correction in High Inflation Period**

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 CMB Accounting Standards. Therefore, Group was abolished inflation accounting application for 1 January 2005. The Public Oversight Authority made a statement on the Implementation of Financial Reporting in High Inflation Economies under TFRS on 20 January 2022, and it was stated that there was no need to make any adjustments within the scope of TAS 29 Financial Reporting in High Inflation Economies in the financial statements for 31 December 2022, 2021 and 2020.

**Rounding Degree of Amounts Offered in Currency and Financial Statements**

The functional and reporting currency of the Group is Turkish Lira both current and prior year. Financial information given in TRY has been rounded to the nearest full TRY value.

**Approval of Consolidated Financial Statements**

Consolidated financial statements of the Group are approved by the Board of Directors at 21 February 2023. Consolidated financial statements will be finalized upon approval at the General Assembly of the Parent Company. The Board of Directors and some regulative agencies have the right to change the financial statements that were prepared according to legal regulations after they have been published.

**The Preparation of Consolidated Financial Statements**

The consolidated financial statements are prepared in accordance with Communiqué Serial II, No:14.1, "Principles of Financial Reporting in Capital Markets" published in the Official Gazette numbered 28676 on 13 June 2013. According to Article 5 of the Communiqué, consolidated financial statements are prepared in accordance with the Turkish Accounting Standards issued by Public Oversight Accounting and Auditing Standards Authority. Turkish Accounting Standards, Turkish Financial Reporting Standards and its addendum and interpretations.

**Basis of Consolidation**

The companies are subject to "Complete Consolidation Method" if direct TRY or indirect TRY 50% or more than 50% of their shares or over 50% of their voting rights or the controlling rights regarding to companies' operations are belonging to the Parent Company. Parent Company has controlling rights if it is able to govern the financial and operating policies of an enterprise so as to benefit from its activities. The companies which have continuous relationship on management and power to govern Parent Company's policies and/or which have direct or indirect capital and management relationship or which have voting share of Parent Company between the rates 20-50% are accounted by using equity pick-up method.

**Principles of Complete Consolidation**

The principles of consolidation followed in the preparation of the accompanying financial statements are as follows:

- The financial statements of the consolidated subsidiaries have been equipped according to the accounting principles of the Parent Company.
- The share of the Parent Company in the shareholders equity of subsidiaries is eliminated from the financial of subsidiaries these are adjusted according to the accounting principles of financials of the Parent Company.
- All significant intercompany transactions and balances between the Parent Company and the subsidiaries have been comparatively eliminated.
- The minority part of shareholders' equity including paid capital of the companies subject to consolidation is classified as "Minority Interest" in accompanying financial statement.
- Shares of the Parent Company owned by the subsidiaries within the scope of consolidation, if any, have been mutually eliminated with the capital of the Parent Company.
- The income statements of the Parent Company and the subsidiaries are consolidated a line by line basis and the transaction between companies are eliminated mutually. Consolidation of income statements of subsidiaries held in an audit period are based on the investment date and the items after the holding date are included (Except for business combinations under common control).
- The portion of the third parties other than consolidated companies in the net income or losses of the subsidiaries are classified as "Minority Interest" in the income statements.

(Currency –Turkish Lira 'TRY' unlessed expressed otherwise)

As of 31 December 2022, the companies subject to "complete consolidation method" if directly or indirectly 50% or more than 50% of their shares or over 50% of their voting rights or the controlling rights regarding to companies' operations are belonging to the Parent Company are as following:

| | Ownership of the Parent through the Equity Participations | | Minority Interest |
|---|---|---|---|
| | (Direct) | (Direct+ Indirect) | Ratio |
| ELD Bilişim Sanayi Ticaret Anonim Şirketi | 100.00% | 100.00% | 0.00% |

As of 31 December 2021, the companies subject to "complete consolidation method" if directly or indirectly 50% or more than 50% of their shares or over 50% of their voting rights or the controlling rights regarding to companies' operations are belonging to the Parent Company are as following:

| | Ownership of the Parent through the Equity Participations | | Minority Interest |
|---|---|---|---|
| | (Direct) | (Direct+ Indirect) | Ratio |
| ELD Bilişim Sanayi Ticaret Anonim Şirketi | 100.00% | 100.00% | 0.00% |

As of 31 December 2020, the companies subject to "complete consolidation method" if directly or indirectly 50% or more than 50% of their shares or over 50% of their voting rights or the controlling rights regarding to companies' operations are belonging to the Parent Company are as following:

| | Ownership of the Parent through the Equity Participations | | Minority Interest |
|---|---|---|---|
| | (Direct) | (Direct+ Indirect) | Ratio |
| ELD Bilişim Sanayi Ticaret Anonim Şirketi (*) | 50.00% | 50.00% | 50.00% |

(*) Based on the agreements between the Parent Company and Hasan Cengiz Bayrak, who is the partner of ELD Bilişim Sanayi Ticaret Anonim Şirketi, dated 11 March 2019 and 06 January 2020, the Parent Company has the power to manage ELD Bilişim Sanayi Ticaret Anonim Şirketi with full authority. Since the Parent Company has the right to manage its subsidiary with full authority, the financial statements of the relevant subsidiary have been consolidated with the financial statements of the Parent Company using the full consolidation method.

**Accounting Standard Policy**

Consolidated financial statements are prepared by adopting standard accounting policy for similar transactions and other transactions within the similar circumstances. If similar transactions are booked different than in other company's financial statements subject to consolidation, in the course of the preparation of consolidated financial statements, they are adjusted as of necessity.

Financial statements of the company have been prepared by adopting standard accounting policy for similar transactions and other transactions within the similar circumstances. The similar transactions are booked different in booking of subsidiary company than in parent company's financial statements subject to consolidation with equity pick-up, in the course of the preparation of consolidated financial statements, they have been adjusted accordingly to make the accounting policy uniform.

**Assumption of Going Concern**

The accompanying consolidated financial statements have been prepared assuming that the group will continue to generate benefit from its assets and fill its liabilities in the following year under the natural course of its activities based on the assumption of continuity of business.

**Offsetting**

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

**Comparative Information and Previous Periods Adjustments**

For the purpose of conducting a comparison of financial position and performance trend, Group's current consolidated financial statements are prepared comparative with previous periods. The Group has been consolidated to the accompanying curent financial statements by complete consolidation method as of acquasition date. Therefore, the accompanying financial statements of the year ended at 31 December 2021 consist of unconsolidated financial datas. In order to comply with the presentation of the current period financial statements, comparative information is reclassified when deemed necessary and significant differences are disclosed.

**2.b Changes in Accounting Policies**

A company only could change it s accounting policy under following circumstances;

- If a Standard or Interpretation makes it necessary or
- If the change make effect of operations or incidents on financial position and performance or cash flows more appropriate and reliable

Financial statements have to be comparable to see trends in financial position of companies, performance and cash flows for user of financial statements. This is why, if the change is not granting one of above conditions, each and fiscal periods has to be applied same accounting policy.

**Changes in Accounting Estimates and Errors**

The accompanying financial statements necessitate that some predictions about income and expenses regarding possible assets and liabilities in the financial statements prepared by group management to be compatible with statements required by Turkish Accounting Standards. Realized amounts can differ from the predictions. These predictions are observed regularly and reported periodically in income statements.

The important assumptions and evaluations made by considering the main sources of the estimates that may have a significant impact on the amounts reflected in the financial statements and the future sources of estimates existing on the financial statement date are as follows:

*Provisions for doubtful receivables*

However, it reflects the amounts it believes to cover future losses from receivables at risk of non-collection under the current economic conditions. While evaluating whether the receivables are impaired or not, the past performances of borrowers other than the related institution and permanent customers, their credibility in the market and the performance of the consolidated financial statements until the approval date of the consolidated financial statements are also taken into consideration. As of the statement of financial position, the provisions for doubtful receivables are reflected in Note 10.

*Provision for inventory impairment*

Regarding stock depreciation, the physical and historical inventories are examined, their availability is determined in line with the opinions of the technical personnel and a provision is made for items that are not expected to be used (Note 14).

*Deferred finance income / expense*

In calculating the cost of trade receivables and payables, which are amortized by using effective interest method, expected collection and payment terms are taken into consideration according to the available data on receivables and payables.

*Useful lives of tangible and intangible fixed assets*

On Group assets' depreciation, in 2.c note taking into account also separates the useful lives. Information on useful lives explained in 2.c note.

*Development costs*

The application of research findings or other information to a plan to produce new, unique and significantly improved products, processes, systems and products is defined as development and the costs incurred for these activities are capitalized by the Group. While capitalizing the remuneration of the personnel directly involved in the creation of the asset, the Group Management considers how much time each personnel spends in research and development activities. Personnel costs related to research activities are recorded as direct expense when incurred.

*Provision for litigation*

While reserving provisions for litigation, the probability of losing related lawsuits and the results to be incurred in case of loss are evaluated in line with the opinions of the Group's legal counsel. Explanations regarding the provisions that the Group Management deems necessary in accordance with the best estimations made by using the available data are included in Note 22.

*Warranty service expense provision*

Provisions for warranty service expenses include labor and similar expenses in general for the goods and services sold without charge to the customer under the warranty. The service costs that may arise in the following years related to the sales recorded as revenue in the current period are accounted for in the related period as warranty service expense provisions, taking into account the short and long-term distinction, as a result of estimations based on the experience of the Group management (Note 22).

*Costs of order-based software*

The Group uses the percentage completion rate method in accounting for the costs of software expenditures made on order basis in the profit or loss statement. The cost of the project can be determined by calculating the ratio of the contract expense realized up to a certain date to the estimated total cost of the contract and/or the total vested sales.

*Retirement pay provision*

The severance pay liability is determined by actuarial calculations based on a number of assumptions, including discount rates, future salary increases and employee turnover rates. As these plans are long term, these assumptions contain significant uncertainties. Details on provisions for employee benefits are included in Note 24.

*Deferred tax*

The Group accounts for deferred tax assets and liabilities for temporary timing differences arising from differences between tax-based legal financial statements and financial statements prepared in accordance with TFRS. These differences arise from the fact that some income and expense items are included in different periods in the financial statements prepared in accordance with TFRS and financial statements. The Group has deferred tax assets consisting of deductible temporary differences that may occur in the future. Partially or fully recoverable amount of deferred tax assets are estimated under current conditions. During the evaluation, future profit projections, losses in current periods, unused losses and other tax assets can be used. As a result of the evaluations, as of 31 December 2022, 2021 and 2020, temporary differences arising from tax deductions can be foreseen and deferred tax assets will be deemed to be deemed to be deemed to be available within the framework of tax laws within the period that the tax reduction right can continue. Details on deferred tax calculations as of the relevant statement of financial position are provided in Note 33.

**The New International Financial Reporting Standards, Amendments**

As of 31 December 2022, adopted in the preparation of financial statements for the end of the accounting period of the accounting policies summarized below as of 1 January 2021 applies to new and changed Turkey Accounting Standards ("TAS") / IFRS and IAS / IFRS review except as consistent with those used in the previous year It was applied. The effects of these standards and interpretations on the financial position and performance of the Group are explained in the related paragraphs.

New and amended TFRS Standards that are effective for the current year:

**Amendment to IFRS 16, ‘Leases’ – Covid-19 related rent concessions Extension of the practical expedient** As a result of the coronavirus (COVID-19) pandemic, rent concessions have been granted to lessees. In May 2020, the IASB published an amendment to IFRS 16 that provided an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification. On 31 March 2021, the IASB published an additional amendment to extend the date of the practical expedient from 30 June 2021 to 30 June 2022. 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.

**Amendments to IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform Phase 2**; 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.

**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.

- 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.

- 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.

- 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’.

Standards, amendments and interpretations that are issued but not effective as at 31 December 2022:

**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 IFRS 17 and IFRS 4, 'Insurance contracts', deferral of IFRS 9;** effective from annual periods beginning on or after 1 January 2021. These amendments change the fixed date of the temporary exemption in IFRS 4 from applying IFRS 9, Financial Instrument until 1 January 2023. The amendments are not expected to have significant impact over financial position or performance of the Company.

**Amendments to IAS 1, Presentation of financial statements' on classification of liabilities;** Effective for annual reporting periods beginning on or after 01 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.

**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.

**TFRS 16, Sale and leaseback transactions;** Effective for annual reporting periods beginning on or after 01 January 2024. These changes include the sale and leaseback requirements in IFRS 16 that describe how an entity accounts for a sale and leaseback transaction after the transaction date. Sales and leaseback transactions where some or all of the lease payments consist of variable lease payments that are not tied to an index or rate are likely to be affected.

These changes have no impact on the consolidated financial position and performance of the Group.

**2.c Summary of Significant Accounting Policies**

**Cash and Cash Equivalents**

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments which their maturities are three months or less from date of acquisition and that are readily convertible to a known amount of cash and are subject to an insignificant change in value. The carrying amount of these assets approximates their fair value.

**Financial Instruments**

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces TAS 39 Financial Instruments: Recognition and Measurement.

The last version of IFRS 9 includes a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements and also includes guidance issued in previous versions of IFRS 9. IFRS 9 is effective for periods beginning on or after 1 January 2018.

*Classification of financial assets and liabilities*

IFRS 9 largely retains the existing requirements in TAS 39 for the classification and measurement of financial liabilities. However, it eliminates the previous TAS 39 categories for financial assets of held to maturity, loans and receivables and available for sale.

The adoption of IFRS 9 has not had a significant effect on the Group's accounting policies related to financial liabilities and derivative financial instruments. The impact of IFRS 9 on the classification and measurement of financial assets is set out below.

Under IFRS 9, on initial recognition, a financial asset is classified as measured at: amortized cost; fair value through other comprehensive income (FVOCI) – debt investment; FVOCI – equity investment; or FVTPL. The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. Derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- It is held within a business model whose objective is to hold assets to collect contractual cash flows and

- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- It is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and

- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis. All financial assets not classified as measured at amortized for the FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized for the at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

A financial asset (unless it is a trade receivable without a significant financing component that is initially measured at the transaction price) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

*Impairment of financial assets*

IFRS 9 replaces the 'incurred loss' model in TAS 39 with an 'expected credit loss' ("ECL") model. The new impairment model applies to financial assets measured at amortized cost and contract assets, but not to investments in equity instruments. Under IFRS 9, credit losses are recognized earlier than under IAS 39. The financial assets at amortized cost consist of trade receivables, cash and cash equivalents, and corporate debt securities.

Under IFRS 9, loss allowances will be measured on either the following bases:

- 12 month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date and,

- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

The Group has elected to measure loss allowances for trade receivables and contract assets at an amount equal to lifetime ECLs. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

*Financial liabilities*

Debt and equity instruments issued by the Group are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement entered into and the definitions of a financial liability and an equity instrument. An equity instrument is ant contract that evidences a residual interest in the asset of the Group after deducting all of its liabilities.

Financial liabilities at fair value reflected as profit or loss classified as financial liabilities or other financial liabilities.

*Financial liabilities at fair value through other comprehensive income*

The effective interest method calculates the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate discounts the estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period. Financial assets at fair value through other comprehensive income include "derivatives" items in the statement of financial position. Derivative instruments are recognized as an asset if the fair value is positive and as a liability if the fair value is negative. Derivative instruments of the Group consist of forward transactions.

*Other financial liabilities*

Other financial liabilities, including financial liabilities, are initially recognized at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method plus the interest expense recognized on an effective yield basis.

The effective interest method calculates the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate discounts the estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

**Trade Receivables**

Trade receivables arising from the provision of products or services to the buyer are recognized from the amortized value of the receivables recorded from the original invoice value in the subsequent periods with the effective interest method. Short-term receivables with no determined interest rates are shown in the invoice amount if the effect of the original effective interest rate is not very large.

The "simplified approach" is applied within the scope of impairment calculations of trade receivables that are recognized at amortized cost in the financial statements and do not contain a significant financing component (with a maturity of less than 1 year). With this approach, in cases where trade receivables are not impaired for certain reasons (except for the impairment losses incurred), the provisions for losses related to trade receivables are measured at an amount equal to "lifelong expected credit losses".

In the event that all or some of the amount of the receivable that is impaired is collected following the provision for impairment, the amount collected is deducted from the provision for impairment and recorded in other income from the main activities.

Maturity difference income / expenses related to commercial transactions and exchange rate profit / loss are recognized in the statement of "Other Income / Expense from Main Operations" in the profit or loss statement.

**Revenue From Contracts with Customers**

Assets defined as contract assets in TFRS 15 are accounted for in this account item. According to IFRS 15, an entity's right to consideration in exchange for goods or services that the entity has transferred to a customer when that right is conditioned on something other than the passage of time (for example, the entity's future performance). The total amount of contract assets is shown separately in the financial position statement.

**Financial Liabilities**

Financial liabilities are measured at fair value at initial recognition. Transaction costs directly attributable to the burden of the related financial liability are also added to the fair value.

The effective interest method calculates the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate discounts the estimated future cash payments through the expected life of the financial liability or where appropriate, a shorter period.

**Trade payables**

Trade payables are the payments to be made in relation to the goods and services provided from the suppliers within the ordinary activities. Trade payables are initially measured at fair value and subsequently measured at amortized cost using the effective interest method.

**Inventories**

Inventories are measured at the lower of cost and net realisable value. The cost of inventories includes all costs of purchase, costs of conversion (direct labour and production overhead) and other costs incurred in bringing the inventories to their present location and condition. Cost is calculated by weighted average cost formula for trade goods. The cost of software programs made to order is calculated according to the real lot cost method. In cases where the revenue related to the service provided (order software projects) is not reflected as income in the financial statements, the related expenses are reflected to the inventory account. The cost of inventories of project-style software programs mainly includes the labor and other costs of personnel directly involved in the delivery of the service, including the personnel performing the control operations, and the overheads that may be associated with them. Labor fees and other related expenses of sales and general management personnel are not included in the cost of the service, that is, in the inventory. These expenses are recognized as expense in the period in which they are incurred.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Inventory impairment provision amounts that reduce inventories to their net realizable value and losses related to inventories are recognized as expense in the period in which the reduction and losses occur. The amount of the inventory impairment loss canceled due to the increase in the net realizable value is accounted for in a way that reduces the accrued selling cost of the period in which the cancellation occurred. Net realizable value is reviewed for each financial statement period. In cases where the conditions that previously caused the inventories to be reduced to net realizable value no longer apply or an increase in net realizable value is proven due to changing economic conditions, the reserve for impairment is reversed (the amount canceled is limited to the amount of impairment previously allocated).

**Tangible Fixed Assets**

Tangible fixed assets are shown by deducting accumulated depreciation from the acquisition cost, if any, after deducting the scrap value. Assets subject to depreciation are subject to pro-rata depreciation based on their estimated economic lives over their cost amounts, using the straight-line method of depreciation, taking into account the date they are active. The economic life and depreciation method are regularly reviewed, and accordingly, it is checked whether the method and the depreciation period are in line with the economic benefits to be obtained from the relevant asset, and adjustments are made when necessary. The land is not subject to depreciation as its useful life is considered indefinite.

The cost value of the property, plant and equipment; The purchase price, import duties and non-refundable taxes consist of expenses incurred to prepare the property, plant and equipment for use. Expenses such as repair and maintenance that occur after the use of tangible fixed assets are recognized in the profit or loss statement in the period in which they are incurred. If the expenditures provide an economic value increase in the future use of the related property, plant and equipment, these expenditures are added to the cost of the asset.

Leasehold improvements include the expenses incurred for the leased property and are depreciated over the useful life of the leased property where the useful life is longer than the lease term, and over the useful life if it is short.

The depreciation rates for property, plant and equipment, which approximate the useful economic lives of these assets, are as follows:

| | Useful life |
|---|---|
| Motor vehicles | 4-10 years |
| Office equipment | 3-10 years |
| Leasehold improvements | Rent period |

Maintenance and repair expenses are recorded in the income statement in the period in which they are incurred. Costs related to the primary renewals are added to this cost of assets in the expected condition that providing economical profit with the better performance than the situation before renewals. Expenses which were made after the activation added to the cost of assets are put to amortization pursuant to economical lifetime of related assets. Group, value of the part that was changed in the range of expenses which was made after activation removes from income statement regardless to put the amortization independently to the other part.

**Right of Use Assets**

The Group accounts for its use right assets on the date of the financial lease contract (for example, as of the date when the related asset is suitable for use). The right of use assets are calculated by deducting the accumulated depreciation and impairment losses from the cost value. This figure is also adjusted in case of revaluation of operating lease liabilities.

The cost of the right of use asset includes:

(a) the first measurement of the lease obligation,
(b) the amount obtained from all lease payments made before or before the lease actually started, by deducting all lease incentives received, and
(c) All initial costs incurred by the Group.

Unless the transfer of the ownership of the underlying asset to the Group is reasonably finalized at the end of the lease term, the Group is subject to depreciation of the right to use until the end of the useful life of the underlying asset. Right of use assets are subject to impairment assessment.

The depreciation rates for right of use assets, which approximate the useful economic lives of these assets, are as follows:

| | Useful life |
|---|---|
| Buildings | 3-5 years |
| Motor vehicles | 1-3 years |

**Lease Obligations**

The Group measures the lease obligation based on the present value of the lease payments that were not paid on the date the lease actually began.

The lease payments included in the measurement of the lease obligation at the date of the lease actually consist of the following payments to be made for the right of use of the underlying asset during the lease period and not paid at the date when the lease actually started:

(a) Fixed payments,
(b) Variable lease payments based on an index or rate, made using an index or rate at the date when the first measurement was actually started,
(c) Amounts expected to be paid by the Group within the scope of residual value commitments
(d) the price of use of this option if the Group is reasonably sure that it will use the purchase option; and
(e) if the rental period indicates that the Group will use an option to terminate the lease, penalties for termination of the lease.

Variable lease payments that do not depend on an index or rate are recorded as expenses in the period when the event or condition that triggered the payment occurred. If the Group can easily determine the revised discount rate for the remainder of the lease term and the implied interest rate on the lease; In case it cannot be determined easily, it determines the alternative borrowing interest rate on the date of the Group's re-evaluation.

The Group measures the lease obligation after the lease actually starts as follows:

(a) Increases the carrying amount to reflect the interest on the lease obligation, and
(b) Reduces the carrying value to reflect the rent payments made.

In addition, in the event of a change in lease duration, a change in substance of fixed lease payments, or a change in the assessment of the option to purchase an underlying asset, the value of financial lease liabilities is re-measured.

Extension and early termination options

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

Facilitating Practices

The Group applies the short-term lease registration exemption to short-term machinery and equipment and low-value real estate lease agreements (i.e., assets with a rental period of 12 months or less starting from the start date and which do not have a purchase option). At the same time, it applies the exemption for the recognition of lower-value assets to the fixed assets, which are considered to be of low value. Short-term lease agreements and leases of lower-value assets are accounted for as expense on a straight- line basis over the term of the lease.

A single discount rate is applied to a portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar asset class in a similar economic environment).

**Intangible Assets**

Intangible Assets Acquired

Intangible assets acquired include acquired usage rights, information systems and other identifiable rights. Intangible assets with finite lives are presented at cost less their residual value, if any, less accumulated amortization and accumulated impairment losses. These assets are amortized using the straight-line method over their expected useful lives. The expected useful life and depreciation method are reviewed annually to determine the possible effects of changes in estimates and changes in estimates are accounted for prospectively. The useful lives of the Group's intangible assets range from 3 to 12 years.

Computer Software

Purchased computer software is capitalized over the costs incurred during its purchase and during the period from purchase until it is ready for use.

Research and Development Costs

Planned activities to obtain new technological information or findings are defined as research and research expenses incurred at this stage are recorded as expense when incurred.

The application of research findings or other information to a plan prepared to produce new or significantly improved products, processes, systems or services is defined as development and is recognized as intangible assets resulting from development if all of the following conditions are met.

Internally generated intangible assets resulting from development activities (or the development phase of an internal project) are recognized only when all the following conditions are met:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale,

- Its intention to complete the intangible asset and use or sell it,

- Its ability to use or sell the intangible asset. How the intangible asset will generate probable future economic benefits,

- The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset and

- Its ability to reliably measure the expenditure attributable to the intangible asset during its development.

The amount of intangible assets created internally is the total amount of expenses incurred since the intangible asset meets the above-mentioned recognition conditions. When internally generated intangible assets cannot be recognized, development expenditures are recorded as expense in the period in which they are incurred. After initial recognition, internally generated intangible assets, like separately purchased intangible assets, are carried at cost less accumulated depreciation and accumulated impairment losses.

The useful lives of development costs are not more than 10 years, although they are evaluated on a per-project basis.

Sale of Intangible Assets

An intangible asset is derecognised when it is disposed of or when future economic benefits are not expected from its use or sale. The profit or loss resulting from the derecognition of an intangible asset is calculated as the difference between the net proceeds from the disposal of the assets and their carrying amount, if any. This difference is recognized in profit or loss when the related asset is taken out of the balance sheet.

**Impairment of Assets**

At each reporting date, Group assesses whether there is an impairment indication for the assets, except for the deferred income tax asset that are stated at revalued amounts as of reporting date. When an indication of impairment exists, Group estimates the recoverable amounts of such assets. An impairment loss is recognized for the amount by which the carrying amount of the asset or any cash generating unit of that asset exceeds its recoverable amount which is the higher of an asset's net selling price and value in use. All impairment losses are accounted for in the statement of comprehensive income.

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

- Significant financial difficulty of the issuer or obligor,
- A breach of contract, such as a default or delinquency in interest or principal payments,
- For economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider,
- It becomes probable that the borrower will enter bankruptcy or other financial reorganization,
- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets.

**Mergers and Goodwill**

Business merger and acquisition is combining of two separate legal entities or organizations into an entity that makes reporting. Business merger is accounted based on acquisition method within the context of IFRS 3 (Note 4).

Acquisition cost contains the fair value of assets given in purchase date; issued capital instruments, assumed and realized payables due to change, the costs that can be associated with additional acquisition. If the business merger agreement includes articles that foresees that cost can be adjusted according to the future actions, this adjustment is probable, and this adjustment is include into merger cost that formed on the day of acquisition when the value is detected. Purchase-related costs are expensed in the period in which they are incurred. Goodwill arising from the acquisition of subsidiaries, acquisitions of associates and establishment of joint ventures is the portion of the consideration paid in excess of the fair value of the Group's net identifiable assets, liabilities and contingent liabilities in the acquiree and its non-controlling interest in the acquiree.

The difference between the acquisition cost coming from purchase of an organization and fair value of identifiable asset, liability and conditioned liabilities is accounted as goodwill in consolidated financial statements. If real value of acquired assets, liability and contingency liabilities exceeds the business merger cost, then the difference is accounted in the consolidated income statements as goodwill.

For impairment testing, goodwill is allocated to cash-generating units. Distribution is made to cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arises. Each unit or group of units to which the goodwill is distributed is the smallest asset group of the entity in which the goodwill is monitored for internal managerial purposes. Goodwill is monitored on the basis of operating segments. Impairment reviews of goodwill are performed annually or more frequently when events or changes in circumstances indicate the possibility of impairment. The higher of the carrying amount of the goodwill, its value in use and its fair value less costs to sell, is compared with its recoverable value. In case of any impairment, the loss is recognized immediately and is not reversed in the following period.

Legal mergers between entities controlled by the Group are not considered within the scope of TFRS 3. Therefore, goodwill is not calculated in such mergers. In addition, transactions between parties in legal mergers are subject to adjustments during the preparation of the consolidated financial statements.

Partial share purchase and sale transactions with minority interests

The Group considers the purchase and sale transactions of the shares of minority interests and the partnerships that it currently controls as transactions between the equity holders of the Group. Accordingly, in the purchase of additional shares from minority interests, the difference between the acquisition cost and the book value of the company's net assets in proportion to the purchased shares is accounted for under equity. In the sale of shares to minority interests, losses or gains resulting from the difference between the sales price and the book value of the company's net assets in proportion to the sold share are also accounted for under equity.

**Fair Value Measurement**

Determination of fair values, fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability. Fair value, according to valuation techniques used is classified into the following levels:

Level 1: For identical assets or liabilities in active markets (unadjusted) prices;
Level 2: Other than quoted prices in level 1 and asset or liability, either directly (as prices) or indirectly (i.e. derived from prices) observable data;
Level 3: Asset or liability is not based on observable market data in relation to the data (no observable data).

**Borrowing Cost**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization. All of the other borrowing costs are recorded in the income statement in the period in which they are incurred. There are no capitalized borrowing costs for the periods ended at 31 December 2022, 2021 and 2020.

**Taxation**

Taxes on income for the period comprise current tax and the change in the deferred taxes.

*Current tax provision*

The charge for current tax is based on the results for the period as adjusted for items which are non-assessable or disallowed. Taxable profit differs from profit as reported in the income statement because it excludes terms of income or expense that taxable or deductible in other years and it further excludes items that are never taxable or deductible.

*Deferred tax*

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases use in the computation of taxable profit and are accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized for all deductable temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary differences arisen from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit not the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences. It associates with investments in subsidiaries and associates and interests in joint ventures, except where the company is able to control the reversal of the temporary differences. It is probable that the 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.

The carrying amounts of deferred tax assets is reviewed at each balance sheet date and reduce to extent that is no longer probable that sufficient taxable profits will be available to allow all part of the assets to be recovered.

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 the 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.

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 relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognized as an expense or income in profit or loss, except when they relate to items credited or debited directly to equity, in which case the tax is also recognized directly in equity, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax affect is taken into account in calculating goodwill or determining the excess of the acquirer’s interest in the net fair value of the acquirer’s identifiable assets liabilities and contingent liabilities over cost.

**Provisions, Contingent Liabilities and Assets**

*Provisions*

Provisions are recognized when an enterprise has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

*Contingent Liabilities and Assets*

Transactions that may give rise to contingencies and commitments are those where the outcome and the performance of which will be ultimately confirmed only on the occurrence or non occurrence of certain future events, unless the expected performance is not very likely. Accordingly, contingent losses are recognized in the financial statements of Group if a reasonable estimate of the amount of the resulting loss can be made. Contingent gains are reflected only if it is probable that the gain will be realized.

**Related Parties**

In the presence of one of the following criteria, parties are considered as related to Group:

(a) Directly, or indirectly through one or more intermediaries, the party,
(i) Controls, is controlled by, or is under common control with, Group (this includes parents, subsidiaries and fellow subsidiaries);
(ii) Has an interest in Group that gives it significant influence over the Company; or
(iii) Has joint control over Group;

(b) The party is an associate of Group,
(c) The party is a joint venture, in which Group is a venture,
(d) The party is member of the key management personnel of Group or its parent,
(e) The party is a close member of the family of any individual referred to in (a) or (d),
(f) The party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e)
(g) The party has a defined benefit plan for the employees of the Group or a related party of the Group.

Transactions with related parties are transfer of resources or obligations between related parties, regardless of whether a price is charged. Group, interacts with its related parties within the frame of ordinary business activities (Note 6).

(Currency –Turkish Lira 'TRY' unlessed expressed otherwise)

**Foreign Currency Assets and Liabilities**

Foreign currency transactions are entered in the accounts with current rates in transaction date. Foreign currency assets and liabilities in the balance sheet are converted to the TRY as the rates in the balance sheet date. Foreign exchange profit and loss are reflected to the income statements. The Group carried out the measurements in accordance with the announcement of the Public Oversight, Accounting and Auditing Standards Authority, dated 15 March 2021, "About the Next Measurement of Foreign Currency Monetary Items According to Turkish Accounting Standards".

The exchange rates used for the amounts classified in the assets section of the financial position statement at the end of the periods are as follows:

| | 31.12.2022 | 31.12.2021 | 31.12.2020 |
|---|---|---|---|
| USD | 18.6983 | 13.3290 | 7.4194 |
| EURO | 19.9349 | 15.0867 | 9.1164 |
| GBP | 22.4892 | 17.9667 | 10.1142 |

The exchange rates used for the amounts classified in the liabilities section of the financial position statement at the end of the periods are as follows:

| | 31.12.2022 | 31.12.2021 | 31.12.2020 |
|---|---|---|---|
| USD | 18.7320 | 13.3530 | 7.4327 |
| EURO | 19.9708 | 15.1139 | 9.1329 |
| GBP | 22.6065 | 18.0604 | 10.1669 |

**Segment Reporting of Operation Results**

A business segment is distinguishable component of an enterprise that is engaged in providing an individual product or service or a group of related products or services and that is subject to risks and returns that are different from those of other business segments. A geographical segment is a distinguishable component of an enterprise that is engaged in providing products or services within a particular economic environment and that is subject to risks and returns that are different from those of components operating in other economic environments.

A reportable segment is business segment or a geographical segment identified based on the foregoing definitions for which segment information is required to be disclosed. A business segment or geographical segment should be identified as a reportable segment if a majority of its revenue is earned from sales to external customers and its revenue from sales to external customers and from transactions with other segments is 10% or more of the total revenue, external and internal, of all segments; or its segment result, whether profit or loss, is 10% or more of the result of all segments in profit or the result of all segments in loss, whichever is the greater in absolute amount; or its assets are 10% or more of the total assets of all segments.

The Group carries out its activities in the same geographical region and in different sectors. For this reason, segment reporting is presented on sectoral basis. (Note 5).

(Currency –Turkish Lira 'TRY' unlessed expressed otherwise)

**Employee Benefits / Severance Pay Provision**

*Severance Pay*

Under Turkish Labor Law, Group is required to pay termination benefits to each employee who has completed one year of service and whose employment is terminated without due cause, or who retires in accordance with social insurance regulations or is called up for military service or dies. As of 31 December 2022 payments are calculated on the basis of 30 days' pay limited to a maximum of TRY 15,371 (31 December 2021: TRY 8,285, 31 December 2020: TRY 7,117) per year of employment at the rate of pay applicable at the date of retirement.

Group calculates provisions for severance pay in the attached consolidated financial statements in consideration of previous year's experiences on deserving severance pay and also, discount rate generated from effective interest rate and inflation on balance sheet period was included in calculations. All of profits and losses except calculated actuarial profit / (loss) were shown in statements of income, actuarial profit / (loss) was shown in statements of changes in equity.

The rates of basic assumptions used at balance sheet date are as follows:

| | 31.12.2022 | 31.12.2021 | 31.12.2020 |
|---|---|---|---|
| Interest rate | 18.27% | 14.75% | 15.75% |
| Inflation rate | 15.75% | 13.00% | 14.60% |
| Real discount rate | 2.17% | 1.55% | 1.00% |
| Rate that is used for the probability of retirement | 84.62% | 87.71% | 90.40% |

*Social Insurance Premium*

Group pays social security contribution to social security organization compulsorily. As long as group pays these premiums, it has no liability. These premiums are reflected as personnel expenses in the period in which they are paid.

**Dividends**

Dividends receivable are recognized as income in the period when they are declared and dividends payables are recognized as an appropriation of profit in the period in which they are declared.

**Paid in Capital**

Common stocks are classified to equity. Costs related to new shares and option issued, are shown in equity by deducting the collected amounts whose tax effect was deducted.

**Government Incentive and Grants**

It is a procedure to assist the companies that are unable to achieve certain businesses. It is to stimulate the businesses with the incentives. Government incentives, including those followed at their fair values will be included in the financial statements only if there is reasonable assurance that the Company will fulfill all required conditions and acquire the incentive.

Government incentives, including non-monetary grants at fair value, are included in the financial statements only if there is reasonable assurance that the Company will fulfill all required conditions and acquire the incentive.

**Events After Reporting Period**

Although post balance sheet events arise after the explanation of the financial information to the public or any announcement related to profitability, it encloses all the events with balance sheet date and authorization date for the diffusion of the balance sheet.

Group adjusts the amounts in the combined financial statements if there exists any events necessitates adjustment. Subsequent events are stated in the combined notes to financial statements, if they do not need adjustments.

**Earnings / (Loss) Per Share**

Earnings / (loss) per share in the combined income statements are calculated by dividing the net profit for the year by the weighted average number of ordinary shares outstanding during the year. In Turkey, companies can increase their share capital by making distribution of "bonus shares" to existing shareholders from inflation adjustment difference in shareholder's equity. For the purpose of the earnings / (loss) per share computations, the weighted average number of shares outstanding during the year has been adjusted in respect of "bonus shares" issued without corresponding change in resources by giving them retroactive effect for the period in which they were issued and each earlier period.

**Revenue**

The Company has started to use the following five-step model in accounting for revenue in line with TFRS 15 "Revenue from Customer Contracts Standard", which entered into force as of 01 January 2018.

• Identification of contracts with customers
• Identification of performance obligations in contracts
• Determination of transaction value in contracts
• Distribution of transaction costs to performance obligations
• Accounting of revenue

According to this model, firstly, the committed goods or services are evaluated in each contract with customers and each commitment made to transfer the said goods or services is determined as a separate performance obligation. Afterwards, it is determined whether performance obligations will be fulfilled over time or at a certain time. If the Company transfers control of a good or service over time and therefore fulfills its performance obligations related to the sales, it takes the revenue to the financial statements over time by measuring the progress towards the fulfillment of the performance obligations in question.

The main revenue items of the Group are, to sale of commercial goods ("hardware") and software programs. Revenue related to performance obligations, which are in the nature of a commitment to transfer goods or services, are recognized when the control of the goods or services is in the hands of the customers.

When evaluating the transfer of control of the goods or services sold to the customer,

a) the Company has the right to collect goods related to the goods or services,
b) the ownership of the legal property of the goods or services,
c) the transfer of the possession of the goods or services,
d) the ownership of the customer's goods or services. ownership of significant risks and returns arising from ownership,
e) takes into account the conditions for the customer to accept the goods or services.

The Company does not make any adjustments to the effect of a significant financing component in the promised price at the beginning of the contract, if the period between the transfer date of the goods or service it promises to the customer and the date when the customer pays the price of this goods or service will be one year or less. On the other hand, if there is an important financing element in the revenue, the revenue value is determined by reducing the future collections with the interest rate included in the financing element. The difference is recorded in the relevant periods as other income from the main activities on an accrual basis.

Interest Income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Interest income and foreign exchange income from commercial transactions are recognized as other income from operating activities.

Dividend income from stock investments is reflected in the financial statements when shareholders have the right to receive dividends. Dividend debts are reflected in the financial statements as a liability after the approval of the general assembly as an element of profit distribution.

**Cash Flow Statement**

The Group prepares statement of cash flows to inform users of financial statements about changes in net assets and ability to direct financial structure, amounts and timing of cash flows according to changing situations. In the statement of cash flows, current period cash flows are grouped according to operating, financing, and investing activities. Operating cash flows resulting from activities in scope of Group's main operating scope. Cash flows related to investing activities are cash flows resulting from investing activities (fixed investments and financial investments) of the group. Cash flows related to financing activities comprise of funds used in financing activities of the Group and their repayments. Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments which their maturities are three months or less from date of acquisition and that are readily convertible to a known amount of cash and are subject to an insignificant change in value.

**Significant Changes Regarding the Current Period**

Necessary actions have been taken by the Group management to minimize the possible effects on the Group's activities and financial situation as a result of the developments and slowdowns in both the sector in which the Group is located and the general economic activity due to the Covid-19 epidemic, which has affected the whole world. Due to the measures taken and implemented throughout the country, the impact of the Covid-19 effect on the current period has decreased significantly. However, while preparing the accompanying consolidated financial statements for 31 December 2022, 2021 and 2020, the possible effects of the Covid-19 outbreak were evaluated and the estimates and assumptions used in the preparation of the consolidated financial statements were reviewed. In this context, no further impairment or provision has been identified in the accompanying consolidated financial statements as of 31 December 2022, 2021 and 2020.

(Currency –Turkish Lira 'TRY' unlessed expressed otherwise)

**NOTE 3 – SHARES IN OTHER COMPANIES**

As of 31 December 2022, the detail of Parent Company's direct or indirect shares in other companies and information of these companies is summarized as follows;

| | Ownership of the Parent Company through the Subsidiary | | Minority Interests |
|---|---|---|---|
| | (Direct) | (Direct+ Indirect) | Share |
| ELD Bilişim | 100.00% | 100.00% | - |

As of 31 December 2021, the detail of Parent Company's direct or indirect shares in other companies and information of these companies is summarized as follows;

| | Ownership of the Parent Company through the Subsidiary | | Minority Interests |
|---|---|---|---|
| | (Direct) | (Direct+ Indirect) | Share |
| ELD Bilişim | 100.00% | 100.00% | - |

As of 31 December 2020, the detail of Parent Company's direct or indirect shares in other companies and information of these companies is summarized as follows;

| | Ownership of the Parent Company through the Subsidiary | | Minority Interests |
|---|---|---|---|
| | (Direct) | (Direct+ Indirect) | Share |
| ELD Bilişim | 50.00% | 50.00% | 50.00% |

(Currency –Turkish Lira 'TRY' unlessed expressed otherwise)

For the period ended at 31 December 2022, summarized financial informations of Parent Company's subsidiary are as follows;

| | Subject of Activity | Assets | Equity | Revenue | Profit / Loss for the period |
|---|---|---|---|---|---|
| ELD Bilişim | Software | 43,411,100 | 42,392,144 | 31,895,925 | 29,364,441 |

For the period ended at 31 December 2021, summarized financial informations of Parent Company's subsidiary are as follows;

| | Subject of Activity | Assets | Equity | Revenue | Profit / Loss for the period |
|---|---|---|---|---|---|
| ELD Bilişim | Software | 14,094,233 | 13,027,702 | 8,740,627 | 7,471,824 |

(a) ELD Bilişim made a dividend payment of TRY 13,000,000 to Forte Bilgi İletişim Teknolojileri ve Savunma Sanayi A.Ş. The related amount has been eliminated during the consolidation.

For the period ended at 31 December 2020, summarized financial informations of Parent Company's subsidiary are as follows;

| | Subject of Activity | Assets | Equity | Revenue | Profit / Loss for the period |
|---|---|---|---|---|---|
| ELD Bilişim | Software | 25,645,602 | 18,558,278 | 31,404,680 | 19,165,525 |

The detail information of the subsidiary are presented at Note 1.

(Currency –Turkish Lira ‘TRY’ unlessed expressed otherwise)

## NOTE 4 – BUSINESS COMBINATIONS

In the accounting period ending on 31 December 2022, no business combination has occurred.

As of 31 December 2021, the detail of business combination as follows;

Forte Bilgi İletişim Teknolojileri ve Savunma Sanayi Anonim Şirketi, acquired 50% of ELD Bilişim Sanayi Ticaret Anonim Şirketi on 06 March 2019. Forte Bilgi İletişim Teknolojileri ve Savunma Sanayi Anonim Şirketi acquired with the amount of 12,500,000 TL the remaining 50% share of ELD Bilişim Sanayi Ticaret Anonim Şirketi on 03 September 2021 and increased its share in ELD Bilişim to 100%. The effect of the related share purchase transaction is accounted for in the consolidated statement of changes in shareholders' equity within the scope of “Partial share purchase and sale transactions with non-controlling interests”.

## NOTE 5 – REPORT BY SEGMENTS

For the accounting periods ended at 31 December 2022, 2021 and 2020, the Group continues its activities in the same geographical region, in the "Commercial Activities" ("Hardware") and "Software Activities" sectors. For this reason, segment reporting is presented on sectoral basis. The Group's service revenues, which are not included in the software activities, are reported in the "Commercial Activities" section.

As of 31 December 2022, the segment reporting of the consolidated financial position is as follows;

| | Commercial Activities | Software Activities | Elimination | Total |
|---|---|---|---|---|
| Trade receivables | 147,917,994 | 27,789,420 | - | 175,707,414 |
| Inventory | 103,278,092 | - | (1,666,667) | 101,611,425 |
| Tangible fixed assets | 3,026,377 | 139,404 | 3,069 | 3,168,850 |
| Intangible fixed assets | 546 | 28,177,237 | - | 28,177,783 |
| Financial investments | 12,561,000 | 42,000 | (12,525,000) | 78,000 |
| Prepaid expenses | 8,123,172 | 29,487 | - | 8,152,659 |
| Other current assets | 84,158,268 | 17,969,739 | (17,300,299) | 84,827,708 |
| Total Assets | 359,065,449 | 74,147,287 | (31,488,897) | 401,723,839 |
| Financial liabilities | 98,845,699 | - | - | 98,845,699 |
| Trade payables | 136,807,565 | 1,584 | - | 136,809,149 |
| Deferred income | 796,385 | 108,222 | - | 904,607 |
| Other payables and liabilities | 35,559,685 | 909,152 | (17,300,299) | 19,168,538 |
| Total Liabilities | 272,009,334 | 1,018,958 | (17,300,299) | 255,727,993 |
| Paid in capital | 45,000,000 | 50,000 | (50,000) | 45,000,000 |
| Other equity | 42,056,115 | 73,078,329 | (14,138,598) | 100,995,846 |
| Total Equity | 87,056,115 | 73,128,329 | (14,188,598) | 145,995,846 |
| Total Liabilities | 359,065,449 | 74,147,287 | (31,488,897) | 401,723,839 |

(Currency –Turkish Lira 'TRY' unlessed expressed otherwise)

As of 31 December 2021, the segment reporting of the consolidated financial position is as follows;

| | Commercial Activities | Software Activities | Elimination | Total |
|---|---|---|---|---|
| Trade receivables | 114,840,624 | - | - | 114,840,624 |
| Inventory | 28,171,861 | - | - | 28,171,861 |
| Tangible fixed assets | 1,497,520 | 202,756 | 3,069 | 1,703,345 |
| Intangible fixed assets | 844 | 11,281,412 | - | 11,282,256 |
| Financial investments | 12,525,000 | - | (12,525,000) | - |
| Prepaid expenses | 687,551 | 5,711,532 | - | 6,399,083 |
| Other current assets | 31,080,102 | 4,399,527 | (3,622,228) | 31,857,401 |
| Total Assets | 188,803,502 | 21,595,227 | (16,144,159) | 194,254,570 |
| Financial liabilities | 1,093,100 | 17,219 | - | 1,110,319 |
| Trade payables | 107,822,928 | 598 | - | 107,823,526 |
| Deferred income | 99,738 | 1,148,274 | - | 1,248,012 |
| Other payables and liabilities | 11,525,007 | 3,269,599 | (3,622,228) | 11,172,378 |
| Total Liabilities | 120,540,773 | 4,435,690 | (3,622,228) | 121,354,235 |
| Paid in capital | 45,000,000 | 50,000 | (50,000) | 45,000,000 |
| Other equity | 23,262,729 | 17,109,537 | (12,471,931) | 27,900,335 |
| Total Equity | 68,262,729 | 17,159,537 | (12,521,931) | 72,900,335 |
| Total Liabilities | 188,803,502 | 21,595,227 | (16,144,159) | 194,254,570 |

(Currency –Turkish Lira 'TRY' unlessed expressed otherwise)

As of 31 December 2020, the segment reporting of the consolidated financial position is as follows;

| | Commercial Activities | Software Activities | Elimination | Total |
|---|---|---|---|---|
| Trade receivables | 83,375,815 | 14,434,560 | (14,434,560) | 83,375,815 |
| Inventory | 32,146,060 | 1,266,797 | - | 33,412,857 |
| Tangible fixed assets | 1,355,528 | 295,282 | 3,069 | 1,653,879 |
| Intangible fixed assets | 1,142 | 4,839,916 | - | 4,841,058 |
| Financial investments | 25,000 | - | (25,000) | - |
| Prepaid expenses | 1,673,924 | 4,005,876 | - | 5,679,800 |
| Other current assets | 66,184,873 | 803,170 | (286,942) | 66,701,101 |
| Total Assets | 184,762,342 | 25,645,601 | (14,743,433) | 195,664,510 |
| Financial liabilities | 912,007 | 17,916 | - | 929,923 |
| Trade payables | 120,550,583 | 33,974 | (14,434,992) | 106,149,565 |
| Deferred income | 3,748 | 2,218,193 | - | 2,221,941 |
| Other payables and liabilities | 19,878,805 | 4,817,241 | (289,122) | 24,406,924 |
| Total Liabilities | 141,345,143 | 7,087,324 | (14,724,114) | 133,708,353 |
| Paid in capital | 2,400,000 | 50,000 | (50,000) | 2,400,000 |
| Other equity | 41,017,199 | 18,508,277 | 30,681 | 59,556,157 |
| Total Equity | 43,417,199 | 18,558,277 | (19,319) | 61,956,157 |
| Total Liabilities | 184,762,342 | 25,645,601 | (14,743,433) | 195,664,510 |

(Currency –Turkish Lira 'TRY' unlessed expressed otherwise)

As of 31 December 2022, the segment reporting of the profit or loss statement is as follows;

| | Commercial Activities | Software Activities | Elimination | Total |
|---|---|---|---|---|
| Sales, net | 324,785,905 | 53,644,137 | - | 378,430,042 |
| Cost of Sales | (266,778,227) | (6,189,885) | - | (272,968,112) |
| General administrative expenses | (8,663,113) | (544,068) | - | (9,207,181) |
| Marketing expenses | (5,248,894) | (149,328) | - | (5,398,222) |
| Research and development expenses | - | (967,852) | - | (967,852) |
| Other income / (expenses) from operating activities | 10,780,410 | (233,126) | - | 10,547,284 |
| Finance income / (expenses) | (13,670,254) | 713 | - | (13,669,541) |
| Current tax income / (expenses) | (11,946,001) | (495,101) | - | (12,441,102) |
| Deferred tax income / (expenses | (1,132,501) | (3,320) | - | (1,135,821) |
| Income / (Loss) for the period | 28,127,325 | 45,062,170 | - | 73,189,495 |

As of 31 December 2022, the segment reporting of depreciation and amortization is as follows;

| | Commercial Activities | Software Activities | Elimination | Total |
|---|---|---|---|---|
| Amortization of tangible fixed assets | 370,106 | 111,245 | - | 481,351 |
| Amortization of intangible fixed assets | 297 | 856,607 | - | 856,904 |
| Right-of-use asset | 1,408,083 | - | - | 1,408,083 |
| Total | 1,778,486 | 967,852 | - | 2,746,338 |

(Currency –Turkish Lira 'TRY' unlessed expressed otherwise)

As of 31 December 2021, the segment reporting of the profit or loss statement is as follows;

| | Commercial Activities | Software Activities | Elimination | Total |
|---|---|---|---|---|
| Sales, net | 202,444,334 | 12,906,600 | - | 215,350,934 |
| Cost of Sales | (173,757,458) | (2,761,795) | - | (176,519,253) |
| General administrative expenses | (2,782,824) | (270,033) | - | (3,052,857) |
| Marketing expenses | (2,646,339) | (36,485) | - | (2,682,824) |
| Research and development expenses | - | (304,742) | - | (304,742) |
| Other income / (expenses) from operating activities | (11,508,807) | (96,221) | (77,608) | (11,682,636) |
| Income / (expenses) from investment activities, net | 13,237,719 | 51,964 | (12,922,392) | 367,291 |
| Finance income / (expenses) | 6,908,035 | 123,914 | (2,613) | 7,029,336 |
| Current tax income / (expenses) | (6,168,682) | - | - | (6,168,682) |
| Deferred tax income / (expenses | 1,111,419 | 8,365 | - | 1,119,784 |
| Income / (Loss) for the period | 26,837,397 | 9,621,567 | (13,002,613) | 23,456,351 |

As of 31 December 2021, the segment reporting of depreciation and amortization is as follows;

| | Commercial Activities | Software Activities | Elimination | Total |
|---|---|---|---|---|
| Amortization of tangible fixed assets | 264,510 | 112,918 | - | 377,428 |
| Amortization of intangible fixed assets | 298 | 191,824 | - | 192,122 |
| Right-of-use asset | 669,586 | - | - | 669,586 |
| Total | 934,394 | 304,742 | - | 1,239,136 |

(Currency –Turkish Lira 'TRY' unlessed expressed otherwise)

As of 31 December 2020, the segment reporting of the profit or loss statement is as follows;

| | Commercial Activities | Software Activities | Elimination | Total |
|---|---|---|---|---|
| Sales, net | 189,503,421 | 46,097,939 | (31,275,000) | 204,326,360 |
| Cost of Sales | (167,784,417) | (13,861,510) | 31,275,000 | (150,370,927) |
| General administrative expenses | (1,772,101) | (188,855) | - | (1,960,956) |
| Marketing expenses | (2,433,516) | - | - | (2,433,516) |
| Research and development expenses | 1,386,944 | (18,074) | 5,681 | 1,374,551 |
| Other income / (expenses) from operating activities | 296,286 | 209,338 | - | 505,624 |
| Income / (expenses) from investment activities, net | (4,459,807) | 113,787 | - | (4,346,020) |
| Finance income / (expenses) | (5,986,196) | (69,473) | - | (6,055,669) |
| Current tax income / (expenses) | (141,947) | (21,209) | - | (163,156) |
| Income / (Loss) for the period | 8,608,667 | 32,261,943 | 5,681 | 40,876,291 |

As of 31 December 2020, the segment reporting of depreciation and amortization is as follows;

| | Commercial Activities | Software Activities | Elimination | Total |
|---|---|---|---|---|
| Amortization of tangible fixed assets | 224,771 | 99,388 | - | 324,159 |
| Amortization of intangible fixed assets | 1,438 | - | - | 1,438 |
| Right-of-use asset | 531,996 | - | - | 531,996 |
| Total | 758,205 | 99,388 | - | 857,593 |

(Currency –Turkish Lira 'TRY' unlessed expressed otherwise)

**Concentration risk related to sales**

For the accounting periods ended at 31 December 2022, 2021 and 2020, the concentration risk of the Group's sales consists of sales, which is one of its main activities.

Considering the Group's sales and customers for the accounting periods ended at 31 December 2022, 2021 and 2020, it is seen that there is a concentration risk due to the high share of some customers in sales. According to TFRS 8 Operating Segments standard; If revenue from transactions with a single external customer is 10 percent or more of the business's revenue, the entity shall disclose that, the total amount of revenue from each such customer, and which segment or segments are reporting revenues. The entity need not disclose the identity of its major customers or the amount of revenue each segment reports from that customer.

For the accounting periods ended at 31 December 2022, 2021 and 2020, the customers that make up 10% or more of the Group's revenue and their ratios are as follows:

| | 01.01. - 31.12.2022 | 01.01. - 31.12.2021 | 01.01. - 31.12.2020 |
|---|---|---|---|
| Company A | 8.73% | 11.11% | 9.53% |
| Company B | 0.77% | 11.53% | 51.28% |
| Company C | 45.72% | 25.26% | - |
| Company D | 0.08% | 0.15% | 15.59% |
| Company E | - | 12.76% | - |

## NOTE 6 - RELATED PARTY TRANSACTIONS

### i) Receivables and payables from related parties

a) The details of receivables from related parties classified under other short-term receivables are as follows (Note 11):

| | 31.12.2022 | 31.12.2021 | 31.12.2020 |
|---|---|---|---|
| Hasan Cengiz Bayrak | - | - | 5,535,732 |
| Ali Celal Asiltürk | - | - | 3,687,736 |
| Ebubekir Balıkçı | - | - | 231,874 |
| Onpro Bilişim Danışmanlık Destek Ticaret A.Ş. | - | - | 38,712 |
| | - | - | 9,494,054 |

(Currency –Turkish Lira 'TRY' unlessed expressed otherwise)

**ii) Sales, purchases and transactions to related parties:**

a) The details of sales to related parties classified in the revenue are as follows (Note 27.1) (*):

| | 01.01.-31.12.2022 | 01.01.-31.12.2021 | 01.01.-31.12.2020 |
|---|---|---|---|
| Casarenta Gayrimenkul Yatırım İnşaat ve Turizm A.Ş. | 615,306 | - | - |
| | 615,306 | - | - |

(*) Consists of hardware sales to related parties.

b) The details of vehicle leases made from related parties are as follows (**):

| | 01.01.-31.12.2022 | 01.01.-31.12.2021 | 01.01.-31.12.2020 |
|---|---|---|---|
| Ebubekir Balıkçı | 192,100 | - | - |
| Casarenta Gayrimenkul Yatırım İnşaat ve Turizm A.Ş. | 153,617 | - | - |
| | 345,717 | - | - |

(**) The relevant amounts arise from vehicle leases and are accounted for in the accompanying consolidated financial statements within the scope of "TFRS 16 Leases".

c) The details of purchases from related parties classified in tangible fixed assets as follows:

| | 01.01.-31.12.2022 | 01.01.-31.12.2021 | 01.01.-31.12.2020 |
|---|---|---|---|
| Casarenta Gayrimenkul Yatırım İnşaat ve Turizm A.Ş. | 173,267 | - | - |
| | 173,267 | - | - |

(Currency –Turkish Lira 'TRY' unlessed expressed otherwise)

d) The details of the interest income from related parties classified in the income from investment activities are as follows (Note 31.1):

| | 01.01.-31.12.2022 | 01.01.-31.12.2021 | 01.01.-31.12.2020 |
|---|---|---|---|
| Ali Celal Asiltürk | - | 340,109 | 296,286 |
| Ebubekir Balıkçı | - | 27,215 | - |
| Hasan Cengiz Bayrak | - | - | 209,338 |
| | - | 367,324 | 505,624 |

e) The details of the shares acquired from related parties are as follows (Note 4);

| | 01.01.-31.12.2022 | 01.01.-31.12.2021 | 01.01.-31.12.2020 |
|---|---|---|---|
| Hasan Cengiz Bayrak | - | 12,500,000 | - |
| | - | 12,500,000 | - |

f) The details of the remuneration and similar benefits provided to the senior directors are as follows:

| | 01.01.-31.12.2022 | 01.01.-31.12.2021 | 01.01.-31.12.2020 |
|---|---|---|---|
| Remuneration and similar benefits provided to the senior directors | 6,007,719 | 1,601,792 | 469,512 |
| | 6,007,719 | 1,601,792 | 469,512 |

The Group has determined the General Manager and Board members, Financial, Software, Sales, Marketing and Technical services directors as senior directors.

(Currency –Turkish Lira 'TRY' unlessed expressed otherwise)

## NOTE 7 – CASH AND CASH EQUIVALENTS

As of 31 December 2022, 2021 and 2020, the details of cash and cash equivalents are listed below;

| | 31.12.2022 | 31.12.2021 | 31.12.2020 |
|---|---|---|---|
| Cash | 21,310 | 20,777 | 145,064 |
| Banks | | | |
| Time deposits | 20,034,014 | 8,747,321 | 42,011,315 |
| Demand deposits | 9,599,227 | 18,788,919 | 13,004,898 |
| Liquid funds | 25,487,700 | - | - |
| | 55,142,251 | 27,557,017 | 55,161,277 |

As of 31 December 2022, 2021 and 2020 the Group's bank deposits consist of time and demand deposits. As of 31 December 2022, 2021 and 2020, There is no blockage over deposits. Liquid funds consist of cash equivalents that can be converted into cash over their book values.

As of 31 December 2022, the foreign currency details of cash and cash equivalents are as follows;

| Currency Type | Currency Amount | Exchange rate | TRY Amount |
|---|---|---|---|
| TRY | 53,950,547 | 1.0000 | 53,950,547 |
| USD | 63,729 | 18.6983 | 1,191,624 |
| EURO | 4 | 19.9349 | 80 |
| | | | 55,142,251 |

As of 31 December 2021, the foreign currency details of cash and cash equivalents are as follows;

| Currency Type | Currency Amount | Exchange rate | TRY Amount |
|---|---|---|---|
| TRY | 3,801,757 | 1.0000 | 3,801,757 |
| USD | 1,782,106 | 13.3290 | 23,753,691 |
| EURO | 104 | 15.0867 | 1,569 |
| | | | 27,557,017 |

As of 31 December 2020, the foreign currency details of cash and cash equivalents are as follows;

| Currency Type | Currency Amount | Exchange rate | TRY Amount |
|---|---|---|---|
| TRY | 42,894,698 | 1.0000 | 42,894,698 |
| USD | 1,652,839 | 7.4194 | 12,263,077 |
| EURO | 384 | 9.1164 | 3,502 |
| | | | 55,161,277 |

(Currency –Turkish Lira 'TRY' unlessed expressed otherwise)

As of 31 December 2022, the details of the time deposits are as below;

| Currency Type | Foreign Currency Amount | Interest Rate | Due Date | TRY Amount |
|---|---|---|---|---|
| TRY | 20,011,186 | 9.50% - 14.00% | 1 - 30 days | 20,011,186 |
| USD | 1,221 | 0.5% | 1 – 30 days | 22,828 |
| | | | | 20,034,014 |

As of 31 December 2021, the details of the time deposits are as below;

| Currency Type | Foreign Currency Amount | Interest Rate | Due Date | TRY Amount |
|---|---|---|---|---|
| TRY | 2,030,662 | 9.00% - 18.00% | 3 - 61 days | 2,030,662 |
| USD | 503,913 | 0.10% - 0.25% | 3 - 90 days | 6,716,659 |
| | | | | 8,747,321 |

As of 31 December 2020, the details of the time deposits are as below;

| Currency Type | Foreign Currency Amount | Interest Rate | Due Date | TRY Amount |
|---|---|---|---|---|
| TRY | 42,011,315 | 12.30% - 16.75% | 4 - 32 days | 42,011,315 |
| | | | | 42,011,315 |

**NOTE 8 – FINANCIAL INVESTMENTS**

As of 31 December 2022, 2021 and 2020, the details of financial investments are as follows:

**Short-term financial investments**

None (31 December 2021 and 2020: None).

**Long-term financial investments**

| | 31.12.2022 | 31.12.2021 | 31.12.2020 |
|---|---|---|---|
| Financial investments | 78,000 | - | - |
| | 78,000 | - | - |

Long-term financial investments contains from long-term fund ("ZTC Ziraat Portföy Yönetimi A.Ş. Second Participation Venture Capital Investment Fund") acquired by the Group within the scope of "Regulation No. 5746 Amending the Implementation and Audit Regulation Regarding Supporting Research, Development and Design Activities".

(Currency –Turkish Lira 'TRY' unlessed expressed otherwise)

## NOTE 9 – FINANCIAL BORROWINGS

As of 31 December 2022, 2021 and 2020 the details of financial borrowings are as follows:

| | 31.12.2022 | 31.12.2021 | 31.12.2020 |
|---|---|---|---|
| Short term bank borrowings | 95,004,802 | - | - |
| Other financial borrowings (credit cards) | 188,289 | 125,497 | 48,345 |
| Liabilities from leases (*) | 2,157,461 | 694,454 | 476,509 |
| Total short term financial payables | 97,350,552 | 819,951 | 524,854 |
| Liabilities from leases (*) | 1,495,147 | 290,368 | 405,069 |
| Total long term financial borrowings | 1,495,147 | 290,368 | 405,069 |
| Total financial borrowings | 98,845,699 | 1,110,319 | 929,923 |

(*) As of 31 December 2022, 2021 and 2020, the related financial liabilities consist of the liabilities within the scope of "TFRS 16 Leases" standard and their original currency is TRY.

As of 31 December 2022, 2021 and 2020, the original currency of financial liabilities is TRY.

As of 31 December 2022, the average effective interest rate of short-term bank loans is 18.27% (31 December 2021 and 2020: None).

As of 31 December 2022, the Group has assigned its trade receivables amounting to TRY 54,982,361 in favor of financial institutions in order to guarantee its loans (31 December 2021 and 2020: None). In addition, the Parent Company partners have personal guarantees in favor of financial institutions (Note 22).

As of 31 December 2022, 2021 and 2020, the maturity analysis of financial borrowings is as below:

| | 31.12.2022 | 31.12.2021 | 31.12.2020 |
|---|---|---|---|
| Due in 0 - 1 year | 97,350,552 | 819,951 | 524,854 |
| Due in 1 - 2 years | 752,806 | 230,406 | 405,069 |
| Due in 2 - 3 years | 742,341 | 59,962 | - |
| | 98,845,699 | 1,110,319 | 929,923 |

(Currency –Turkish Lira 'TRY' unlessed expressed otherwise)

## NOTE 10 – TRADE RECEIVABLES AND PAYABLES

As of 31 December 2022, 2021 and 2020 the details of trade receivables are as below:

**Short term trade receivables**

| | 31.12.2022 | 31.12.2021 | 31.12.2020 |
|---|---|---|---|
| Trade receivables | 176,775,077 | 116,278,872 | 63,029,717 |
| Notes receivables | - | - | 22,108,712 |
| Unearned interest on receivables (-) | (4,442,558) | (2,211,330) | (2,229,979) |
| Income accruals from commercial activities | 3,374,895 | 773,082 | 467,365 |
| Doubtful trade receivables | 1,769,452 | 1,070,979 | 1,174,636 |
| Provision for doubtful trade receivables (-) | (1,769,452) | (1,070,979) | (1,174,636) |
| | 175,707,414 | 114,840,624 | 83,375,815 |

The maturity of the Group's trade receivables varies on the basis of each customer and averages between 30 and 120 days.

The movement schedule of provision for doubtful receivables is as below:

| | 01.01. - 31.12.2022 | 01.01. - 31.12.2021 | 01.01. - 31.12.2020 |
|---|---|---|---|
| Opening balance | 1,070,979 | 1,174,636 | 1,104,701 |
| Collections (Note 30.1) | - | (103,657) | - |
| Provisions for the period (Note 30.2) | 698,473 | - | 69,935 |
| Closing balance | 1,769,452 | 1,070,979 | 1,174,636 |

Group, as of 31 December 2022, has provided its customers with guarantee letters amounting to 53,369,712 TRY and guarantee securities amounting to 24,297,050 TRY (31 December 2021: Guarantee letter: 31,823,917 TRY - Guarantee securities: 12,851,482 TRY, 31 December 2020: Guarantee letter: 28,041,339 TRY - Guarantee securities: 8,309,168 TRY). Additionally, as of 31 December 2022, Group has assigned its trade receivables amounting to 54,982,361 TRY to financial institutions as collateral for bank loans (December 31, 2021 and 2020: None) (Note 22).

The credit risk table of trade receivables is presented in Note 35.

**Long term trade receivables**

None (31 December 2021 and 2020: None).

(Currency –Turkish Lira 'TRY' unlessed expressed otherwise)

As of 31 December 2022, 2021 and 2020 the details of trade payables is as follows:

**Short term trade payables**

| | 31.12.2022 | 31.12.2021 | 31.12.2020 |
|---|---|---|---|
| Trade payables | 132,367,002 | 95,460,854 | 74,462,200 |
| Notes payable | - | 13,386,863 | 32,397,637 |
| Expense accruals of commercial activities | 6,696,777 | 56,000 | 230,001 |
| Discount on payables (-) | (2,254,630) | (1,080,191) | (940,273) |
| | 136,809,149 | 107,823,526 | 106,149,565 |

The maturity of the Group's trade payables varies on the basis of each supplier and averages between 30 and 120 days.

As 31 December 2022, 2021 and 2020 maturity schedule of notes receivables is as follows:

| | 31.12.2022 | 31.12.2021 | 31.12.2020 |
|---|---|---|---|
| 1-30 days | - | 9,181,656 | 27,441,766 |
| 31-60 days | - | 679,681 | 3,955,871 |
| 61-90 days | - | 3,525,526 | 500,000 |
| 91-120 days | - | - | 500,000 |
| | - | 13,386,863 | 32,397,637 |

**Long term trade payables**

None (31 December 2021 and 2020: None).

(Currency –Turkish Lira 'TRY' unlessed expressed otherwise)

## NOTE 11 – OTHER RECEIVABLES AND PAYABLES

As of 31 December 2022, 2021 and 2020 the details of other receivables is as follows:

**Other current receivables**

| | 31.12.2022 | 31.12.2021 | 31.12.2020 |
|---|---|---|---|
| VAT receivables from tax office | 622,055 | 308,435 | 299,310 |
| Receivables from related parties (Note 6) | - | - | 9,494,054 |
| | 622,055 | 308,435 | 9,793,364 |

**Other non-current receivables**

| | 31.12.2022 | 31.12.2021 | 31.12.2020 |
|---|---|---|---|
| Deposits and guarantees given | 345,892 | 104,243 | 95,843 |
| | 345,892 | 104,243 | 95,843 |

As of 31 December 2022, 2021 and 2020 the details of other payables are as follows:

**Other current payables**

| | 31.12.2022 | 31.12.2021 | 31.12.2020 |
|---|---|---|---|
| Taxes and funds payable | 449,696 | 136,568 | 32,317 |
| Installed tax payable (a) | - | 2,153,211 | 1,076,607 |
| VAT payable | - | 7,881 | 4,551,053 |
| | 449,696 | 2,297,660 | 5,659,977 |

**Other non-current payables**

| | 31.12.2022 | 31.12.2021 | 31.12.2020 |
|---|---|---|---|
| Installed tax payable (a) | - | - | 2,062,906 |
| | - | - | 2,062,906 |

(a) As of 31 December 2021, the entire amount consists of the tax payables in installments arising from the tax base increases realized within the scope of the law numbered 7326 "The law on restructuring some receivables and making changes in some laws", which the Group benefited from in 2021.(31 December 2020: TRY 3,139,513)

(Currency –Turkish Lira 'TRY' unlessed expressed otherwise)

## NOTE 12 – REVENUE FROM CONTRACTS WITH CUSTOMERS

As of 31 December 2022, 2021 and 2020, the details of revenue from contracts with customers are as follows:

| | 31.12.2022 | 31.12.2021 | 31.12.2020 |
|---|---|---|---|
| Revenue from contracts with customers | 14,454,966 | - | - |
| | 14,454,966 | - | - |

Contract assets arising from the sale of goods and services consist of interest income accrued within the scope of the service contract but not yet invoiced to the customer in projects where the Group is the service provider (Note 30.1).

## NOTE 13 – EMPLOYEE BENEFITS LIABILITIES

As of 31 December 2022, 2021 and 2020, the details of employee benefits liabilities are as following;

| | 31.12.2022 | 31.12.2021 | 31.12.2020 |
|---|---|---|---|
| Social security premiums payable | 1,130,934 | 382,834 | 176,444 |
| Due to personnel | 147,252 | 10,997 | 6,202 |
| | 1,278,186 | 393,831 | 182,646 |

## NOTE 14 – INVENTORIES

As of 31 December 2022, 2021 and 2020, the detail of inventories is as following;

**Short term inventories**

| | 31.12.2022 | 31.12.2021 | 31.12.2020 |
|---|---|---|---|
| Trade Goods (a) | 101,704,560 | 28,265,695 | 32,153,414 |
| Provision for inventory impairment (-) | (93,135) | (93,834) | (7,354) |
| | 101,611,425 | 28,171,861 | 32,146,060 |

(a) Trade goods generally consist of hardware stocks covered by the Group's agreements with its customers. As of 31 December 2022, TRY 3,583,946 of the related inventories consists of inventories kept in the Group's own warehouse, and the remaining inventories consist of inventories kept at customers within the scope of ongoing projects due to the nature of the Group's activities (31.12.2021: TRY 3,160,134 - 31.12.2020:TRY 4,490,819).

(Currency –Turkish Lira 'TRY' unlessed expressed otherwise)

Movement table of provision for inventory impairment is as follows:

| | 01.01. - 31.12.2022 | 01.01. - 31.12.2021 | 01.01. - 31.12.2020 |
|---|---|---|---|
| Opening balance | 93,834 | 7,354 | 74,625 |
| Adjustment of prior period provision (-) | (699) | - | (67,271) |
| Provision during the period (Note 30.2) | - | 86,480 | - |
| | 93,135 | 93,834 | 7,354 |

The details of the provision for inventory impairment, on the basis of the provisioned inventory, are as follows:

| | 31.12.2022 | 31.12.2021 | 31.12.2020 |
|---|---|---|---|
| Trade Goods | 93,135 | 93,834 | 7,354 |
| | 93,135 | 93,834 | 7,354 |

As of 31 December 2022, there is an insurance guarantee amounting to TRY 100,000 on the inventory.

**Long term inventories**

| | 31.12.2022 | 31.12.2021 | 31.12.2020 |
|---|---|---|---|
| Software project inventories (b) | - | - | 1,266,797 |
| | - | - | 1,266,797 |

(b) Software project inventories consist of the costs of software projects that are made to order.

## NOTE 15 – OTHER CURRENT ASSETS

As of 31 December 2022, 2021 and 2020, the detail of other current assets is as following;

| | 31.12.2022 | 31.12.2021 | 31.12.2020 |
|---|---|---|---|
| VAT carried forward | 10,040,257 | 646,541 | 152,727 |
| | 10,040,257 | 646,541 | 152,727 |

(Currency –Turkish Lira ‘TRY’ unlessed expressed otherwise)

## NOTE 16 – PREPAID EXPENSES

As of 31 December 2022, 2021 and 2020, the details of prepaid expenses are as follows;

**Short term prepaid expenses**

| | 31.12.2022 | 31.12.2021 | 31.12.2020 |
|---|---|---|---|
| Order advances given | 5,640,552 | - | - |
| Prepaid expenses | 1,809,944 | 412,180 | 415,358 |
| Advances given for software projects | - | 3,369,157 | - |
| Advances given to personnel | - | 2,431,535 | 1,282,442 |
| | 7,450,496 | 6,212,872 | 1,697,800 |

**Long term prepaid expenses**

| | 31.12.2022 | 31.12.2021 | 31.12.2020 |
|---|---|---|---|
| Prepaid expenses | 702,163 | 186,211 | - |
| Advances given for software projects | - | - | 3,982,000 |
| | 702,163 | 186,211 | 3,982,000 |

## NOTE 17 – DEFERRED INCOME

As of 31 December 2022, 2021 and 2020, the details of deferred income are as following:

**Short term deferred income**

| | 31.12.2022 | 31.12.2021 | 31.12.2020 |
|---|---|---|---|
| Deferred income | 366,896 | 13,558 | 29,634 |
| Advances received for software projects | 17,020 | 1,234,454 | 3,748 |
| | 383,916 | 1,248,012 | 33,382 |

**Long term deferred income**

| | 31.12.2022 | 31.12.2021 | 31.12.2020 |
|---|---|---|---|
| Prepaid income | 520,691 | - | 13,559 |
| Advances received for software projects | - | - | 2,175,000 |
| | 520,691 | - | 2,188,559 |

(Currency –Turkish Lira 'TRY' unlessed expressed otherwise)

## NOTE 18 – RIGHT OF USE ASSETS

As of 31 December 2022, 2021 and 2020, the details and movement schedule of the right of use assets are as follows;

| Cost | 31 December 2019 | Addition | 31 December 2020 | Addition | 31 December 2021 | Addition | 31 December 2022 |
|---|---|---|---|---|---|---|---|
| Buildings | 1,219,958 | - | 1,219,958 | 3,008 | 1,222,966 | 2,371,543 | 3,594,509 |
| Vehicles | 222,070 | 161,694 | 383,764 | 734,678 | 1,118,442 | 1,682,335 | 2,800,777 |
| Total | 1,442,028 | 161,694 | 1,603,722 | 737,686 | 2,341,408 | 4,053,878 | 6,395,286 |
| Accumulated Depreciation(-) | | | | | | | |
| Buildings | 164,861 | 395,666 | 560,527 | 395,750 | 956,277 | 529,074 | 1,485,351 |
| Vehicles | 159,850 | 136,330 | 296,180 | 273,836 | 570,016 | 879,009 | 1,449,025 |
| Total | 324,711 | 531,996 | 856,707 | 669,586 | 1,526,293 | 1,408,083 | 2,934,376 |
| Net Book Value | 1,117,317 | | 747,015 | | 815,115 | | 3,460,910 |

Vehicle rental expenses from related parties and reported in accordance with the "TFRS 16 Leases" standard are specified in Note 6.

(Currency –Turkish Lira 'TRY' unlessed expressed otherwise)

## NOTE 19 – TANGIBLE FIXED ASSETS

31 December 2022, 2021 and 2020, the details of tangible fixed assets and movement schedule of tangible fixed assets are as following;

| Cost | 31 December 2019 | Addition | Disposal | 31 December 2020 | Addition | Disposal | 31 December 2021 | Addition | Disposal | 31 December 2022 |
|---|---|---|---|---|---|---|---|---|---|---|
| Vehicles | 123,614 | 835,677 | | 959,291 | 133,663 | - | 1,092,954 | 173,267 | - | 1,266,221 |
| Fixtures and fittings | 795,936 | 173,785 | | 969,721 | 236,774 | (1,400) | 1,205,095 | 1,525,070 | - | 2,730,165 |
| Leasehold improvements | 554,870 | 91,590 | | 646,460 | 57,810 | - | 704,270 | 248,519 | - | 952,789 |
| Total | 1,474,420 | 1,101,052 | - | 2,575,472 | 428,247 | (1,400) | 3,002,319 | 1,946,856 | - | 4,949,175 |
| Accumulated Depreciation (-) | | | | | | | | | | |
| Vehicles | 29,939 | 66,356 | | 96,295 | 94,500 | - | 190,795 | 107,551 | - | 298,346 |
| Fixtures and fittings | 360,944 | 153,218 | | 514,162 | 173,586 | (47) | 687,701 | 237,878 | - | 925,579 |
| Leasehold improvements | 206,551 | 104,585 | | 311,136 | 109,342 | - | 420,478 | 135,922 | - | 556,400 |
| Total | 597,434 | 324,159 | - | 921,593 | 377,428 | (47) | 1,298,974 | 481,351 | - | 1,780,325 |
| Net Book Value | 876,986 | | | 1,653,879 | | | 1,703,345 | | | 3,168,850 |

As of 31 December 2022, 2021 and 2020, tangible fixed assets are presented in the accompanying consolidated financial statements by deducting accumulated depreciation (cost method), which is calculated from the acquisition cost by deducting the scrap value, if any. The Group has no tangible fixed assets acquired through financial leasing method.As of the report date, there are no restrictions on tangible assets.

As of 31 December 2022, the total insurance amount for tangible fixed assets is TRY 2,161,861.

(Currency –Turkish Lira 'TRY' unlessed expressed otherwise)

## NOTE 20 – INTANGIBLE FIXED ASSETS

As of 31 December 2022, 2021 and 2020, the details and movement schedule of intangible fixed assets are as following;

| Cost | 31 December 2019 | Addition | Disposal | 31 December 2020 | Addition | Disposal | 31 December 2021 | Addition | Disposal | 31 December 2022 |
|---|---|---|---|---|---|---|---|---|---|---|
| Rights | 31,791 | - | - | 31,791 | - | - | 31,791 | - | - | 31,791 |
| Development costs (a) | 1,829,276 | 3,010,640 | - | 4,839,916 | 6,633,320 | - | 11,473,236 | 17,752,431 | - | 29,225,667 |
| Total | 1,861,067 | 3,010,640 | - | 4,871,707 | 6,633,320 | - | 11,505,027 | 17,752,431 | - | 29,257,458 |
| Accumulated Amortization (-) | | | | | | | | | | |
| Rights | 29,211 | 1,438 | - | 30,649 | 298 | - | 30,947 | 297 | - | 31,244 |
| Development costs | - | - | - | - | 191,824 | - | 191,824 | 856,607 | - | 1,048,431 |
| Total | 29,211 | 1,438 | - | 30,649 | 192,122 | - | 222,771 | 856,904 | - | 1,079,675 |
| Net Book Value | 1,831,856 | | | 4,841,058 | | | 11,282,256 | | | 28,177,783 |

(a) Capitalized development costs consist of the costs of software projects that the Group has not made to order. Related costs mainly consist of personnel costs working for the relevant project.

As of 31 December 2022, the net book value of capitalized development costs is TRY 28,177,236 (31 December 2021: TRY 11,281,412 – 31 December 2020: TRY 4,839,916).

(Currency –Turkish Lira 'TRY' unlessed expressed otherwise)

As of 31 December 2022, the detailed information of the projects reported by the Group in the development costs account item is as follows;

| Project Name | Useful Life | Project Completion Rate | Project Start Date | Project Completion Date | Gross Value | Depreciation | Net Book Value |
|---|---|---|---|---|---|---|---|
| Material Codification and Integrated Logistics Information System - KODTR | 8 years | 100% | 1.06.2018 | 1.12.2020 | 2,388,541 | 472,732 | 1,915,809 |
| Electronic Documentation Software - ELDOK | 10 years | 100% | 1.01.2019 | 1.01.2022 | 4,710,672 | 471,067 | 4,239,605 |
| Customer Relationship Management (CRM) - DeskForSM | 8 years | 100% | 27.07.2020 | 30.04.2021 | 242,188 | 47,933 | 194,255 |
| Interactive Technical Documentation System - Viewer FORSDOC-VIEWER | 10 years | 100% | 1.10.2021 | 1.06.2022 | 1,068,054 | 56,699 | 1,011,355 |
| Factory Production Management System - ELDERP | 8 years | 94% | 2.03.2020 | 2.03.2023 | 5,528,991 | - | 5,528,991 |
| Integrated Logistics Support System - FORIPS | 12 years | 66% | 4.01.2021 | 4.01.2024 | 2,545,288 | - | 2,545,288 |
| Smart Project Management and Analysis System - DESKFORPM | 10 years | 81% | 1.11.2021 | 1.05.2024 | 3,680,496 | - | 3,680,496 |
| Interactive Technical Documentation System - Editor - FORSDOC AUTHOR | 10 years | 46% | 1.12.2021 | 1.04.2024 | 3,040,806 | - | 3,040,806 |
| Network Management System - FORNETPLAN | 10 years | 33% | 1.01.2022 | 1.01.2025 | 4,558,034 | - | 4,558,034 |
| Organization Information System – OIS | 10 years | 50% | 1.01.2022 | 1.01.2024 | 1,462,597 | - | 1,462,597 |
| Total | | | | | 29,225,667 | 1,048,431 | 28,177,236 |

## NOTE 21 – GOVERNMENT INCENTIVES AND GRANTS

The details of the incentives obtained by the Group are as follows;

a) The Group's software projects are approved by the relevant official institutions and after approval, the Group receives some tax incentives. The rights of the Group due to these incentives are as follows:

- Incentives within the scope of Technology Development Zones Law (100% Corporate Tax exemption), - Incentives within the scope of Research and Development Law (Social Security Institution incentives, etc.),

The income of the Group as a result of research and development activities as per the article of the "Within the scope of the second provisional article of the Technology Development Zones Law No. 4691, The earnings of the managing companies within the scope of this law and the income and corporate taxpayers operating in the region, exclusively from software and R&D activities in this region, are exempt from income and corporate tax until 31 December 2028" is within the scope of exemption from corporate tax.

In this context; For the accounting period ending on 31 December 2022, the Group's income exempt from corporate tax is TRY 31,481,965 (01 January - 31 December 2021: TRY 3,835,490, 01 January - 31 December 2020: TRY 26,271,469).

In addition, within the scope of the same law; For the accounting period ended 31 December 2022, the Group's personnel income and stamp tax incentive amount is TRY 5,097,141 (01 January - 31 December 2021: TRY 2,376,946, 01 January - 31 December 2020: TRY 1,201,593).

b) The Group benefits from incentives in line with the "Social Insurance and General Health Insurance Law No. 5510 and 5746" of the Republic of Turkey Social Security Institution ("SGK"). In this context; The incentive amount obtained by the Company in the accounting period ending on 31 December 2022 is TRY 2,350.508 (01 January - 31 December 2021: TRY 1,299,196, 01 January - 31 December 2020: TRY 752,270).

(Currency –Turkish Lira 'TRY' unlessed expressed otherwise)

## NOTE 22 – COMMITMENTS AND CONTINGENT LIABILITIES AND ASSETS

As of 31 December 2022, 2021 and 2020, commitments and contingent liabilities and assets are as following;

**Short term provisions**

| | 31.12.2022 | 31.12.2021 | 31.12.2020 |
|---|---|---|---|
| Warranty service expense provisions | 713,703 | 526,353 | 6,684,503 |
| Provision for lawsuits | - | - | - |
| | 713,703 | 526,353 | 6,684,503 |

**Long term provisions**

| | 31.12.2022 | 31.12.2021 | 31.12.2020 |
|---|---|---|---|
| Warranty service expense provisions | 7,171,293 | 3,208,649 | 2,663,535 |
| | 7,171,293 | 3,208,649 | 2,663,535 |

**Contingent Assets**

None.

(Currency –Turkish Lira 'TRY' unlessed expressed otherwise)

**Contingent Liability**

As of 31 December 2022, 2021 and 2020, guarantee / security / mortgage ("GSM") of the Group are as follows:

| Given GSM (Guarantee-Security-Mortgage) by Group | 31.12.2022 | 31.12.2021 | 31.12.2020 |
|---|---|---|---|
| A. Total Amount of Gsm Given on Behalf of Legal Entity | 133,278,762 | 44,675,399 | 36,350,507 |
| B. Total Amount of Gsm Given for Partnerships Which are Included in | None | None | None |
| C. Total Amount of Gsm Given for the Purpose of Guaranteeing Third Party Loans to Carry The Regular Trade Activities | None | None | None |
| D. Total Amount of Other Gsm Given | None | None | None |
| i. Total Amount of Gsm Given or the Parent Company | None | None | None |
| ii. Total Amount of Gsm Given for Other Group Companies Not Included in B And C Clauses | None | None | None |
| iii. Total Amount of Gsm Given for Third Parties Not Included in C Clause | None | None | None |
| Total | 133,278,762 | 44,675,399 | 36,350,507 |

As of 31 December 2022, the ratio of other GSM given by the company to shareholders equity is 0%. (31 December 2021 and 2020: 0%).

The details of the Group's contingent liabilities are as follows:

**Letters of guarantees –** As of 31 December 2022, the total amount of letters of guarantee that the Group has received from banks and given to its customers and other institutions is TRY 53,369,712 (TRY 40,127,424 – USD 706,934), (31 December 2021: TRY 31,823,917 (TRY 20,679,984 - USD 834,564), 31 December 2020: TRY 28,041,339 (TRY 22,463,850 – USD 751,744).

**Security of guarantees -** As of 31 December 2022, the Group has given security of guarantee amounting to TRY 24,297,050 to its customers. (TRY 2,280,000 – USD 1,175,371) (31 December 2021: TRY 12,851,482 (TRY 7,980,000 – USD 364,823), 31 December 2020: TRY 8,309,168 (TRY 8,309,168)).

**Assignment of receivable -** As of 31 December 2022, the Group has assigned its trade receivables amounting to TRY 54,982,361 to financial institutions as collateral for bank loans (31 December 2021 and 2020: None).

**Venture capital fund -** The Group has a fund purchase obligation of TRY 629,639 until December 31, 2023, within the scope of the "Regulation No. 5746 Amending the Implementation and Audit Regulation Regarding Supporting Research, Development and Design Activities".

**Lawsuits –** From time to time, lawsuits may be filed against the Group regarding its commercial activities. The realizability of the related risks is analyzed by the Group management and legal advisors. As a result of the analyzes made, there is no issue that would require a provision to be made by the Group management.

**NOT 23 – COMMITMENTS**

As of 31 December 2022, the Group has purchase commitments from banks amounting to USD 1,600,000 with a purchase maturity of 1 to 3 months arising from derivative contracts (31 December 2021: USD 325,000 - 31 December 2020: USD 2,200,000) (Note 25).

(Currency –Turkish Lira 'TRY' unlessed expressed otherwise)

## NOTE 24 – PROVISIONS FOR EMPLOYEE BENEFITS

As of 31 December 2022, 2021 and 2020 the provisions for employee benefits are as follows:

**Short term provisions for employee benefits**

| | 31.12.2022 | 31.12.2021 | 31.12.2020 |
|---|---|---|---|
| Provision for unused annual leave | 1,007,105 | 457,030 | 83,573 |
| | 1,007,105 | 457,030 | 83,573 |

**Long term provisions for employee benefits**

| | 31.12.2022 | 31.12.2021 | 31.12.2020 |
|---|---|---|---|
| Severance pay provisions | 1,128,839 | 841,637 | 615,591 |
| | 1,128,839 | 841,637 | 615,591 |

The severance pay provision has been calculated as expressed in Note 2. As of 31 December 2022, the liability is calculated on a 30 day wage base with a maximum of TRY 15,731 for each year of service, utilizing the rates on date of retirement or departure (31 December 2021: TRY 8,285 - 31 December 2020: TRY 7,117).

For the period ended at 31 December 2022, 2021 and 2020, based on mentioned principles above, Group reflected severance pay liabilities which were reduced to the date of balance sheet by the using expected inflation rate and real discount rate to financial statements.

The ratios of the basic assumptions used on the day of the consolidated financial position statement are as follows:

| | 31.12.2022 | 31.12.2021 | 31.12.2020 |
|---|---|---|---|
| Interest | 18.27% | 14.75% | 15.75% |
| Inflation rate | 15.75% | 13.00% | 14.60% |
| Real discount rate | 2.17% | 1.55% | 1.00% |
| Rate that is used for the probability of retirement | 84.62% | 87.71% | 90.40% |

The Group does not provide any benefit to its employees other than severance pay.

(Currency –Turkish Lira 'TRY' unlessed expressed otherwise)

The movement schedule of provision for employment termination benefits is as follows:

| | 01.01. - 31.12.2022 | 01.01. - 31.12.2021 | 01.01. - 31.12.2020 |
|---|---|---|---|
| Balance at the beginning of the period | 841,637 | 615,591 | 292,159 |
| Service cost | 508,655 | 262,928 | 322,778 |
| Interest cost | 15,207 | 8,146 | 2,383 |
| Payments in the period | (354,140) | (60,244) | (17,316) |
| Actuarial gain / (losses) | 117,480 | 15,216 | 15,587 |
| Closing balance | 1,128,839 | 841,637 | 615,591 |

**NOTE 25 – DERIVATIVE INSTRUMENTS**

As of 31 December 2022, the details of forward foreign currency purchase / sale contracts are given below:

| | The amount of foreign currency to be taken from the bank (USD) | TRY equivalent of the foreign currency to be received from the bank as of the date of the statement of financial position | TRY equivalent of the foreign currency to be received from the bank according to the contract | Fair Value Difference (TRY) |
|---|---|---|---|---|
| *USD - TRY Rate* | | | | |
| 1 - 3 months | 1,600,000 | 29,917,280 | 31,246,000 | (1,328,720) |

As of 31 December 2021, the details of forward foreign currency purchase / sale contracts are given below:

| | The amount of foreign currency to be taken from the bank (USD) | TRY equivalent of the foreign currency to be received from the bank as of the date of the statement of financial position | TRY equivalent of the foreign currency to be received from the bank according to the contract | Fair Value Difference (TRY) |
|---|---|---|---|---|
| *USD - TRY Rate* | | | | |
| 4 - 6 months | 325,000 | 4,339,725 | 3,844,750 | 494,975 |

As of 31 December 2020, the details of forward foreign currency purchase / sale contracts are given below:

| | The amount of foreign currency to be taken from the bank (USD) | TRY equivalent of the foreign currency to be received from the bank as of the date of the statement of financial position | TRY equivalent of the foreign currency to be received from the bank according to the contract | Fair Value Difference (TRY) |
|---|---|---|---|---|
| *USD - TRY Rate* | | | | |
| 1 - 3 ay months | 2,200,000 | 16,351,940 | 17,581,840 | (1,229,900) |

(Currency –Turkish Lira 'TRY' unlessed expressed otherwise)

## NOTE 26 – SHAREHOLDERS EQUITY, RESERVES AND OTHER EQUITY COMPONENTS

### 26.1 Paid in Capital

As of 31 December 2022, the Parent Company's capital consists of 45,000,000 shares, each worth TRY 1.

As of 31 December 2022, 2021 and 2020, the Parent Company's capital structure is as follows;

| | 31 December 2022 | | 31 December 2021 | | 31 December 2020 | |
|---|---|---|---|---|---|---|
| Shareholders | Ratio | TRY | Ratio | TRY | Ratio | TRY |
| Ali Celal Asiltürk | 42.00% | 18,900,000 | 28.00% | 12,600,000 | 72.00% | 1,728,000 |
| Hasan Cengiz Bayrak | 36.00% | 16,200,000 | 22.00% | 9,900,000 | - | - |
| Ebubekir Balıkçı | 22.00% | 9,900,000 | 22.00% | 9,900,000 | 8.00% | 192,000 |
| Cihangir Orman | - | - | 28.00% | 12,600,000 | - | - |
| Suna Baçaru Çavuşlar | - | - | - | - | 20.00% | 480,000 |
| Total | 100.00% | 45,000,000 | 100.00% | 45,000,000 | 100.00% | 2,400,000 |

As of 31 December 2022, the shares of the Parent Company are divided into A and B group shares and the details are as follows;

| | | 31 December 2022 | |
|---|---|---|---|
| Shareholders | Group | Ratio | TRY |
| Ali Celal Asiltürk | Group A | 4.33% | 1,950,000 |
| Ali Celal Asiltürk | Group B | 37.67% | 16,950,000 |
| Hasan Cengiz Bayrak | Group A | 4.33% | 1,950,000 |
| Hasan Cengiz Bayrak | Group B | 31.67% | 14,250,000 |
| Ebubekir Balıkçı | Group A | 4.33% | 1,950,000 |
| Ebubekir Balıkçı | Group B | 17.67% | 7,950,000 |
| Total | | 100.00% | 45,000,000 |

As of 31 December 2022, the privileges granted to Group A shares are as follows;

Voting right

According to Article 8 of the Articles of Association titled "General Assembly"; In ordinary and extraordinary general assembly meetings, each A group share has 5 voting rights and each B group share has 1 voting right.

Election of board members

According to Article 15 of the Articles of Association titled "Board of Directors and Its Term"; It is stated that the board of directors can consist of at least 5 members, half of the members of the board of directors can be elected from among the candidates nominated by group A shareholders, and if half of the number of board members is a fractional number, the fraction should be rounded down to the nearest whole number.

(Currency –Turkish Lira 'TRY' unlessed expressed otherwise)

Decision of liquidation

According to Article 19 of the Articles of Association, titled "Termination and Liquidation"; In the event that the decision to liquidate the Company is taken at the General Assembly, this decision will not be valid unless approved in a special meeting to be held separately by A group shareholders, at the meeting to be held for approval, it is stated that at least two-thirds of the A group shareholders will be present at the meeting and it will be obligatory to take a decision with the absolute majority of the attendees.

As of 31 December 2022, there is no privileges granted to Group B.

There has been a change in the capital structure and amount of the Parent Company on 24 September 2021, and its capital has been increased from TRY 2,400,000 to TRY 45,000,000. All of the increased capital amounting to TRY 42,600,000 was met from previous years' profits of the Parent Company.

A change occurred in the capital structure of the Parent Company on 18 January 2022, and Cihangir Orman left the partnership by transferring its shares to Ali Celal Asiltürk and Hasan Cengiz Bayrak.

The Company has adopted the registered capital system in accordance with the provisions of the Capital Markets Law No. 6362. As per the Capital Markets Board's decision dated 17 February 2022, numbered 8/212, and the letter dated 14 March 2022, numbered E-29833736-110.03.03-18555, the transition to the registered capital system was registered on 31 March 2022. The registered capital ceiling of the company is TRY 225,000,000, divided into 225,000,000 shares with a nominal value of TRY 1 each. The registered capital ceiling permission granted by the Capital Markets Board is valid for the years 2022-2026 (5 years).

**26.2 Restricted Reserves**

According to the Turkish Commercial Code, legal reserves consist of first and second legal reserves. The first legal reserve is appropriated out of the statutory profits at the rate of 5%, until the total reserve reaches a maximum of 20% of the Group's share capital. The second legal reserve is appropriated at the rate of 10% of all distributions in excess of 5% of the Group's share capital. The first and second legal reserves are not available for distribution unless they exceed 50% of the share capital, but may be used to absorb losses in the event that the general reserve is exhausted. The statutory accumulated profits and statutory current year profit are available for distribution, subject to the reserve requirements referred to above.

As of 31 December 2022, 2021 and 2020, the account of restricted reserves is as follows:

| | 31.12.2022 | 31.12.2021 | 31.12.2020 |
|---|---|---|---|
| Restricted reserves | 2,201,959 | 2,201,959 | 71,959 |
| | 2,201,959 | 2,201,959 | 71,959 |

(Currency –Turkish Lira 'TRY' unlessed expressed otherwise)

**26.3 Retained Earnings / Loss**

Listed companies are subject to dividend requirements regulated by the CMB as follows: Share of profit guideline was prepared in accordance with the article II-19.1 of capital market board share of profit statement which became valid on 1 February 2014. Share of profit guideline and statement's regulations are summarized in the below.

Distribution of margin will be determined by the Profit General assembly and will be distributed by the decision at general assembly within the scope share of profit. Shareholders not only determine share of profit distribution policy but also decide whatever or not to distribution of profit margin. In this context distribution at profit margin is optional in principle. Capital Market Board will be able to determine difference essentials related to share of profit distribution policy in accordance with the campaigns qualifications.

In the dividend policy of shareholders, the topics in below are regulated:

- If dividends are paid or not,
- Dividend ratio and the accounts to which ratios applied,
- Payment methods and time,
- If dividends paid in cash or as bonus share distribution (for publicly-traded companies)
- If advance dividends are distributed or not.

The upper limit of dividends to be distributed is equal to the related resources' distributable profit amount in legal records. Profit share is divided equally to current shares as the date of distribution. Dates of acquisition and issuance of the shares are not taken into account. According to Turkish Commercial Code, it cannot be decided to allocate another reserve fund and transfer the profit to the next year if the reserve fund required allocating and profit share that is foreseen in master contract and dividend policy are not distributed.

Publicly-traded companies release these:
- Proposal regarding to dividend distribution board of directors,
- Regarding to dividend distribution advance of the board of directors,
- Statement of profit distribution or dividend advance distribution table,

It is compulsory to announce statement as profit appropriation latest the day that announced subject general assembly

The subsidiary of the Parent Company has paid dividends amounting to TRY 13,000,000 to the Parent Company in the accounting period ending on 31 December 2021, and the related amount has been eliminated in the accompanying consolidated financial statements.

As of 31 December 2022, 2021 and 2020, retained earnings / (losses) account is as follows:

| | 31.12.2022 | 31.12.2021 | 31.12.2020 |
|---|---|---|---|
| Retained Earnings / Losses | 25,724,243 | 2,267,892 | 18,925,225 |
| | 25,724,243 | 2,267,892 | 18,925,225 |

As of 31 December 2022, 2021 and 2020, movement of retained earnings / (losses) are presented in the accompanying consolidated statement of changes in equity.

(Currency –Turkish Lira 'TRY' unlessed expressed otherwise)

**26.4 Actuarial Gains / (Losses) on Defined Benefit Plans**

For the period ended at 31 December 2022, 2021 and 2020, based on mentioned principles at Note 2, Group reflected severance pay liabilities which were reduced to the date of balance sheet by the using expected inflation rate and real discount rate to financial statements. All gain and losses other than calculated actuarial gain / (losses) in the income statement, Actuarial gain / (losses) are shown in the statement of changes in equity.

| | 31.12.2022 | 31.12.2021 | 31.12.2020 |
|---|---|---|---|
| Actuarial gains / (losses) on defined benefit plans | (119,851) | (25,867) | (13,694) |
| | (119,851) | (25,867) | (13,694) |

**26.5 Minority Interests**

Since the Parent Company has acquired all of its subsidiary shares on 3 September 2021, there are no minority interests as of 31 December 2022 and 2021.

As of 31 December 2022, 2021 and 2020, the details of the minority interests on account basis are as follows:

| | 31.12.2022 | 31.12.2021 | 31.12.2020 |
|---|---|---|---|
| Capital (Note 1) | - | - | 25,000 |
| Retained Earnings / Loss | - | - | (328,624) |
| Net Profit for the Period (Note 34) | - | - | 9,582,763 |
| | - | - | 9,279,139 |

(Currency –Turkish Lira 'TRY' unlessed expressed otherwise)

## NOTE 27 – SALES AND COST OF SALES

### 27.1 Revenues

Details of sales for the periods ended at 31 December 2022, 2021 and 2020 are as follows:

| *Domestic Sales* | 01.01. - 31.12.2022 | 01.01. - 31.12.2021 | 01.01. - 31.12.2020 |
|---|---|---|---|
| Commercial goods and services sales | 323,146,955 | 200,165,358 | 156,242,353 |
| Software revenues | 49,235,264 | 13,256,600 | 46,131,020 |
| | 372,382,219 | 213,421,958 | 202,373,373 |
| *Overseas sales* | | | |
| Software revenues | 4,408,873 | - | - |
| Commercial goods and services sales | 700,871 | - | - |
| | 5,109,744 | - | - |
| Other sales | 1,004,409 | 2,448,927 | 2,041,184 |
| Sales returns | (66,330) | (519,951) | (88,197) |
| Sales Revenues (net) | 378,430,042 | 215,350,934 | 204,326,360 |

Concentration risk analysis for the periods endend at 31 December 2022, 2021 and 2020 is presented in Note 5.

### 27.2 Cost of Sales

Details of cost of sales for the periods ended at 31 December 2022, 2021 and 2020 are as follows:

| | 01.01. - 31.12.2022 | 01.01. - 31.12.2021 | 01.01. - 31.12.2020 |
|---|---|---|---|
| Commercial goods cost | | | |
| 1. Stock of goods at the beginning of the period (+) | 28,265,695 | 32,153,414 | 13,861,164 |
| 2. Purchases within the period (+) | 304,448,638 | 144,409,232 | 142,086,505 |
| 3. End of period commercial goods (-) | (101,704,560) | (28,265,695) | (32,153,414) |
| Sold goods costs | 231,009,773 | 148,296,951 | 123,794,255 |
| Sold service cost | 35,310,792 | 25,460,507 | 12,715,162 |
| Software service costs | 6,189,885 | 2,761,795 | 13,762,122 |
| Depreciation and amortization | 457,662 | - | 99,388 |
| Cost of sales, net | 272,968,112 | 176,519,253 | 150,370,927 |

(Currency –Turkish Lira 'TRY' unlessed expressed otherwise)

## NOTE 28 – GENERAL ADMINISTRATIVE EXPENSES, MARKETING EXPENSES AND RESEARCH AND DEVELOPMENT EXPENSES

For the periods ended at 31 December 2022, 2021 and 2020, general administrative expenses, marketing expenses and research and development expenses are mentioned below;

| | 01.01. - 31.12.2022 | 01.01. - 31.12.2021 | 01.01. - 31.12.2020 |
|---|---|---|---|
| General administrative expenses | 9,207,181 | 3,052,857 | 1,960,956 |
| Marketing expenses | 5,398,222 | 2,682,824 | 2,433,516 |
| Research and development expenses | 967,852 | 304,742 | - |
| | 15,573,255 | 6,040,423 | 4,394,472 |

## NOTE 29 – EXPENSES BY NATURE

### 29.1 General Administrative Expenses

Details of general administrative expenses for the periods ended at 31 December 2022, 2021 and 2020 are as follows:

| | 01.01. - 31.12.2022 | 01.01. - 31.12.2021 | 01.01. - 31.12.2020 |
|---|---|---|---|
| Personnel expenses | 4,952,853 | 1,265,330 | 794,094 |
| Consulting expenses | 1,031,673 | 412,107 | 197,120 |
| Depreciation and amortization | 842,879 | 563,391 | 464,982 |
| Vehicle expenses | 514,867 | - | - |
| Office overheads | 312,020 | 79,336 | 92,243 |
| Stationery and printing expenses | 218,390 | 34,380 | 23,519 |
| Taxes, duties and fees | 192,954 | 212,758 | 97,649 |
| Insurance expenses | 148,270 | 42,069 | 26,184 |
| Maintenance and repair expenses | 82,303 | 12,234 | 14,700 |
| Contribution expenses | 75,556 | 62,432 | 34,359 |
| Representation and hospitality expenses | 71,629 | 14,977 | 15,774 |
| Communication expenses | 66,171 | 44,451 | 35,233 |
| Travel and accommodation expenses | 27,435 | 26,487 | 11,190 |
| Notary expenses | 26,474 | 85,670 | 75,312 |
| Organization expenses | - | - | 1,485 |
| Other expenses | 643,707 | 197,235 | 77,112 |
| | 9,207,181 | 3,052,857 | 1,960,956 |

(Currency –Turkish Lira 'TRY' unlessed expressed otherwise)

Fees For Services Received From Independent Auditors

The explanation regarding the fees for the services rendered by the independent audit firms, which was prepared pursuant to the POA's Board Decision published in the Official Gazette on 30 March 2021 are as follows:

| | 01.01. - 31.12.2022 | 01.01. - 31.12.2021 | 01.01. - 31.12.2020 |
|---|---|---|---|
| Independent audit fees | 490,000 | 185,270 | 108,731 |
| Fee for other assurance services | 15,000 | - | - |
| Fee for services other than independent auditing | - | - | - |
| | 505,000 | 185,270 | 108,731 |

**29.2 Marketing expenses**

For the periods ended at 31 December 2022, 2021 and 2020, the details of marketing expenses are as follows:

| | 01.01. - 31.12.2022 | 01.01. - 31.12.2021 | 01.01. - 31.12.2020 |
|---|---|---|---|
| Taxes, duties and fees | 2,080,304 | 1,456,449 | 1,532,694 |
| Personnel expenses | 1,678,143 | 286,736 | 361,713 |
| Organization expenses | 662,563 | 225,904 | - |
| Depreciation and amortization | 477,945 | 371,003 | 293,223 |
| Fuel expenses | 205,354 | 159,532 | 66,217 |
| Notary expenses | 127,197 | 70,847 | 75,312 |
| Representation and hospitality expenses | 32,585 | 6,554 | 4,032 |
| Travel and accommodation expenses | 28,611 | 39,786 | 6,543 |
| Other expenses | 105,520 | 66,013 | 93,782 |
| | 5,398,222 | 2,682,824 | 2,433,516 |

**29.3 Research and development expenses**

For the periods ended at 31 December 2022, 2021 and 2020, the details of research and development expenses are as follows:

| | 01.01. - 31.12.2022 | 01.01. - 31.12.2021 | 01.01. - 31.12.2020 |
|---|---|---|---|
| Depreciation and amortization | 967,852 | 304,742 | - |
| | 967,852 | 304,742 | - |

(Currency –Turkish Lira 'TRY' unlessed expressed otherwise)

## NOTE 30 - OTHER OPERATING INCOME / (EXPENSES)

### 30.1 Other operating income

The details of other operating income for the periods ended at 31 December 2022, 2021 and 2021 are as follows:

| | 01.01. - 31.12.2022 | 01.01. - 31.12.2021 | 01.01. - 31.12.2020 |
|---|---|---|---|
| Foreign exchange income from commercial operations | 23,791,135 | 12,928,802 | 5,341,940 |
| Interest income from commercial activities | 14,454,966 | - | - |
| Rediscount income | 4,465,960 | 3,310,170 | 1,956,608 |
| Reversal of unnecessary provision (Note 10) | - | 103,657 | - |
| Other income | 1,226,359 | 163,560 | 365,465 |
| | 43,938,420 | 16,506,189 | 7,664,013 |

### 30.2 Other operating expenses

The details of other operating expenses for the periods ended at 31 December 2022, 2021 and 2020 are as follows;

| | 01.01. - 31.12.2022 | 01.01. - 31.12.2021 | 01.01. - 31.12.2020 |
|---|---|---|---|
| Foreign exchange expenses from commercial activities | 27,113,366 | 24,745,440 | 1,996,173 |
| Rediscount expense | 5,522,749 | 3,151,603 | 2,718,576 |
| Provision for doubtful receivables (Note 10) | 698,473 | - | 69,935 |
| Inventory impairment provision expense (Note 14) | - | 86,480 | - |
| Other expenses (a) | 56,548 | 205,302 | 1,504,778 |
| | 33,391,136 | 28,188,825 | 6,289,462 |

(a) For the accounting period ending on 31 December 2020, an amount of TRY 1,469,630 of the total expense is related to the accrual of expenses incurred in that period, resulting from the tax base increases (Corporate tax and Value Added Tax) carried out within the scope of Law No. 7326, "Law on the Restructuring of Certain Receivables and Amendments to Certain Laws," which the Group benefited from in 2021. For the years 2020, 2019, and 2018, the Group made a total tax payment of TRY 3,139,513 in installments for the corporate tax base increase and VAT increase. As of 31 December 2022, all relevant payments have been made.

(Currency –Turkish Lira 'TRY' unlessed expressed otherwise)

## NOTE 31 - INVESTMENT ACTIVITIES INCOME / (EXPENSES)

### 31.1 Investment activities income

The details of investment activities income for the periods ended at 31 December 2022, 2021 and 2020 are as follows:

| | 01.01. - 31.12.2022 | 01.01. - 31.12.2021 | 01.01. - 31.12.2020 |
|---|---|---|---|
| Interest income from non-trade receivables (Note 6) | - | 367,324 | 505,624 |
| Profit on sale of fixed assets | - | 88 | - |
| | - | 367,412 | 505,624 |

### 31.2 Investment activities expenses

The details of investment activities expenses for the periods ended at 31 December 2022, 2021 and 2020 are as follows:

| | 01.01. - 31.12.2022 | 01.01. - 31.12.2021 | 01.01. - 31.12.2020 |
|---|---|---|---|
| Loss on sale of fixed assets | - | 121 | - |
| | - | 121 | - |

## NOTE 32 – FINANCIAL INCOME / (EXPENSES)

### 32.1 Financial incomes

The details of financial income for the periods ended at 31 December 2022, 2021 and 2020 are as following;

| | 01.01. - 31.12.2022 | 01.01. - 31.12.2021 | 01.01. - 31.12.2020 |
|---|---|---|---|
| Foreign exchange gains | 6,504,697 | 11,424,467 | 588,574 |
| Interest income | 1,653,911 | 1,706,794 | 571,915 |
| Derivative financial instruments income | - | 494,975 | - |
| | 8,158,608 | 13,626,236 | 1,160,489 |

(Currency –Turkish Lira 'TRY' unlessed expressed otherwise)

### 32.2 Financial expenses

The details of financial expenses for the periods ended at 31 December 2022, 2021 and 2020 are as following;

| | 01.01. - 31.12.2022 | 01.01. - 31.12.2021 | 01.01. - 31.12.2020 |
|---|---|---|---|
| Foreign exchange loses | 7,794,961 | 5,749,633 | 3,696,858 |
| Loan interest expenses | 5,922,895 | 38,538 | 7,250 |
| Letter of guarantee commission expenses | 491,787 | 385,287 | 381,005 |
| Derivative financial instruments expenses | 7,157,156 | - | 1,229,900 |
| Other financial expenses | 461,350 | 423,442 | 191,496 |
| | 21,828,149 | 6,596,900 | 5,506,509 |

## NOTE 33 –TAX ASSETS AND LIABILITIES

***Deferred Tax***

The Group calculates deferred tax assets and liabilities considering the effect of temporary differences arising from the different evaluations between the statutory financial statements prepared in accordance with TAS issued by the Company and its financial statements. These temporary differences usually result from the recognition of income and expenses in different reporting periods according to TAS and Tax Code.

As of 31 December 2021 the corporate tax rate in Turkey 23%. In accordance with the regulation numbered 7316, published in Official Gazette numbered 31462 on 22 April 2021, corporate tax rate for the year 2021 has increased from 20% to 25%, for the year 2022 to 23%. Within the scope of te said law, deferred tax assets and liabilities included in the financial statements dated 31 December 2021 are calculated with a tax rate of 23% and tax rate for the portion of temporary differences that will create tax effects in 2022.

Deferred tax assets and liabilities, which are believed to have a long-term impact, have been calculated using a tax rate of 20%. According to the current regulations as of the reporting date, the corporate tax rate of 20% will be applied in the year 2023. As of 31 December 2022, in the calculation of deferred taxes, the provision stated in the "Measurement" section of the "IAS 12 Income Taxes" standard, which refers to using the tax rates (and tax laws) in effect at the end of the reporting period or expected to be enacted shortly before the assets are realized or the liabilities are settled, has been taken into account, and the 20% rate has been applied accordingly.

(Currency –Turkish Lira 'TRY' unlessed expressed otherwise)

As of balance sheet date, accrued temporary differences, deferred tax assets and liabilities prepared by using current tax rates are as follows;

| | 31 December 2022 | | 31 December 2021 | | 31 December 2020 | |
|---|---|---|---|---|---|---|
| | Total temporary differences | Deferred tax assets / (liabilities) | Total temporary differences | Deferred tax assets / (liabilities) | Total temporary differences | Deferred tax assets / (liabilities) |
| Deferred tax Assets: | | | | | | |
| Provision for severance pay | 1,014,842 | 202,968 | 340,498 | 68,100 | 201,126 | 40,225 |
| Derivative instruments | 1,328,720 | 265,744 | - | - | 1,229,900 | 307,475 |
| Discount on receivables | 4,148,388 | 829,678 | 2,211,330 | 508,606 | 2,229,979 | 557,495 |
| Provision for doubtful receivables | 1,769,452 | 353,890 | 1,070,979 | 246,325 | 1,069,636 | 267,409 |
| Loan interest accrual | 721,303 | 144,261 | - | - | - | - |
| Provision for unusued annual leave | 773,734 | 154,747 | 239,238 | 55,025 | 36,640 | 9,160 |
| Provision for inventory impairment | 93,135 | 18,627 | 93,834 | 21,582 | 7,354 | 1,839 |
| Depreciation and amortization differences of tangible and intangible fixed assets | 1,976,745 | 395,349 | - | - | 24,503 | 4,901 |
| Expense accrual | 2,140,556 | 428,111 | 1,050,595 | 241,637 | 230,001 | 57,500 |
| Warranty service charge | 7,884,996 | 1,576,999 | 3,735,002 | 859,050 | 3,077,025 | 769,256 |
| Deferred income classification | - | - | 13,558 | 3,118 | 13,532 | 3,383 |
| Currency difference expenses | 996,861 | 199,372 | 3,090,732 | 710,868 | 186,081 | 46,520 |
| Other | 169,582 | 33,916 | - | - | 146,506 | 36,627 |
| Deferred tax assets | | 4,603,662 | | 2,714,311 | | 2,101,790 |
| Deferred tax liabilities: | | | | | | |
| Depreciation and amortization differences of tangible and intangible fixed assets | - | - | (88,552) | (17,710) | (38,121) | (7,624) |
| Unearned interests on payables | (2,254,591) | (450,918) | (1,080,191) | (248,444) | (939,187) | (234,797) |
| Development expenses | - | - | - | - | (187,731) | (46,933) |
| Derivative instruments | - | - | (494,975) | (113,844) | - | - |
| Foreign exchange income | (1,207,051) | (241,410) | (697,497) | (160,424) | (3,418,097) | (854,524) |
| Deferred income classification | (26,774) | (5,355) | - | - | - | - |
| Prepaid expenses adjustment | (1,268,048) | (253,610) | (532,079) | (122,378) | (360,770) | (90,193) |
| Income accrual | (14,454,966) | (2,890,992) | (773,082) | (177,809) | (467,365) | (116,844) |
| Deferred tax liabilities | | (3,842,285) | | (840,609) | | (1,350,915) |
| Deferred tax assets / (liabilities), net | | 761,377 | | 1,873,702 | | 750,875 |

(Currency –Turkish Lira 'TRY' unlessed expressed otherwise)

For the periods ended at 31 December 2022, 2021 and 2020 tax income / (expense) on income statement are as follows:

| | 01.01. - 31.12.2022 | 01.01. - 31.12.2021 | 01.01. - 31.12.2020 |
|---|---|---|---|
| Corporate Tax Income / (Expense) | (12,441,102) | (6,168,682) | (6,055,669) |
| Deferred Tax Income / (Expense) | (1,135,821) | 1,119,784 | (163,156) |
| Tax income / (expense), net | (13,576,923) | (5,048,898) | (6,218,825) |

For the periods ended at 31 December 2022, 2021 and 2020, the movement schedule of deferred tax income / (expense), net are as follows:

| | 01.01. - 31.12.2022 | 01.01. - 31.12.2021 | 01.01. - 31.12.2020 |
|---|---|---|---|
| Opening balance | (1,873,702) | (750,875) | (910,914) |
| Deferred tax recognized in equity | (23,496) | (3,043) | (3,117) |
| Deferred tax assets and liabilities by the end of the period, net | 761,377 | 1,873,702 | 750,875 |
| Deferred tax income / (expense), net | (1,135,821) | 1,119,784 | (163,156) |

For the periods ended at 31 December 2022, 2021 and 2020, the movement schedule of corporate tax expense are as follows:

| | 01.01. - 31.12.2022 | 01.01. - 31.12.2021 | 01.01. - 31.12.2020 |
|---|---|---|---|
| Unaudited profit / (loss) before tax | 81,837,856 | 39,476,150 | 51,572,764 |
| Additions / discounts to the tax base | (27,746,108) | (14,801,422) | (24,046,996) |
| Unaudited financial profit / (loss) | 54,091,748 | 24,674,728 | 27,525,768 |
| Current tax rate | 23% | 25% | 22% |
| Calculated tax | 12,441,102 | 6,168,682 | 6,055,669 |
| Corporate tax provision in the profit or loss statement | 12,441,102 | 6,168,682 | 6,055,669 |

For the periods ended at 31 December 2022, 2021 and 2020, movements of current period income tax liability is as follows:

| | 31.12.2022 | 31.12.2021 | 31.12.2020 |
|---|---|---|---|
| Current Tax Liabilities | 6,090,996 | 3,447,218 | 5,224,293 |
| | 6,090,996 | 3,447,218 | 5,224,293 |

(Currency –Turkish Lira 'TRY' unlessed expressed otherwise)

As of 31 December 2022, 2021 and 2020, the Group's current tax assets are as follows:

| | 31.12.2022 | 31.12.2021 | 31.12.2020 |
|---|---|---|---|
| Current tax-related assets | - | 57,373 | - |
| | - | 57,373 | - |

**Corporation Tax**

The Group is subject to taxation in accordance with the tax procedures and the legislation effective in Turkey. Necessary provisions have been made in the accompanying consolidated financial statements for the estimated tax liabilities of the Group regarding the current period operating results.

The corporate tax rate to be accrued on taxable corporate income, the addition of non-deductible expenses from the tax base in the determination of business income, and the deduction of tax-exempt gains, non-taxable incomes and other deductions (past year losses, if any, and investment allowances used if preferred). calculated on. In 2022, the effective tax rate is 23% (2021: 25%, 2020: 22%).

Corporations are required to pay advance corporation tax first quarter at the rate of 23% beginning on 2022. Advance tax is required to be declared till 14th day and paid by the 17th of the second month following each calendar quarter end. The balance of the advance tax paid sets off against other liabilities to the government (2021: 25%, 2020: 22%).

There is no absolute and certain confirmation procedure related to tax evaluation in Turkey. Companies prepare their tax return between 1-25 April coming after the related year's balancing period (for the companies having special account period, between 1st and 25th of fourth month following the closing of period). These tax returns and related accounting records may be inspected and changed by tax department in five years.

***Withholding Tax***

In addition to Corporation tax, it is required to calculate withholding tax from the dividends distributed by full pledge taxpayer enterprise and include in its income tax base and except dividends distributed by foreign companies to its subsidiary in Turkey. As of 23 July 2006 income tax stoppage rate was altered to 15%. Dividends that are added to capital without distribution are not subject to income tax stoppage. With the Presidential Decision dated 21 December 2021 and numbered 4936 published in the Official Gazette dated 22 December 2021, the dividend withholding tax rate was reduced from 15% to 10%. Dividends that are not distributed but added to the capital are not subject to income tax withholding.

(Currency –Turkish Lira 'TRY' unlessed expressed otherwise)

## NOTE 34 – EARNINGS / (LOSS) PER SHARE

For the periods ended at 31 December 2022, 2021 and 2020 profit / (loss) per share is as follows:

| | 01.01. - 31.12.2022 | 01.01. - 31.12.2021 | 01.01. - 31.12.2020 |
|---|---|---|---|
| Net profit / (loss) for the period, net | 73,189,495 | 23,456,351 | 40,876,291 |
| Minority interest, net (Note 26.5) | - | - | 9,582,763 |
| Parent company's share, net | 73,189,495 | 23,456,351 | 31,293,528 |
| Number of shares (a) | 45,000,000 | 13,838 | 2,400 |
| Earnings / (loss) per share (TRY) | 1.63 | 1,695.07 | 13,038.97 |

(a) The number of shares for 2021 has been calculated according to the weighted average method, considering the capital increase dates.

## NOTE 35 – EXPOSURE TO FINANCIAL RISKS DUE TO FINANCIAL INSTRUMENT

**Financial Instruments**

**Credit Risk**

The Group is subject to credit risk arising from trade receivables related to credit sales and deposits at banks. These risks are managed by limiting the aggregate risk from any individual counterparty and obtaining sufficient collateral where necessary and making only cash based sales to customer considered as having a higher risk. Collect ability of trade receivables are evaluated by management depending on their past experiences and current economic condition, and presented in the financial statements net of adequate doubtful provision.

(Currency –Turkish Lira 'TRY' unlessed expressed otherwise)

As of 31 December 2022, the credit risk of Group in terms of financial instruments is as follows:

| | Trade Receivables | | Other Receivables | | Bank | |
|---|---|---|---|---|---|---|
| | Related Party | Other Party | Related Party | Other Party | Related Party | Other Party |
| **Maximum net credit risk as of balance sheet date (A+B+C+D+E) (*)** | **-** | **175,707,414** | **-** | **967,947** | **29,633,241** | **25,487,700** |
| The part of maximum risk under guarantee with collateral | - | - | - | - | - | - |
| A. Net book value of financial assets that are neither overdue nor impaired | - | 175,707,414 | - | 967,947 | 29,633,241 | 25,487,700 |
| B. Net book values of financial assets that are renegotiated, if not that will be accepted as overdue or impaired | - | - | - | - | - | - |
| C. Book value of financial assets that are overdue but not impaired | - | - | - | - | - | - |
| *- The part under guarantee with collateral etc* | - | - | - | - | - | - |
| D. Net book value of impaired assets | - | - | - | - | - | - |
| *- Overdue (gross book value amount)* | - | 1,769,452 | - | - | - | - |
| *- Impairment (-)* | - | (1,769,452) | - | - | - | - |
| *The part of net value under guarantee with collateral etc* | - | - | - | - | - | - |
| *Non overdue (gross book value amount)* | - | - | - | - | - | - |
| *Impairment (-)* | - | - | - | - | - | - |
| *- The part of net value under guarantee with collateral* | - | - | - | - | - | - |
| E. Factors including off-balance sheet risk | - | - | - | - | - | - |

As of 31 December 2021, credit risk of Group in terms of financial instruments is as follows:

| | Trade Receivables | | Other Receivables | | Bank | |
|---|---|---|---|---|---|---|
| | Related Party | Other Party | Related Party | Other Party | Related Party | Other Party |
| **Maximum net credit risk as of balance sheet date (A+B+C+D+E) (*)** | **-** | **114,840,624** | **-** | **412,678** | **27,536,240** | **-** |
| The part of maximum risk under guarantee with collateral | - | - | - | - | - | - |
| A. Net book value of financial assets that are neither overdue nor impaired | - | 114,840,624 | - | 412,678 | 27,536,240 | - |
| B. Net book values of financial assets that are renegotiated, if not that will be accepted as overdue or impaired | - | - | - | - | - | - |
| C. Book value of financial assets that are overdue but not impaired | - | - | - | - | - | - |
| *- The part under guarantee with collateral etc* | - | - | - | - | - | - |
| D. Net book value of impaired assets | - | - | - | - | - | - |
| *- Overdue (gross book value amount)* | - | 1,070,979 | - | - | - | - |
| *- Impairment (-)* | - | (1,070,979) | - | - | - | - |
| *The part of net value under guarantee with collateral etc* | - | - | - | - | - | - |
| *Non overdue (gross book value amount)* | - | - | - | - | - | - |
| *Impairment (-)* | - | - | - | - | - | - |
| *- The part of net value under guarantee with collateral* | - | - | - | - | - | - |
| E. Factors including off-balance sheet risk | - | - | - | - | - | - |

(*) This line represents the total of the rows A, B, C, D and E. Factors mitigating credit risk such as guarantees received have not been taken into consideration.

(Currency –Turkish Lira 'TRY' unlessed expressed otherwise)

As of 31 December 2020, credit risk of Group in terms of financial instruments is as follows:

| | **Trade Receivables** | | **Other Receivables** | | **Bank** | |
|---|---|---|---|---|---|---|
| | **Related Party** | **Other Party** | **Related Party** | **Other Party** | **Related Party** | **Other Party** |
| **Maximum net credit risk as of balance sheet date (A+B+C+D+E) (*)** | **-** | **83,375,815** | **9,494,054** | **395,153** | **55,016,213** | **-** |
| The part of maximum risk under guarantee with collateral | - | - | - | - | - | - |
| A. Net book value of financial assets that are neither overdue nor impaired | - | 83,375,815 | 9,494,054 | 395,153 | 55,016,213 | - |
| B. Net book values of financial assets that are renegotiated, if not that will be accepted as overdue or impaired | - | - | - | - | - | - |
| C. Book value of financial assets that are overdue but not impaired | - | - | - | - | - | - |
| *- The part under guarantee with collateral etc* | - | - | - | - | - | - |
| D. Net book value of impaired assets | - | - | - | - | - | - |
| *- Overdue (gross book value amount)* | - | 1,174,636 | - | - | - | - |
| *- Impairment (-)* | - | (1,174,636) | - | - | - | - |
| *The part of net value under guarantee with collateral etc* | - | - | - | - | - | - |
| *Non overdue (gross book value amount)* | - | - | - | - | - | - |
| *Impairment (-)* | - | - | - | - | - | - |
| *- The part of net value under guarantee with collateral* | - | - | - | - | - | - |
| E. Factors including off-balance sheet risk | - | - | - | - | - | - |

(*) This line represents the total of the rows A, B, C, D and E. Factors mitigating credit risk such as guarantees received have not been taken into consideration.

## Interest rate risk

Fluctuations may occur due to changes in market prices. These fluctuations may stem from price changes in securities, factors peculiar to security issuing firms or factors that affect all the market. The Group's interest rate risk mainly depends on bank loans.

Although interest rates of financial borrowings with interest may change, financial assets with interest have fixed interest rate and cash flows in future do not change with the extent of these assets. Risk exposure to changing market interest rate of Group, is mostly based on the borrowing liabilities with variable interest rate of Group. The policy of Group is managing interest cost by using borrowings with fixed and variable interest.

Analysis of Sensitivity to Interest Rate Risk

If the interest rate of loans borrowed in TRY with variable interest rates were 100 basis points (1%) higher/lower, all other variables being constant, the profit before tax for the period would have been TRY 442,828 lower/higher for the accounting period ending on 31 December 2022 due to higher/lower interest expenses (31 December 2021 and 2020: None).

Interest position table of the Group is as follows;

| | 31.12.2022 | 31.12.2021 | 31.12.2020 |
|---|---|---|---|
| **Fixed-rate financial instruments** | | | |
| Financial liabilities | 54,562,943 | 1,110,319 | 929,923 |
| **Variable interest financial instruments** | | | |
| Financial liabilities | 44,282,756 | - | - |

(Currency –Turkish Lira 'TRY' unlessed expressed otherwise)

**Liquidity Risk**

Fair 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. Due to the dynamic nature of the underlying business, the Group aims maintaining flexibility in funding by keeping committed credit lines. The Group management manages liquidity risk by distributing the funds and by keeping sufficient cash and cash equivalents resources to cover the current and possible liabilities.

As of 31 December 2022, liquidity risk table of the Group is as follows;

| Maturity according to the agreement | Book Value | Cash outflow according to agreement (=I+II+III) | Less than 3 months (I) | Between 3-12 months (II) | Between 1-5 years (III) |
|---|---|---|---|---|---|
| **Non-Derivative Financial Liabilities** | | | | | |
| Trade payables | 98,845,699 | **102,209,075** | 43,161,003 | 59,026,331 | 21,741 |
| | 98,845,699 | **102,209,075** | 43,161,003 | 59,026,331 | 21,741 |

| Expected maturities | Book Value | Cash outflow according to agreement (=I+II+III) | Less than 3 months (I) | Between 3-12 months (II) | Between 1-5 years (III) |
|---|---|---|---|---|---|
| **Non-Derivative Financial Liabilities** | | | | | |
| Trade payables | 136,809,149 | **139,063,779** | 136,262,644 | 2,801,135 | - |
| Other payables | 1,727,882 | **1,727,882** | 1,727,882 | - | - |
| | 138,537,031 | **140,791,661** | 137,990,526 | 2,801,135 | - |

| | Book Value | Cash outflow according to agreement (=I+II+III) | Less than 3 months (I) | Between 3-12 months (II) | Between 1-5 years (III) |
|---|---|---|---|---|---|
| **Derivative Instruments** | | | | | |
| Derivative cash inflows | - | **29,917,280** | 29,917,280 | - | - |
| Derivative cash outflows | (1,328,720) | **(31,246,000)** | (31,246,000) | - | - |
| | (1,328,720) | **(1,328,720)** | (1,328,720) | - | - |

(Currency –Turkish Lira 'TRY' unlessed expressed otherwise)

As of 31 December 2021, liquidity risk table of the Group is as follows;

| **Maturity according to the agreement** | **Book Value** | **Cash outflow according to agreement (=I+II+III)** | **Less than 3 months (I)** | **Between 3-12 months (II)** | **Between 1-5 years (III)** |
|---|---|---|---|---|---|
| **Non-Derivative Financial Liabilities** | | | | | |
| Trade payables | 1,110,319 | **1,242,631** | 243,259 | 687,263 | 312,109 |
| | 1,110,319 | **1,242,631** | 243,259 | 687,263 | 312,109 |

| **Expected maturities** | **Book Value** | **Cash outflow according to agreement (=I+II+III)** | **Less than 3 months (I)** | **Between 3-12 months (II)** | **Between 1-5 years (III)** |
|---|---|---|---|---|---|
| **Non-Derivative Financial Liabilities** | | | | | |
| Trade payables | 107,823,526 | **108,903,717** | 76,495,548 | 32,408,169 | - |
| Other payables | 2,691,491 | **2,691,491** | 538,280 | 2,153,211 | - |
| | 110,515,017 | **111,595,208** | 77,033,828 | 34,561,380 | - |

| | **Book Value** | **Cash outflow according to agreement (=I+II+III)** | **Less than 3 months (I)** | **Between 3-12 months (II)** | **Between 1-5 years (III)** |
|---|---|---|---|---|---|
| **Derivative Instruments** | | | | | |
| Derivative cash inflows | 494,975 | **4,339,725** | - | 4,339,725 | - |
| Derivative cash outflows | - | **(3,844,750)** | - | (3,844,750) | - |
| | 494,975 | **494,975** | - | 494,975 | - |

(Currency –Turkish Lira 'TRY' unlessed expressed otherwise)

As of 31 December 2020, liquidity risk table of the Group is as follows;

| **Maturity according to the agreement** | **Book Value** | **Cash outflow according to agreement (=I+II+III+IV)** | **Less than 3 months (I)** | **Between 3-12 months (II)** | **Between 1- 5 years (III)** | **More than 5 years (IV)** |
|---|---|---|---|---|---|---|
| **Non-Derivative Financial Liabilities** | | | | | | |
| Trade payables | 929,923 | **1,049,281** | 167,472 | 456,072 | 425,737 | - |
| | 929,923 | **1,049,281** | 167,472 | 456,072 | 425,737 | - |

| **Expected maturities** | **Book Value** | **Cash outflow according to agreement (=I+II+III+IV)** | **Less than 3 months (I)** | **Between 3-12 months (II)** | **Between 1- 5 years (III)** | **More than 5 years (IV)** |
|---|---|---|---|---|---|---|
| **Non-Derivative Financial Liabilities** | | | | | | |
| Trade payables | 106,149,565 | **107,089,838** | 92,051,592 | 15,038,246 | - | - |
| Other payables | 7,905,529 | **7,905,529** | 4,766,016 | 1,076,607 | 2,062,906 | - |
| | 114,055,094 | **114,995,367** | 96,817,608 | 16,114,853 | 2,062,906 | - |

| | **Book Value** | **Cash outflow according to agreement (=I+II+III+IV)** | **Less than 3 months (I)** | **Between 3-12 months (II)** | **Between 1- 5 years (III)** | **More than 5 years (IV)** |
|---|---|---|---|---|---|---|
| **Derivative Instruments** | | | | | | |
| Derivative cash inflows | - | **16,351,940** | 16,351,940 | - | - | - |
| Derivative cash outflows | (1,229,900) | **(17,581,840)** | (17,581,840) | - | - | - |
| | (1,229,900) | **(1,229,900)** | (1,229,900) | - | - | - |

## Currency risk

The effects occurring from exchange rate fluctuation, in case of having foreign currency assets, liabilities, off-balance sheet liabilities, are foreign currency risk. Transactions in foreign currencies during the year have been translated at the exchange rate prevailing at dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rates prevailing at the balance sheet dates. Foreign exchange gains or losses arising from the settlement of such transactions and from the translation of monetary assets and liabilities are recognized in the statement of profit/loss. The Group's monetary foreign currency liabilities exceed its monetary foreign currency receivables, and the Group is exposed to foreign currency risk in case of an increase in exchange rates.

(Currency –Turkish Lira 'TRY' unlessed expressed otherwise)

As of 31 December 2022, amounts of assets and liabilities of the Group in foreign currency are as follows:

| | **TRY equivalent functional currency** | **USD** | **EURO** |
|---|---|---|---|
| 1. Trade Receivables | 5,450,966 | 291,522 | - |
| 2a. Monetary Financial Assets (including cash, banks) | 5,191,850 | 277,660 | 4 |
| 2b. Non-monetary financial assets | - | - | - |
| 3. Other | - | - | - |
| **4. Current Assets (1+2+3)** | **10,642,816** | **569,182** | **4** |
| 5. Trade Receivables | - | - | - |
| 6a. Monetary Financial Assets | - | - | - |
| 6b. Non-monetary financial assets | - | - | - |
| 7. Other | - | - | - |
| **8. Non-Current Assets (5+6+7)** | **-** | **-** | **-** |
| **9. Total Assets (4+8)** | **10,642,816** | **569,182** | **4** |
| 10. Trade Payables | 55,724,066 | 2,974,806 | - |
| 11. Financial Liabilities | - | - | - |
| 12a. Other monetary liabilities | - | - | - |
| 12b. Other non-monetary liabilities | - | - | - |
| **13. Current Liabilities (10+11+12)** | **55,724,066** | **2,974,806** | **-** |
| 14. Trade Payables | - | - | - |
| 15. Financial Liabilities | - | - | - |
| 16a. Other monetary liabilities | - | - | - |
| 16b. Other non-monetary liabilities | - | - | - |
| **17. Non-Current Liabilities (14+15+16)** | **-** | **-** | **-** |
| **18. Total Liabilities** | **55,724,066** | **2,974,806** | **-** |
| **19. Net asset / liability position of off- balance sheet derivative instruments (19a-19b)** | **29,917,280** | **1,600,000** | **-** |
| **19a. Hedged amount of assets** | **29,917,280** | **1,600,000** | **-** |
| **19b. Hedged amount of liabilities** | **-** | **-** | **-** |
| **20. Net foreign currency position asset / liabilities (9-18+19)** | **(15,163,970)** | **(805,624)** | **4** |
| **21. Net foreign currency asset / liability position of monetary items (IFRS 7.B23) (=1+2a+5+6a-10-11-12a-14-15-16a))** | (45,081,250) | (2,405,624) | 4 |
| **22. Fair value of hedge amount** | **-** | **-** | **-** |
| **23. Export** | **246,134** | 17,500 | **-** |
| **24. Import** | **-** | **-** | **-** |

(Currency –Turkish Lira 'TRY' unlessed expressed otherwise)

As of 31 December 2021, amounts of assets and liabilities of the Group in foreign currency are as follows:

| | **TRY equivalent functional currency** | **USD** | **EURO** |
|---|---|---|---|
| 1. Trade Receivables | 5,244,668 | 393,478 | - |
| 2a. Monetary Financial Assets (including cash, banks) | 23,755,260 | 1,782,106 | 104 |
| 2b. Non-monetary financial assets | - | - | - |
| 3. Other | - | - | - |
| **4. Current Assets (1+2+3)** | **28,999,928** | **2,175,584** | **104** |
| 5. Trade Receivables | - | - | - |
| 6a. Monetary Financial Assets | - | - | - |
| 6b. Non-monetary financial assets | - | - | - |
| 7. Other | - | - | - |
| **8. Non-Current Assets (5+6+7)** | **-** | **-** | **-** |
| **9. Total Assets (4+8)** | **28,999,928** | **2,175,584** | **104** |
| 10. Trade Payables | 93,487,251 | 7,001,217 | - |
| 11. Financial Liabilities | - | - | - |
| 12a. Other monetary liabilities | - | - | - |
| 12b. Other non-monetary liabilities | - | - | - |
| **13. Current Liabilities (10+11+12)** | **93,487,251** | **7,001,217** | **-** |
| 14. Trade Payables | - | - | - |
| 15. Financial Liabilities | - | - | - |
| 16a. Other monetary liabilities | - | - | - |
| 16b. Other non-monetary liabilities | - | - | - |
| **17. Non-Current Liabilities (14+15+16)** | **-** | **-** | **-** |
| **18. Total Liabilities** | **93,487,251** | **7,001,217** | **-** |
| **19. Net asset / liability position of off- balance sheet derivative instruments (19a-19b)** | **4,331,925** | **325,000** | **-** |
| **19a. Hedged amount of assets** | **4,331,925** | **325,000** | **-** |
| **19b. Hedged amount of liabilities** | **-** | **-** | **-** |
| **20. Net foreign currency position asset / liabilities (9-18+19)** | **(60,155,398)** | **(4,500,633)** | **104** |
| **21. Net foreign currency asset / liability position of monetary items (IFRS 7.B23) (=1+2a+5+6a-10-11-12a-14-15-16a))** | (64,487,323) | (4,825,633) | 104 |
| **22. Fair value of hedge amount** | **-** | **-** | **-** |
| **23. Export** | **-** | **-** | **-** |
| **24. Import** | **-** | **-** | **-** |

(Currency –Turkish Lira 'TRY' unlessed expressed otherwise)

As of 31 December 2020, amounts of assets and liabilities of the Group in foreign currency are as follows:

| | **TRY equivalent functional currency** | **USD** | **EURO** |
|---|---|---|---|
| 1. Trade Receivables | 7,144,887 | 963,001 | - |
| 2a. Monetary Financial Assets (including cash, banks) | 12,785,937 | 1,722,839 | 384 |
| 2b. Non-monetary financial assets | - | - | - |
| 3. Other | - | - | - |
| **4. Current Assets (1+2+3)** | **19,930,824** | **2,685,840** | **384** |
| 5. Trade Receivables | - | - | - |
| 6a. Monetary Financial Assets | - | - | - |
| 6b. Non-monetary financial assets | - | - | - |
| 7. Other | - | - | - |
| **8. Non-Current Assets (5+6+7)** | **-** | **-** | **-** |
| **9. Total Assets (4+8)** | **19,930,824** | **2,685,840** | **384** |
| 10. Trade Payables | 77,434,820 | 10,418,128 | - |
| 11. Financial Liabilities | - | - | - |
| 12a. Other monetary liabilities | - | - | - |
| 12b. Other non-monetary liabilities | - | - | - |
| **13. Current Liabilities (10+11+12)** | **77,434,820** | **10,418,128** | **-** |
| 14. Trade Payables | 2,369,693 | 318,820 | - |
| 15. Financial Liabilities | - | - | - |
| 16a. Other monetary liabilities | - | - | - |
| 16b. Other non-monetary liabilities | - | - | - |
| **17. Non-Current Liabilities (14+15+16)** | **2,369,693** | **318,820** | **-** |
| **18. Total Liabilities** | **79,804,513** | **10,736,948** | **-** |
| **19. Net asset / liability position of off- balance sheet derivative instruments (19a-19b)** | **16,322,680** | **2,200,000** | **-** |
| **19a. Hedged amount of assets** | **16,322,680** | **2,200,000** | **-** |
| **19b. Hedged amount of liabilities** | | **-** | **-** |
| **20. Net foreign currency position asset / liabilities (9-18+19)** | **(43,551,009)** | **(5,851,108)** | **384** |
| **21. Net foreign currency asset / liability position of monetary items (IFRS 7.B23) (=1+2a+5+6a-10-11-12a-14-15-16a))** | (59,873,689) | (8,051,108) | 384 |
| **22. Fair value of hedge amount** | **-** | **-** | **-** |
| **23. Export** | **-** | **-** | **-** |
| **24. Import** | **-** | **-** | **-** |

(Currency –Turkish Lira 'TRY' unlessed expressed otherwise)

FX Sensitivity Analysis

As of 31 December 2022, if TRY evaluates / devaluates against foreign currency by 10% and all other variables remains the same, profit before tax which occurs as a result of the foreign exchange loss / gain arising from net foreign exchange exposure would have been TRY 1,516,397 more / less.

| | Profit / (Loss) | | Shareholders' equity | |
|---|---|---|---|---|
| | Appreciation of foreign currency | Depreciation of foreign currency | Appreciation of foreign currency | Depreciation of foreign currency |
| | In case of appreciation / depreciation of USD against TRY by 10% | | | |
| 1-USD net asset / liability | (4,508,133) | 4,508,133 | (4,508,133) | 4,508,133 |
| 2- Hedged amount against USD risk (-) | 2,991,728 | (2,991,728) | 2,991,728 | (2,991,728) |
| 3-USD net effect (1+2) | (1,516,405) | 1,516,405 | (1,516,405) | 1,516,405 |
| | In case of appreciation / depreciation of EUR against TRY by 10% | | | |
| 4- EUR net asset / liability | 8 | (8) | 8 | (8) |
| 5- Hedged amount against EUR risk (-) | - | - | - | - |
| 6- EUR net effect (4+5) | 8 | (8) | 8 | (8) |
| | | | | |
| TOTAL (3+6) | (1,516,397) | 1,516,397 | (1,516,397) | 1,516,397 |

As of 31 December 2021, if TRY evaluates / devaluates against foreign currency by 10% and all other variables remains the same, profit before tax which occurs as a result of the foreign exchange loss / gain arising from net foreign exchange exposure would have been TRY 6,015,540 more / less.

| | Profit / (Loss) | | Shareholders' equity | |
|---|---|---|---|---|
| | Appreciation of foreign currency | Depreciation of foreign currency | Appreciation of foreign currency | Depreciation of foreign currency |
| | In case of appreciation / depreciation of USD against TRY by 10% | | | |
| 1-USD net asset / liability | (6,448,890) | 6,448,890 | (6,448,890) | 6,448,890 |
| 2- Hedged amount against USD risk (-) | 433,193 | (433,193) | 433,193 | (433,193) |
| 3-USD net effect (1+2) | (6,015,697) | 6,015,697 | (6,015,697) | 6,015,697 |
| | In case of appreciation / depreciation of EUR against TRY by 10% | | | |
| 4- EUR net asset / liability | 157 | (157) | 157 | (157) |
| 5- Hedged amount against EUR risk (-) | - | - | - | - |
| 6- EUR net effect (4+5) | 157 | (157) | 157 | (157) |
| | | | | |
| TOTAL (3+6) | (6,015,540) | 6,015,540 | (6,015,540) | 6,015,540 |

(Currency –Turkish Lira 'TRY' unlessed expressed otherwise)

As of 31 December 2020, if TRY evaluates / devaluates against foreign currency by 10% and all other variables remains the same, profit before tax which occurs as a result of the foreign exchange loss / gain arising from net foreign exchange exposure would have been TRY 4,355,101 more / less.

| | Profit / (Loss) | | Shareholders' equity | |
|---|---|---|---|---|
| | Appreciation of foreign currency | Depreciation of foreign currency | Appreciation of foreign currency | Depreciation of foreign currency |
| | In case of appreciation / depreciation of USD against TRY by 10% | | | |
| 1-USD net asset / liability | (5,987,719) | 5,987,719 | (5,987,719) | 5,987,719 |
| 2- Hedged amount against USD risk (-) | 1,632,268 | (1,632,268) | 1,632,268 | (1,632,268) |
| 3-USD net effect (1+2) | (4,355,451) | 4,355,451 | (4,355,451) | 4,355,451 |
| | In case of appreciation / depreciation of EUR against TRY by 10% | | | |
| 4- EUR net asset / liability | 350 | (350) | 350 | (350) |
| 5- Hedged amount against EUR risk (-) | - | - | - | - |
| 6- EUR net effect (4+5) | 350 | (350) | 350 | (350) |
| TOTAL (3+6) | (4,355,101) | 4,355,101 | (4,355,101) | 4,355,101 |

**Capital risk management**

In capital management, the Group's aims at enhancing profitability while keeping a reasonable leverage, on the other hand rendering sustainability in its operations.

The Group follows capital by using debt to equity ratio. This rate is found by dividing net debt to total equity. Net debt is calculated by deducting cash and cash equivalents from total payable amount (as shown in balance sheet total liabilities). Total capital, as shown in balance sheet, is calculated by adding up equity and net debt.

As of 31 December 2022, 2021 and 2020, net debt / total equity ratio is as follow:

| | 31.12.2022 | 31.12.2021 | 31.12.2020 |
|---|---|---|---|
| Total debts | 255,727,993 | 121,354,235 | 133,708,353 |
| Less: Liquid assets | 55,142,251 | 27,557,017 | 55,161,277 |
| Net debt | 200,585,742 | 93,797,218 | 78,547,076 |
| Total equity | 145,995,846 | 72,900,335 | 61,956,157 |
| Total capital | 346,581,588 | 166,697,553 | 140,503,233 |
| Net Debt/Total Equity ratio | 58% | 56% | 56% |

## NOTE 36 – FINANCIAL INSTRUMENTS (FAIR VALUE DISCLOSURES AND HEDGE ACCOUNTING DISCLOSURES)

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 have been determined by the Group using available markets information in Turkey and appropriate valuation methodologies. However, judgment is necessarily required to interpret market data to estimate the fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Group could realize in a current market exchange.

The following methods and assumptions are utilized for the current values of financial instruments which are predictable in practice:

**Financial Assets**

Monetary assets for which fair value approximates carrying value:

-Balances denominated in foreign currencies are converted at period exchange rates.
-The fair value of certain financial assets carried at cost, including cash and cash equivalents are considered to approximate their respective carrying amounts in the financial statements.
-The carrying value of trade receivables, net of allowances for possible non-recovery of uncollectible are considered to approximate their fair values.

**Financial Liabilities**

Monetary liabilities for which fair value approximates carrying value:

-The fair value of short-term bank loans and other monetary liabilities are considered to approximate their respective carrying values due to their short-term nature.
-The fair values of long-term bank borrowings, which are denominated in foreign currencies and converted at period exchange rates, are considered to approximate their carrying values.
-The carrying amount of accounts payable and accrued expenses reported in the financial statements for estimated third party payer settlements approximates its fair values.

**Fair value hierarchy**

The Group classifies the fair value measurement of each class of financial instruments that are measured at fair value on the balance sheet, according to the source, using three-level hierarchy, as follows:

Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: Other valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: Valuation techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

For the periods ended at 31 December 2022, 2021 and 2020, Group has not made any transfer between first level and second level or from third.

(Currency –Turkish Lira 'TRY' unlessed expressed otherwise)

As of 31 December 2022, classifications and fair values of financial assets as are follows;

| | Financial asset / liabilities at amortized cost | Financial assets as at fair value through profit or loss | Book Value | Note |
|---|---|---|---|---|
| Financial assets | | | | |
| Cash and cash equivalents | 55,142,251 | - | 55,142,251 | 7 |
| Trade receivables | 175,707,414 | - | 175,707,414 | 10 |
| Financial liabilities | | | | |
| Financial payables | 98,845,699 | - | 98,845,699 | 9 |
| Trade payables | 136,809,149 | - | 136,809,149 | 10 |
| Derivative instruments | - | 1,328,720 | 1,328,720 | 25 |

As of 31 December 2021, classifications and fair values of financial assets as are follows;

| | Financial asset / liabilities at amortized cost | Financial assets as at fair value through profit or loss | Book Value | Note |
|---|---|---|---|---|
| Financial Assets | | | | |
| Cash and cash equivalents | 27,557,017 | - | 27,557,017 | 7 |
| Trade receivables | 114,840,624 | - | 114,840,624 | 10 |
| Derivative instruments | - | 494,975 | 494,975 | 25 |
| Financial liabilities | | | | |
| Financial payables | 1,110,319 | - | 1,110,319 | 9 |
| Trade payables | 107,823,526 | - | 107,823,526 | 10 |

(Currency –Turkish Lira 'TRY' unlessed expressed otherwise)

As of 31 December 2020, classifications and fair values of financial assets as are follows;

| | Financial asset / liabilities at amortized cost | Financial assets as at fair value through profit or loss | Book Value | Note |
|---|---|---|---|---|
| Financial Assets | | | | |
| Cash and cash equivalents | 55,161,277 | - | 55,161,277 | 7 |
| Trade receivables | 83,375,815 | - | 83,375,815 | 10 |
| Financial liabilities | | | | |
| Financial payables | 929,923 | - | 929,923 | 9 |
| Trade payables | 106,149,565 | - | 106,149,565 | 10 |
| Derivative instruments | - | 1,229,900 | 1,229,900 | 25 |

## NOTE 37 – EVENTS AFTER THE REPORTING PERIOD

Due to the negativities caused by the earthquakes that occurred in Pazarcık and Elbistan districts of Kahramanmaraş province on 06 February 2023 and directly destroyed many provinces, as will be published in the Official Gazette dated 08 February 2023 and numbered 32098; A state of emergency was declared for three months in the provinces of Adana, Adıyaman, Diyarbakır, Gaziantep, Hatay, Kahramanmaraş, Kilis, Malatya, Osmaniye and Şanlıurfa.

The Parent Company has a branch in Kozan, Adana, where a state of emergency was declared. The Parent Company management expect that there is no significant impact of the Group's operating results due to the devastating earthquakes that have the current information on the historical assets.