(Convenience translation into English of the independent auditors' report and consolidated financial statements originally issued in Turkish – See Note 32)

Europap Tezol Kağıt Sanayi ve Ticaret A.Ş. and Its Subsidiary

Consolidated financial statements as of December 31, 2022 and independent auditor's report

(Convenience translation into English of the consolidated financial statements originally issued in Turkish)

Europap Tezol Kağıt San. ve Tic. A.Ş. and Its Subsidiary

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Güney Bağımsız Denetim ve SMMM A.Ş.
Maslak Mah. Eski Büyükdere Cad.
Orjin Maslak İş Merkezi No: 27
Daire: 57 34485 Sarıyer
İstanbul - Türkiye

Tel: +90 212 315 3000
Fax: +90 212 230 8291
ey.com
Ticaret Sicil No : 479920
Mersis No: 0-4350-3032-6000017

(Convenience translation into English of the independent auditors' report originally issued in Turkish)

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Europap Tezol Kağıt Sanayi ve Ticaret Anonim Şirketi;

A) Report on the Audit of the Consolidated Financial Statements

1) Qualified Opinion

We have audited the consolidated financial statements of Europap Tezol Kağıt Sanayi ve Ticaret A.Ş. ("the Company") and its subsidiary ("the Group"), which comprise the consolidated statement of financial position as at December 31, 2022, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the "Basis for Qualified Opinion" section, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the Turkish Financial Reporting Standards ("TFRSs").

2) Basis for Qualified Opinion

As of 31 December 2022, there is no assessment carried out in the current period regarding the fair value measurement of financial investments at carrying value of TL 21.942.127 which is measured at fair value through other comprehensive income in accordance with the "TFRS 9 Financial Instruments" by the Group management disclosed in Note 4. Accordingly, we are not able to obtain audit evidence as to whether any fair value adjustments required in the consolidated statement of financial position as at December 31, 2022 and in the statement of profit or loss and other comprehensive income for the year ended as of the same date. Consequently, the accompanying consolidated financial statements do not include a possible adjustment regarding the fair value measurement of the financial investments in accordance with TFRS 9.

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

3) Key Audit Matters

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

In addition to the matter described by us in the "*Basis for Qualified Opinion*" section, the matters described below have been identified as key audit matters and communicated in our report.

(Convenience translation into English of the independent auditors' report originally issued in Turkish)

Key audit matters	**How key audit matters addressed in the audit**
<u>Revenue recognition</u> The Group recognizes revenue in its financial statements when it fulfils the performance obligation by transferring goods or services to its customers at a point in time. The Group's revenue consists of sales of commercial and private label tissue paper products and paper reels. In the current period, the Group has recognized net revenue amounting to TL 2.396.434.448 from the sale of goods and products. When the Group fulfils its performance obligation by transferring the control of the products it has produced to the customer, the revenue is recognized in the consolidated financial statements. there is a risk that revenue is not recognized even products are delivered but not invoiced yet. According to the abovementioned explanations, timing of revenue recognition, whether the revenue of the products is recognized in the correct period, is determined as a key audit matter. The accounting policy for revenue recognition and revenue amounts are disclosed in Note 2.3 and Note 19.	In our audit, the following procedures were applied to ensure the accurate and complete recognition of revenue: The compliance of the accounting policies applied by the Group management for the recognition of revenue to TFRS has been evaluated. Contracts with customers were reviewed and impacts of contractual clauses on revenue are evaluated. With the substantive tests we carried out for the revenue, it was evaluated whether the control regarding the invoiced products was transferred to the customer. The existence of trade receivables and the accuracy of the balances have been tested with the external confirmations obtained directly from the customers we have selected by sampling. Detailed tests were carried out regarding the returns realized after the reporting period, and it was tested whether the revenue was appropriately and accurately recognized in the consolidated financial statements during the period.

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

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

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

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

Building a better working world

(Convenience translation into English of the independent auditors' report originally issued in Turkish)

5) Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

In an independent audit, our responsibilities as the auditors are:

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with standards on auditing as issued by the Capital Markets Board of Turkey and InAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with standards on auditing as issued by the Capital Markets Board of Turkey and InAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

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

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

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

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

(**Convenience translation into English of the independent auditors' report originally issued in Turkish)**

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

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

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

B) Report on Other Legal and Regulatory Requirements

1) Auditors' report on Risk Management System and Committee prepared in accordance with paragraph 4 of Article 398 of Turkish Commercial Code ("TCC") 6102 is submitted to the Board of Directors of the Company on March 9, 2023

2) In accordance with paragraph 4 of Article 402 of the TCC, no significant matter has come to our attention that causes us to believe that the Company's bookkeeping activities for the period 1 January - 31 December 2022 and financial statements are not in compliance with laws and provisions of the Company's articles of association in relation to financial reporting.

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

The name of the engagement partner who supervised and concluded this audit is Mehmet Başol Çengel.

Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi
A member firm of Ernst & Young Global Limited

Mehmet Başol Çengel, SMMM
Engagement Partner

March 9, 2023
İzmir, Turkiye

Europap Tezol Kağıt Sanayi ve Ticaret A.Ş. and Its Subsidiary

Consolidated statement of consolidated financial position
as at December 31, 2022
(Amounts expressed in Turkish Lira ("TL"), unless otherwise indicated)

Assets	Note	Current period Audited December 31, 2022	Prior period Audited December 31, 2021
Current assets		**1.371.514.113**	968.945.180
Cash and cash equivalents	3	**291.794.454**	537.346.501
Financial investments	4	**9.426.994**	6.742.344
Trade receivables			
- Trade receivables from related parties	6,27	**-**	133.186
- Trade receivables from third parties	6	**597.058.828**	236.754.040
Other receivables			
- Other receivables from related parties	7,27	**-**	39.226
- Other receivables from third parties	7	**45.881.602**	9.589.784
Inventories	8	**382.899.023**	171.175.707
Prepaid expenses	12	**35.054.457**	6.662.448
Other current assets	13	**9.398.755**	501.944
Non-current assets		**674.550.197**	281.859.990
Financial investments	4	**21.942.127**	12.440.448
Other receivables			
- Other receivables from third parties	7	**1.445**	1.445
Property, plant and equipment	9	**488.480.411**	207.615.894
Right-of-use assets	11	**8.231.260**	4.311.842
Intangible assets	10	**407.235**	163.337
Prepaid expenses	12	**25.592.886**	57.327.024
Deferred tax assets	25	**129.894.833**	-
Total assets		**2.046.064.310**	1.250.805.170

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

Europap Tezol Kağıt Sanayi ve Ticaret A.Ş. and Its Subsidiary

Consolidated statement of consolidated financial position as at December 31, 2022
(Amounts expressed in Turkish Lira ("TL"), unless otherwise indicated)

Liabilities	Note	Current period Audited December 31, 2022	Prior period Audited December 31, 2021
Current liabilities		**446.829.361**	333.891.080
Short term borrowings	5	**112.628.964**	146.157.250
Current portion of long-term borrowings	5	**78.199.580**	42.941.320
Other financial liabilities	5	**74.788**	39.006
Lease liabilities	5	**938.036**	21.028.271
Trade payables			
- Trade payables to related parties	6, 27	**-**	9.184
- Trade payables to third parties	6	**228.700.504**	109.462.663
Liabilities for employee benefits	15	**6.071.610**	2.017.067
Other payables			
- Other payables to related parties	27	**107.980**	23.864
- Other payables to third parties		**508.118**	369.258
Deferred income	14	**3.859.828**	2.905.914
Current income tax liabilities	25	**9.718.025**	6.155.376
Short-term provisions			
- Other short-term provisions	16	**2.564.730**	2.678.425
Other short-term liabilities	13	**3.457.198**	103.482
Long-term liabilities		**235.862.803**	222.299.812
Long-term borrowings	5	**199.276.536**	208.460.230
Lease liabilities	5	**5.844.225**	541.519
Deferred income	14	**1.647.722**	-
Long-term provisions			
- Long-term provisions for employee benefits	16	**29.094.320**	12.210.171
Deferred tax liabilities	25	**-**	1.087.892
Equity		**1.363.372.146**	694.614.278
Share capital	18	**220.000.000**	100.000.000
Impact of business combinations under common control		**(13.292.236)**	(13.292.236)
Legal reserves	18	**40.900.015**	14.032.990
Other comprehensive income (loss) not to be reclassified to profit or loss			
- Actuarial gain (loss) arising from defined benefit plans		**(16.225.332)**	(2.588.362)
- Gains arising from the financial assets measured at fair value through other comprehensive income		**17.116.606**	8.090.011
Retained earnings		**386.504.850**	333.321.227
Net profit for the year		**728.368.243**	255.050.648
Total liabilities and equity		**2.046.064.310**	1.250.805.170

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

Europap Tezol Kağıt Sanayi ve Ticaret A.Ş. and Its Subsidiary

Consolidated statement of profit or loss and other comprehensive income
for the year ended December 31, 2022
(Amounts expressed in Turkish Lira ("TL"), unless otherwise indicated)

	Note	Current period Audited January 1- December 31, 2022	Prior period Audited January 1- December 31, 2021
Profit and loss section			
Revenue	19	**2.396.434.448**	878.150.067
Cost of sales (-)	19	**(1.601.427.841)**	(628.864.556)
Gross profit		**795.006.607**	249.285.511
General and administrative expenses (-)	20	**(34.414.267)**	(23.730.646)
Selling, marketing and distribution expenses (-)	20	**(257.079.985)**	(104.588.906)
Other operating income	22	**358.006.437**	191.750.154
Other operating expense (-)	22	**(284.825.909)**	(158.736.136)
Operating profit		**576.692.883**	153.979.977
Income from investing activities	23	**10.868.447**	5.619.291
Operating profit before financial income / (expense)		**587.561.330**	159.599.268
Finance income	24	**145.002.828**	212.098.093
Finance expense (-)	24	**(115.228.809)**	(105.132.403)
Profit before tax from continuing operations		**617.335.349**	266.564.958
Tax income/ (expense) from continuing operations			
- Current tax expense(-)	25	**(17.015.672)**	(15.914.919)
- Differed tax income	25	**128.048.566**	4.400.609
Net profit for the year		**728.368.243**	255.050.648
Earnings per share	26	**3,3108**	1,1593
Other comprehensive income (loss) section			
Other comprehensive income / (loss) not to be reclassified to profit or loss			
- Gain(loss) on remeasurement of defined benefit plans	16	**(17.046.213)**	(411.060)
- Gain(loss) on remeasurement of defined benefit plans, tax effect	25	**3.409.243**	82.212
- Gains arising from the financial assets measured at fair value through other comprehensive income	4	**9.501.679**	455.127
- Gains arising from the financial assets measured at fair value through other comprehensive income, tax effect	25	**(475.084)**	(22.756)
Other comprehensive income (loss) (net of tax)		**(4.610.375)**	103.523
Total comprehensive income		**723.757.868**	255.154.171

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

Europap Tezol Kağıt Sanayi ve Ticaret A.Ş. and its Subsidiary

Consolidated statement of changes in equity
for the year ended December 31, 2022
(Currency – In Turkish Lira (“TL”), unless otherwise indicated)

			Other comprehensive income (loss) not to be reclassified to profit or loss			Retained Earnings		
	Share Capital	Impact of business combinations under common control	Actuarial gain (loss) arising from defined benefit plans	Gains arising from the financial assets measured at fair value through other comprehensive income	Legal reserves	Retained earnings	Net profit for the period	Total equity
Balance as of January 1 2021	**15.000.000**	**1.609.156**	**(2.259.514)**	**7.657.640**	**7.525.000**	**424.829.217**	**-**	**454.361.499**
Capital increase (Note 18)	85.000.000	-	-	-	-	(85.000.000)	-	-
Transfers	-	-	-	-	6.507.990	(6.507.990)	-	
Impact of business combinations under common control	-	(14.901.392)	-	-	-	-	-	(14.901.392)
Net profit for the period	-	-	-	-	-	-	255.050.648	255.050.648
Other comprehensive income (loss)	-	-	(328.848)	432.371	-	-	-	103.523
Total comprehensive income (loss)		-	(328.848)	432.371	-	-	255.050.648	255.154.171
Balance as of December 31, 2021	**100.000.000**	**(13.292.236)**	**(2.588.362)**	**8.090.011**	**14.032.990**	**333.321.227**	**255.050.648**	**694.614.278**
Balance as of January 1 2022	**100.000.000**	**(13.292.236)**	**(2.588.362)**	**8.090.011**	**14.032.990**	**588.371.875**	**-**	**694.614.278**
Capital increase (Note 18)	120.000.000	-	-	-	-	(120.000.000)	-	-
Transfers	-	-	-	-	26.867.025	(26.867.025)	-	-
Dividends (Note 18)	-	-	-	-	-	(55.000.000)	-	(55.000.000)
Net profit for the period	-	-	-	-	-	-	728.368.243	728.368.243
Other comprehensive income (loss)	-	-	(13.636.970)	9.026.595	-	-	-	(4.610.375)
Total comprehensive income (loss)	-	-	(13.636.970)	9.026.595	-	-	728.368.243	723.757.868
Balance as of December 31, 2022	**220.000.000**	**(13.292.236)**	**(16.225.332)**	**17.116.606**	**40.900.015**	**386.504.850**	**728.368.243**	**1.363.372.146**

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

(Convenience translation into English of the consolidated financial statements originally issued in Turkish)

Europap Tezol Kağıt Sanayi ve Ticaret A.Ş. and Its Subsidiary

Consolidated statement of cash flows for the year ended December 31, 2022

(Currency – In Turkish Lira ("TL"), unless otherwise indicated)

	Note	Current period Audited December 31, 2022	Prior period Audited December 31, 2021
I. Cash flow from operating activities, net		**171.484.360**	265.359.229
Net profit (loss) for the year		**728.368.243**	255.050.648
Adjustments related with the reconciliation of net profit (loss):			
Depreciation and amortization expenses	9,10,11	**14.182.787**	12.197.603
Adjustments for litigation provision	16	**977.438**	642.055
Adjustments for employee benefits	16	**3.752.348**	3.355.286
Adjustments for interest income	24	**(11.595.736)**	(4.227.155)
Adjustments for interest expense	24	**53.048.470**	10.760.302
Provision for doubtful receivables	6	**2.586.420**	-
Unrealized foreign exchange differences		**30.264.095**	59.405.186
Adjustment for tax (income) expense	25	**(111.032.894)**	11.514.310
Adjustments for fair value (gains) / losses on derivative instruments	24	**-**	(1.039.115)
Adjustments for (gains) / losses on sales of tangible and intangible assets	23	**(3.378.890)**	(3.567.299)
Other adjustments for (profit) loss reconciliation		**(884.082)**	(848.324)
Changes in working capital		**(534.803.839)**	(77.884.268)
Adjustments for decrease / (increase) in trade receivables		**(362.758.022)**	(98.813.800)
Adjustments for decrease / (increase) in inventories		**(211.723.316)**	(33.813.730)
Adjustments for increase / (decrease) in trade payables		**120.112.739**	68.858.919
Adjustments for decrease / (increase) in other receivables from operating activities		**(72.209.545)**	(3.900.608)
Adjustments for increase / (decrease) in other payables from operating activities		**10.232.873**	2.456.118
Payments for employment termination benefits	16	**(3.914.412)**	(1.040.810)
Cash outflows for litigation provision	16	**(1.091.133)**	(367.909)
Tax returns / (payments)	25	**(13.453.023)**	(11.262.448)
II. Cash flows from investing activities, net		**(212.367.536)**	(45.143.742)
Purchase of property, plant and equipment and intangible assets	9, 10, 12	**(203.191.129)**	(31.582.152)
Proceeds from sales of property, plant and equipment and intangible assets		**4.835.118**	3.870.581
Interest received		**11.581.361**	5.559.097
Cash inflows from the sale of shares or debt instruments of other businesses or funds		**-**	12.500.000
Cash outflows to the sale of shares or debt instruments of other businesses or funds		**-**	(4.773.640)
Advance payments for purchases of property, plant and equipment		**(25.592.886)**	(30.717.628)
III. Cash flow from financing activities, net		**(204.668.871)**	162.885.565
Proceeds from borrowings	5	**231.442.530**	307.444.576
Repayment of borrowings	5	**(298.935.194)**	(94.458.509)
Repayment of lease liabilities	5	**(23.502.870)**	(21.887.078)
Dividend payments	18	**(55.000.000)**	-
Interest paid	5	**(58.673.337)**	(14.351.147)
Cash outflows related to business combinations under common control		**-**	(14.901.392)
Cash inflows from derivative instruments		**-**	1.039.115
Net increase (decrease) in cash and cash equivalents (I+II+III)		**(245.552.047)**	383.101.052
Cash and cash equivalents at the beginning of the period	3	**537.346.501**	154.245.449
Cash and cash equivalents at the end of the period	3	**291.794.454**	537.346.501

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

(Currency – In Turkish Lira (“TL”), unless otherwise indicated)

1. The Group’s organization and nature of operations

The company was established in Izmir in 1969, and after the merger on 30 November 2016, its title was changed to Europap Tezol Kağıt Sanayi ve Ticaret A.Ş. (“Company”). The main field of activity of the company is the production and sale of cleaning papers, as well as the production of jumbo roll papers.

The registered head office address of the Company is as follows:

Philsa Street, No:36 Torbalı, Izmir - Turkey

24% of the Company's share capital has started to be traded in Borsa Istanbul by offering to the public as of September 15, 2021. Information regarding the shareholding structure of the Company is included in Note 18.

The main fields of activity of the Company's subsidiaries included in the consolidation (collectively referred as the "Group") and the countries in which they operate are as follows:

	Country of operation	**Business Activity**
TZE Global Dış Ticaret A.Ş. (“TZE Global”)	Turkey	Export/Foreign Trade

TZE Global Dış Ticaret A.Ş. was established to undertake the export-registered sales of the Company, and all shares of 50.000 TL belong to the Company as of 31 December 2022.

On March 30, 2021, the Company purchased all the shares of TZE Global Dış Ticaret A.Ş., which is a related party under common control, with a paid-in capital of TL 50,000, for an amount of TL 14.951.392. The relevant purchase transaction has been approved by the Board of Directors decision numbered 2021/01, certified by the Republic of Turkey Torbalı Notary Public, dated March 30, 2021 and numbered 3092.

The number of employees of the Group as of 31 December 2022 and 2021 is as follows:

	December 31, 2022	December 31, 2021
Year-end	**637**	608
Average	**612**	608

2. Basis of presentation of consolidated financial statements

2.1 Basis of presentation

The Company and its subsidiaries that operate in Turkey maintains its books of account and prepares its statutory financial statements based on the Turkish Commercial Code (the “TCC”) no. 6102, tax legislation and the Uniform Chart of Accounts issued by the Ministry of Finance.

The consolidated financial statements of the Group have been prepared in accordance with Turkish Accounting Standards/Turkish Financial Reporting Standards (“TAS/TFRS”) promulgated by the Public Oversight Accounting and Auditing Standards Authority (“POA”) that are set out in the communiqué numbered II-14.1 “Communiqué on the Principles of Financial Reporting In Capital Markets” (“the Communiqué”) announced by the Capital Markets Board (“CMB”) on 13 June 2013 and published in Official Gazette numbered 28676. TAS/TFRS are updated in harmony with the changes and updates in International Financial and Accounting Standards (“IFRS”) by the communiqués announced by the POA.

2. Basis of presentation of consolidated financial statements (continued)

TFRSs are composed of accounting standards issued as Turkish Accounting Standards and Turkish Financial Reporting Standards and interpretations and special and exceptional other standards adopted by POA and additions, interpretations and other regulation related to those.

In the preparation of financial statements and disclosures, the principles in "Illustrative Financial Statements and Preparation Guidance" issued by POA on October 4, 2022 are used.

Consolidated financial statements have been prepared on the basis of historical cost, excluding financial investments measured at fair value.

Consolidated financial statements are expressed in TL based on Group's legal records; It has been prepared, subject to some adjustments and classification changes, in order to adequately present the consolidated financial position and performance of the Group in accordance with TFRS's.

TAS 29 Financial Reporting in Hyperinflation Economies requires entities whose functional currency is that of a hyperinflationary economy to prepare their financial statements in terms of the measuring unit current at the end of the reporting period. TAS 29 describes characteristics that may indicate that an economy is hyperinflationary, and it requires all entities that report in the currency of the same hyperinflationary economy apply this Standard from the same date. Therefore, it is expected that TAS 29 will start to be applied simultaneously by all entities with the announcement of Public Oversight Accounting and Auditing Standards Authority to ensure consistency of the application required by TAS 29 throughout the country. However, the Authority has not published any announcement that determines entities would restate their financial statements for the accounting period ending on 31 December 2022 in accordance with TAS 29. In this context, TMS 29 is not applied and inflation adjustment has not been reflected in the financial statements as of December 31, 2022.

With the "Law Amending the Tax Procedure Law and the Corporate Tax Law", which was accepted on the agenda of the Turkish Grand National Assembly on January 20, 2022, the application of inflation accounting was postponed starting from the balance sheet dated December 31, 2023.

Functional and reporting currency

The functional currency of the Company is Turkish Lira (TL) and the accompanying financial statements and notes are presented in Turkish Lira (TL).

Going concern

The Company has prepared its financial statements in accordance with the going concern principle.

Approval of consolidated financial statements

The financial statements for the year ended December 31, 2022 were approved for issue on March 9, 2023 by the Group Management. The General Assembly and certain regulatory bodies have the power to amend the statutory financial statements after issue.

2. Basis of presentation of consolidated financial statements (continued)

2.2 Changes in accounting policies and reporting standards

The new standards, amendments and interpretations

The accounting policies adopted in preparation of the consolidated financial statements as of December 31, 2022 are consistent with those of the previous financial year, except for the adoption of new and amended TFRS and TFRS interpretations effective as of January 1, 2022 and thereafter. The effects of these standards and interpretations on the Group's financial position and performance have been disclosed in the related paragraphs.

i) The new standards, amendments and interpretations which are effective as at January 1, 2022 are as follows:

Amendments to TFRS 3 – Reference to the Conceptual Framework

In July 2020, POA issued amendments to TFRS 3 Business combinations. The amendments are intended to replace to a reference to a previous version of the Conceptual Framework (the 1989 Framework) with a reference to the current version issued in March 2018 (the Conceptual Framework) without significantly changing requirements of TFRS 3. At the same time, the amendments add a new paragraph to TFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date. The amendments must be applied prospectively.

The amendments did not have a significant impact on the financial position or performance of the Group.

Amendments to TAS 16 – Proceeds before intended use

In July 2020, POA issued amendments to TAS 16 Property, plant and equipment. The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment (PP&E), any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and costs of producing those items, in profit or loss. The amendments must be applied retrospectively only to items of PP&E made available for use on or after beginning of the earliest period presented when the entity first applies the amendment.

The amendments did not have a significant impact on the financial position or performance of the Group.

Amendments to TAS 37 – Onerous contracts – Costs of Fulfilling a Contract

In July 2020, POA issued amendments to TAS 37 Provisions, Contingent Liabilities and Contingent assets. The amendments specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making and also apply a "directly related cost approach". Amendments must be applied prospectively to contracts for which an entity has not fulfilled all of its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application).

The amendments did not have a significant impact on the financial position or performance of the Group.

2. Basis of presentation of consolidated financial statements (continued)

Annual Improvements – 2018–2020 Cycle

In July 2020, the POA issued Annual Improvements to TFRS Standards 2018–2020 Cycle, amending the followings:

- *TFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter: The amendment permits a subsidiary tto measure cumulative translation differences using the amounts reported by the parent. The amendment is also applied to an associate or joint venture.*
- *TFRS 9 Financial Instruments – Fees in the "10 per cent test" for derecognition of financial liabilities: The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either borrower or lender on the other's behalf.*
- *TAS 41 Agriculture – Taxation in fair value measurements:* The amendment removes the requirement in paragraph 22 of TAS 41 that entities exclude cash flows for taxation when measuring fair value of assets within the scope of TAS 41.

The amendments did not have a significant impact on the financial position or performance of the Group.

ii) Standards issued but not yet effective and not early adopted

Standards, interpretations and amendments to existing standards that are issued but not yet effective up to the date of issuance of the consolidated financial statements are as follows. The Group will make the necessary changes if not indicated otherwise, which will be affecting the consolidated financial statements and disclosures, when the new standards and interpretations become effective.

Amendments to TFRS 10 and TAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

In December 2017, POA postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. Early application of the amendments is still permitted.

The Group will wait until the final amendment to assess the impacts of the changes.

TFRS 17 - The new Standard for insurance contracts

POA issued TFRS 17 in February 2019, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. TFRS 17 model combines a current balance sheet measurement of insurance contract liabilities with the recognition of profit over the period that services are provided. TFRS 17 will become effective for annual reporting periods beginning on or after 1 January 2023; early application is permitted.

The standard is not applicable for the Group and will not have an impact on the financial position or performance of the Group.

2. Basis of presentation of consolidated financial statements (continued)

Amendments to TAS 1- Classification of Liabilities as Current and Non-Current Liabilities

In January 2020 and January 2023, POA issued amendments to TAS 1 to specify the requirements for classifying liabilities as current or non-current. According to the amendments made in January 2023 if an entity's right to defer settlement of a liability is subject to the entity complying with the required covenants at a date subsequent to the reporting period ("future covenants"), the entity has a right to defer settlement of the liability even if it does not comply with those covenants at the end of the reporting period. In addition, January 2023 amendments require an entity to provide disclosure when a liability arising from a loan agreement is classified as non-current and the entity's right to defer settlement is contingent on compliance with future covenants within twelve months. This disclosure must include information about the covenants and the related liabilities. The amendments clarified that the classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability for at least twelve months after the reporting period. The amendments are effective for periods beginning on or after 1 January 2024. The amendments must be applied retrospectively in accordance with TAS 8. Early application is permitted. However, an entity that applies the 2020 amendments early is also required to apply the 2023 amendments, and vice versa.

The Group is in the process of assessing the impact of the amendments on financial position or performance of the Group.

Amendments to TAS 8 - Definition of Accounting Estimates

In August 2021, POA issued amendments to TAS 8, in which it introduces a new definition of 'accounting estimates'. The amendments issued to TAS 8 are effective for annual periods beginning on or after 1 January 2023. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, the amended standard clarifies that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors. The previous definition of a change in accounting estimate specified that changes in accounting estimates may result from new information or new developments. Therefore, such changes are not corrections of errors. This aspect of the definition was retained by the POA. The amendments apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of the effective date. Earlier application is permitted.

The Group is in the process of assessing the impact of the amendments on financial position or performance of the Group.

Amendments to TAS 1 - Disclosure of Accounting Policies

In August 2021, POA issued amendments to TAS 1, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments issued to TAS 1 are effective for annual periods beginning on or after 1 January 2023. In the absence of a definition of the term 'significant' in TFRS, the POA decided to replace it with 'material' in the context of disclosing accounting policy information. 'Material' is a defined term in TFRS and is widely understood by the users of financial statements, according to the POA. In assessing the materiality of accounting policy information, entities need to consider both the size of the transactions, other events or conditions and the nature of them. Examples of circumstances in which an entity is likely to consider accounting policy information to be material have been added.

The Group is in the process of assessing the impact of the amendments on financial position or performance of the Group.

2. Basis of presentation of consolidated financial statements (continued)

Amendments to TAS 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction

In August 2021, POA issued amendments to TAS 12, which narrow the scope of the initial recognition exception under TAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences. The amendments issued to TAS 12 are effective for annual periods beginning on or after 1 January 2023. The amendments clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognised in the financial statements (and interest expense) or to the related asset component (and interest expense). This judgement is important in determining whether any temporary differences exist on initial recognition of the asset and liability. The amendments apply to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period presented, a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for all deductible and taxable temporary differences associated with leases and decommissioning obligations should be recognized.

The Group is in the process of assessing the impact of the amendments on financial position or performance of the Group.

Amendments to TFRS 16 - Lease Liability in a Sale and Leaseback

In January 2023, POA issued amendments to TFRS 16. The amendments specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. In applying requirements of TFRS 16 under "Subsequent measurement of the lease liability" heading after the commencement date in a sale and leaseback transaction, the seller lessee determines 'lease payments' or 'revised lease payments' in such a way that the seller-lessee would not recognise any amount of the gain or loss that relates to the right of use retained by the seller-lessee. The amendments do not prescribe specific measurement requirements for lease liabilities arising from a leaseback. The initial measurement of the lease liability arising from a leaseback may result in a seller-lessee determining 'lease payments' that are different from the general definition of lease payments in TFRS 16. The seller-lessee will need to develop and apply an accounting policy that results in information that is relevant and reliable in accordance with TAS 8. A seller-lessee applies the amendments to annual reporting periods beginning on or after 1 January 2024. Earlier application is permitted. A seller-lessee applies the amendments retrospectively in accordance with TAS 8 to sale and leaseback transactions entered into after the date of initial application of TFRS 16.

The Group is in the process of assessing the impact of the amendments on financial position or performance of the Group.

(Currency – In Turkish Lira (“TL”), unless otherwise indicated)

2. Basis of presentation of consolidated financial statements (continued)

2.3 Summary of significant accounting policies

Consolidation principles

a) The consolidated financial statements include the accounts of Europap Tezol, the parent company, and its subsidiary, prepared according to the principles set out in (b) below. During the preparation of the financial statements of the Company included in the scope of consolidation, necessary adjustments and classifications were made in terms of compliance with TAS/TFRS and compliance with the accounting policies and presentation styles applied by the Group.

b) Subsidiary means the company in which Europap Tezol is exposed to or has rights to variable returns from its involvement with the investee, and over which it has control because it has the ability to affect those returns through its power over the investee.

The subsidiary has been included in the scope of consolidation from the date on which control over its operations was transferred to the Group.

The statement of financial position and the statement of profit or loss and other comprehensive income of the subsidiary have been consolidated by using the full consolidation method, and the carrying values of the Company's subsidiaries and shareholders' equity have been mutually offset. Intra-group transactions and balances between the Company and its subsidiary have been netted off during consolidation. The book values of the shares owned by the Company and the dividends arising from them have been netted off from the related equity and profit or loss statement accounts.

As of 31 December 2022 and 2021, the Company's shareholding ratios in the subsidiaries included in the consolidation are as follows:

	December 31, 2022	December 31, 2021
Subsidiary	**Shareholding rate**	Shareholding rate
TZE Global Dış Ticaret A.Ş.	**100%**	100%

Business combinations under common control

The business combinations resulting from the transfer of the shares of the companies under the control of the shareholder controlling the Group have been evaluated as “business combinations under common control” and the Company has decided to account business combinations under common control in line with the principle decision of “Accounting for Business Combinations Under Common Control” numbered 2013-2 by POA, accounting by the pooling of interest method. Under the pooling of interest method, the merger is accounted for as if it had occurred at the beginning of the earliest comparative period presented, if later, on the date on which common control is achieved. For this purpose, comparative periods are restated. The acquired assets and liabilities are recorded at the book value previously recorded in the consolidated financial statements of the shareholders under the control of the Group. Equity items of the acquired companies are added to the same items in the Group's equity, except for the capital, and the resulting profit or loss is recognized in equity.

2. Basis of presentation of consolidated financial statements (continued)

Financial instruments

Financial assets

i) Classification

The Group accounts its financial assets in two classes: "financial assets at amortized cost" and "financial assets at fair value through other comprehensive income". Classification is made on the basis of the business model used by the entity for the management of financial assets and the characteristics of the contractual cash flows of the financial asset. The Group classifies its financial assets on the date of purchase. Financial assets are not reclassified after initial recognition, unless the Group's business model for managing financial assets changes; In case of business model change, financial assets are reclassified on the first day of the following reporting period after the change.

ii) Accounting and Measurement

"Financial assets measured at amortized cost", are non-derivative assets that are held within a business model whose objective is to hold assets in order to collect contractual cash flows and the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Company's financial assets measured at amortized cost comprise "cash and cash equivalents" "trade receivables" and "financial investments". Financial assets carried at amortized cost are measured at their fair value at initial recognition and by effective interest rate method at subsequent measurements Gains and losses on valuation of non-derivative financial assets measured at amortized cost are accounted for under the statement of income.

"Financial assets at fair value through other comprehensive income" are non-derivative financial instruments that are held within the scope of a business model aiming to collect the contractual cash flows and sell the financial asset, and which include cash flows that only include interest payments arising from principal and principal balance at certain dates. assets are. Except for gains or losses from related financial assets, impairment gains or losses and foreign exchange income or expenses are reflected to other comprehensive income. In the event that such assets are sold, valuation differences classified into other comprehensive income are classified in previous years' profits. For investments made in equity-based financial assets, the Company may irrevocably prefer the method of reflecting subsequent changes in its fair value to other comprehensive income for the first time in the financial statements. In the event that such preference is made, dividends obtained from related investments are accounted in the income statement.

iii) Derecognition

The Group derecognizes a financial asset when the contractual rights to the cash flows from the asset expired, or it transferred the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset were transferred. Any interest in such transferred financial assets that was created or retained by the Group was recognized as a separate asset or liability.

2. Basis of presentation of consolidated financial statements (continued)

iv) *Impairment*

Impairment of the financial and contractual assets measured by using "Expected credit loss model" (ECL). The impairment model applies for amortized financial and contractual assets. Provision for loss measured as below;

- 12- Month ECL: results from default events that are possible within 12 months after reporting date.
- Lifetime ECL: results from all possible default events over the expected life of financial instrument Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since 12 month ECL measurement if it has not.

The Group may determine that the credit risk of a financial asset has not increased significantly if the asset has low credit risk at the reporting date. However lifetime ECL measurement (simplified approach) always apply for trade receivables and contract assets without a significant financing.

Cash and cash equivalents

Cash and cash equivalents, cash, demand deposits, maturities from date of purchase of three months or less than 3 months, that are readily convertible into cash and value risk of changes in significant amounts with carrying highly liquid short-term investments.

Trade Receivables

Trade receivables consist of current account receivables. Trade receivables are reflected from the invoiced amount with their carrying values after the provision for impairment in accordance with the ECL model and are measured at their amortized cost using the effective interest method.

Group has preferred to apply "simplified approach" defined in TFRS 9 for the recognition of impairment losses on trade receivables, carried at amortised cost and that do not comprise of any significant finance component (those with maturity less than 12 months). In accordance with the simplified approach, Group measures the loss allowances regarding its trade receivables at an amount equal to "lifetime expected credit losses" except incurred credit losses in which trade receivables are already impaired for a specific reason. The Group recognized the provision for impairment considering letter of guarantee from its customers in accordance ECL model under simplified approach.

If the amount of the impairment subsequently decreases due to an event occurring after the write-down, the release of the provision is credited to other operating income.

Unearned finance income/expense due to commercial transactions are accounted for under "other operating income/expenses" in the statement of profit or loss and other comprehensive income. The discounted value of trade receivables and the provision for doubtful receivables are assumed to be equivalent to the fair value of the assets.

2. Basis of presentation of consolidated financial statements (continued)

Financial liabilities

Financial liabilities are measured initially at fair value. Transaction costs which are directly related to the financial liability are added to the fair value.

Financial liabilities are classified as equity instruments and other financial liabilities.

Trade payables

Trade payables are payments to be made arising from the purchase of goods and services from suppliers within the ordinary course of business. Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

Effective interest method

The effective interest rate method is a method of calculating the amortized cost of a financial asset and of allocating the interest income over the relevant period. The effective interest rate is the ratio exactly discounts the estimated future cash receipts through the expected life of the financial asset to the net present value of the financial asset or in a shorter period where appropriate.

Bank loans

Bank loans are recognized initially at fair value and initial cost which is considered to reflect their fair value.

After initial recognition, loans are measured at amortized cost using the effective interest method. At the time of the first issue, the costs, discounts and premiums during the refunding are considered when calculating the discounted value.

Income or expenses that arise during the amortization process or the recognition of the liabilities are accounted in the income statement.

Inventories

Inventories are valued at the lower of net realizable value or cost at the date of the statement of financial position. Costs are calculated over the most recent purchase price. Net realizable value is the selling price less the marketing and selling expenses to get the stocks ready. When the net realizable value of inventories falls below its cost, the inventories are reduced to their net realizable value and are charged to the income statement in the year in which the impairment occurred. In cases where it is proven that the conditions that previously caused inventories to be reduced to net realizable value no longer apply or an increase in net realizable value due to changing economic conditions, the reserve for impairment is reversed. The canceled amount is limited to the previously allocated impairment amount.

The cost of inventories includes all acquisition costs, conversion costs and other costs incurred to bring the inventories to their current state and location. In the case of manufactured inventories and workarounds, the cost includes the appropriate allocation of overheads based on normal operating capacity. The unit cost is valued using the monthly weighted average cost method.

2. Basis of presentation of consolidated financial statements (continued)

Related parties

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

i. has control or joint control over the reporting entity,
ii. has significant influence over the reporting entity; or,
iii. is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

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

i. The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
ii. One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
iii. Both entities are joint ventures of the same third party.
iv. One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
v. The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
vi. The entity is controlled or jointly controlled by a person identified in (a).
vii. (A person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Related party transactions are transactions in which resources, services and obligations are transferred between related parties, regardless of whether there is a price. In the financial statements, the shareholders of the Company, the companies owned by them, their managers and other groups known to be related are defined as related companies. It is assumed that the book values of due from and due to related parties are equivalent to the fair values of assets and liabilities.

Property, plant and equipment

Property and equipment are stated at cost less accumulated depreciation and any impairment in value. Historical values include costs that are directly related to the acquisition cost of the property, plant and equipment. Costs after the acquisition date are added to the carrying amount of the asset or recorded as a separate asset only when it is probable that future economic benefits associated with the asset will flow to the Company and the cost of the asset can be measured reliably. Advances given for the purchase of tangible fixed assets are followed in the advances given account under prepaid expenses until the related asset is capitalized or taken into the account of investments in progress. Investments in progress are shown with their net book value, which is calculated by deducting any impairment from the historical acquisition cost. Historical acquisition values include costs directly related to the acquisition of investments in progress and borrowing costs. If the maintenance and repair expense provides an improvement or a noticeable improvement in the related asset, it is capitalized. Depreciation is allocated using the straight-line method according to the useful lives of tangible fixed assets.

Property, plant and equipment are presented with their net values found by deducting accumulated depreciation and permanent value losses from acquisition cost. Depreciation is calculated using the straight-line depreciation method at rates reflecting the economic useful lives of the following tangible assets (Note 10). Land is not depreciated because their economic useful lives are considered to be indefinite.

2. Basis of presentation of consolidated financial statements (continued)

The approximate useful lives for property, plant and equipment are as follows::

	Year
Land improvements	6-15
Buildings	50
Machinery and equipment	5-35
Motor vehicles	3-15
Fixed assets	3-15
Leasehold improvements	5-10

An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of asset fair value less cost to sell or value in use. The assets' useful lives are reviewed, and prospectively adjusted if appropriate, at each balance sheet date. Gains or losses on disposals of property, plant and equipment are determined by reference to their carrying amounts and are included in the related income and expense accounts, as appropriate.

Repairs and maintenance are charged to the statements of comprehensive income during the financial period in which they are incurred. Subsequent costs are included in the asset's carrying value or recognised as separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Intangible assets

Intangible assets are reported at cost less accumulated amortization and accumulated impairment losses. These assets are amortized over their expected economic lives using the straight-line method. The useful lives of intangible assets are as follows:

	Year
Rights	3-15
Other intangible assets	3-15

Borrowing costs

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.

Right-of-use assets

The company recognizes right-of-use assets at the commencement date of the lease agreement (for example, as of the date the asset is available for use). Right-of-use assets are calculated at cost less accumulated depreciation and impairment losses. In case of revaluation of financial lease liabilities, this figure is also adjusted.

The cost of the right-of-use asset includes:

(a) the initial measurement of the lease liability;
(b) any lease payments made on or before the commencement date of the lease, less any lease incentives received; and
(c) All initial direct costs incurred by the company.

Unless the transfer of ownership of the underlying asset to the Company at the end of the lease term is reasonably certain, the Company depreciates the right-of-use asset until the end of the useful life of the underlying asset from the actual commencement of the lease.

Right-of-use assets are subject to impairment assessment.

Lease liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term.

The lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

(a) Fixed payments,
(b) Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date,
(c) Amounts expected to be paid under residual value guarantees
(d) Exercise price of a purchase option reasonably certain to be exercised by the Company
(e) Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Variable lease payments that are not related to an index or rate are recognized as an expense in the period when the event or condition that triggers the payment occurs.

The revised discount rate for the remaining part of the company's lease term, if the implied interest rate in the lease can be easily determined, as this rate; If it cannot be determined easily, it is determined as the alternative borrowing interest rate of the Company at the date of reassessment.

The Group measures the lease liabilities after the lease starts as follows:

(a) increase the carrying amount to reflect the interest on the lease liability, and
(b) decreases book value to reflect lease payments made.

In addition, in the event of a change in the lease term, a change in the underlying fixed lease payments, or a change in the assessment of the option to purchase the underlying asset, the value of the finance lease liabilities is remeasured.

Short-term leases and leases where the underlying asset is of low value

The Group applies the short-term lease exemption to short-term machinery and equipment lease agreements (the recognition exemption for valuable assets with a lease term of 12 months or less from the commencement date and without an option to purchase),and to office equipment whose rental value is considered to be of low value. assets. Short-term leases and leases of low value assets are expensed on a straight-line basis over the lease term.

Provisions

Provisions are recognized when an entity has a past and present obligation (legal or structural) and it is probable that the sources of economic benefit to the entity will be lost due to this obligation, and the amount of the obligation to be incurred can be reliably estimated. When the depreciation of money over time becomes important, provisions are reflected with the discounted value of the expenses that may occur in the future. Provisions are reviewed at the date of preparation of each statement of financial position and necessary adjustments are made to reflect the best estimates of the management.

Contingent assets and liabilities

Liabilities that can be confirmed by the occurrence of one or more uncertain future events arising from past events and the existence of which are not fully under the control of the entity are considered contingent liabilities. Contingent liabilities are not reflected in the financial statements and explained in the footnotes if the situation requiring resource transfer is not highly probable. Contingent assets, on the other hand, are not reflected in the financial statements and are disclosed in the footnotes if they are likely to generate economic returns.

Revenue

Revenue is measured at the fair value of the amount of receivables collected or receivable. Estimated customer returns, discounts and provisions are deducted from this amount.

Sales of goods and services

The company uses the following five-stage model in revenue recognition.

- Identification of contracts with customers
- Defining performance obligations in contracts
- Determining the transaction price in the contracts
- Distribution of transaction price to performance obligations
- Revenue recognition

According to this model, the goods or services undertaken in each contract with the customers are evaluated and each commitment to transfer the goods or services is determined as a separate performance obligation. Then, it is determined whether the performance obligations will be fulfilled in time or at a certain time. If the group transfers the control of a good or service over time and thus fulfills the performance obligations related to the sales in time, it measures the progress of the fulfillment of the performance obligations in full and takes the proceeds to the consolide financial statements. Revenue related to performance obligations, such as goods or service transfer commitments, is recognized when customers are in control of the goods or services.

Revenue is usually the delivery of the product or the provision of the service through a sales contract, the transfer of the risks and benefits to the buyer, the collectability of the price to be paid, the reliable estimation of the relevant cost and possible return amounts, the ongoing managerial seller on the product subject to sale. It is recognized when there is no claim in favor of it and there is sufficient evidence that the amount of revenue can be measured reliably. If a discount is likely to be accepted and its amount can be measured reliably, the amount of the discount is deducted from revenue at the time revenue is recorded.

2. Basis of presentation of consolidated financial statements (continued)

The company recognizes a contract with a customer as revenue if all of the following conditions are met:

a) The parties to the contract have approved the contract (written, verbal or in accordance with other commercial practices) and undertake to perform their own acts,
b) The company can define the rights related to the goods or services to be transferred by each party,
c) The company can define payment terms for the goods or services to be transferred,
d) The contract is commercial in nature,
e) It is probable that the Company will collect a price for the goods or services to be transferred to the customer. In assessing whether a consideration is likely to be collectible, an entity considers only the customer's ability and intent to pay the consideration as due.

Within the scope of TFRS 15, in cases where the period between the date of transfer of the promised good or service to the customer and the date the customer pays the price of this good or service is one year or less at the beginning of the contracts made with the customers, no adjustment is made on the assumption that a significant financing component has no effect on the promised transaction price. option is available. If there is an important financing element in the revenue arising from the forward sales contracts, the transaction price is determined by discounting the future collections with the interest rate included in the financing element. Interest income arising from maturity sales transactions is recognized in the relevant periods as "other income from main operations" 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.

Earnings per share

Earnings per share / (loss) is calculated by dividing the net profit or loss for the period by the weighted average of the number of ordinary shares owned by the ordinary shareholders in the current period.

In Turkey, companies can increase their capital by distributing shares (bonus shares) to their existing shareholders from retained earnings and equity inflation adjustment differences in proportion to their shares. When calculating earnings / (loss) per share, these bonus shares are counted as issued shares. Therefore, the weighted average of shares used in the calculation of earnings / (loss) per share is obtained by applying it retrospectively in terms of bonus shares.

Employee benefits

Defined benefit plan (Provisions for termination indemnity)

In accordance with existing social legislation in Turkey, the Company is required to make lump-sum termination indemnities to each employee who has completed over one year of service with the Company and whose employment is terminated due to retirement or for reasons other than resignation or misconduct.

In the accompanying financial statements, the Company has reflected the retirement pay liability using the "Projected Unit Credit Method". The employee termination benefits are discounted to the present value of the estimated future cash outflows using the estimated interest rate. The Company has early adopted the provisions of TAS 19 amendments. Accordingly, actuarial gains and losses are reflected to the other comprehensive income.

2. Basis of presentation of consolidated financial statements (continued)

Provisions for unused vacation

Vacation pay liability recognized in the financial statements represents the possible liability of the Company related with the unused vacation days of the employees.

Salaries and deductions

Amounts payable as part of employee benefits during the period, such as wages, salaries, and social security contributions. These amounts are reflected in personnel expenses in the period they are accrued.

Taxation and deferred taxes

The tax expense for the year comprises current and deferred tax. Tax is recognized in the income statement, except to the extent that it relates to items recognized directly in equity. In such case, the tax is also recognized in shareholders' equity.

Corporation tax

In the temporary declarations to be submitted after 1 July 2021, within the scope of the Law No. 7316 on the "Law on the Collection of Public Claims and Amendments to Certain Laws", which was published in the Official Gazette dated April 22, 2021, the corporate tax rate was increase from 20% to 25%, For the year 2022, it was increased to 23%. It will be applied as 20% from 2023.

According to Turkish tax legislation, corporations whose legal or business centers are located in Turkey are subject to corporate tax. In the Turkish tax system, financial losses can be deducted from the financial profits in the following five years, and it is not possible to deduct (retrospectively) from previous years' earnings. In addition, a temporary tax of 23% (31 December 2021: 25%) is paid on the tax bases declared during the year to be deducted from the corporate tax. As of 31 December 2022 and 2021, tax provision has been recognized in accordance with the applicable tax legislation.

According to the Corporate Tax Law, financial losses shown on the declaration can be deducted from the corporate tax base of the period not exceeding 5 years. Declarations and related accounting records can be examined within five years of tax

In Turkey, the resident companies from corporation tax and not responsible for the income tax and who are resident in Turkey, those made to those except for exempt and non-natural persons and dividend payments to legal persons not resident in Turkey are subject to 15% income tax.

Deferred tax is calculated over the temporary differences between the recorded values of assets and liabilities in the financial statements and their tax values, using the liability method. In the calculation of deferred tax, the tax rates valid as of the date of the statement of financial position are used in accordance with the current tax legislation.

The corporate tax rate is applied with a discount of 2 points to the corporate earnings of the five accounting periods, starting from the accounting period in which the shares of the companies (excluding banks, leasing companies, factoring companies, financing companies, payment and electronic money institutions, authorized foreign exchange institutions, asset management companies, capital market institutions, insurance and reinsurance companies and pension companies) whose shares are offered to the public for the first time at the Borsa Istanbul Equity Market. In the event that the condition set forth in this paragraph regarding the share rate is lost within five accounting periods starting from the accounting period benefiting from the discount, the taxes not accrued on time due to the reduced tax rate application is collected together with the default interest without any tax loss penalty.

(Currency – In Turkish Lira ("TL"), unless otherwise indicated)

2. Basis of presentation of consolidated financial statements (continued)

With the Law No. 7351 published in the Official Gazette dated January 22, 2022, with the regulation made in Article 32 of the Corporate Tax Law; It has been regulated that the corporate tax rate to be applied to the profits obtained from export and production activities of the companies that export or have an industrial registration certificate and are actually engaged in production activities will be applied with a discount of 1 point.

In line with the explanations above, as of 31 December 2022, 17% tax rate is used for temporary differences expected to be realized / closed until 31 December 2025, and 19% tax rate is used for temporary differences that are expected to be realized / closed after 31 December 2025.

While deferred tax liability is calculated for all taxable temporary differences, deferred tax assets consisting of deductible temporary differences are calculated provided that it is highly probable to benefit from these differences by generating taxable profit in the future.

Subsequent events

Subsequent events and announcements related to net profit or even declared after other selective financial information has been publicly announced; include all events that take place between the balance sheet date and the date when the balance sheet is authorized for issue.

Post period-end events that provide additional information about the Company's position at the balance sheet date (adjusting events), are reflected in the financial statements. Post-period-end events that are not adjusting events are disclosed in the notes when material.

Foreign currency transactions

Foreign currency denominated assets and liabilities in the statement of financial position at the end of the reporting period. It is converted into Turkish Liras using the Central Bank's exchange rate. Foreign currency transactions realized during the period are translated into Turkish Liras using the actual exchange rates on the date of the transaction. Foreign exchange gains and expenses arising from these transactions are included in the profit or loss statement.

Non-monetary items measured at historical cost in foreign currency are translated into TL using the exchange rates at the transaction date. Currency differences arising from retranslation are accounted for in profit or loss accounts if they are from commercial activities, under operating income and expenses, if they are from investment activities, under income and expenses from investment activities, and if they are from financing activities, foreign currency differences are recorded under profit or loss accounts.

The exchange rates used are as follows:

	US Dollar / TL	Avro / TL	GBP / TL
December 31, 2022	**18,6983**	**19,9349**	**22,4892**
December 31, 2021	13,3290	15,0867	17,9667

Share capital and dividends

Ordinary shares are classified as equity. Dividends payable on ordinary shares are recognized as an appropriation of the profit in the period they are declared.

2. Basis of presentation of consolidated financial statements (continued)

Offsetting

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liabilities simultaneously.

Statement of cash flow

Cash flows during the period are classified and reported as operating, investing and financing activities in the statement of cash flows.

Cash flows from operating activities represent cash flows arising from operations related to the Company's core operating activities.

Cash flows arising from investment activities represent the cash flows that are used in or provided by the investing activities (direct investments and financial investments) of the Company.

Cash flows arising from financing activities represent the cash proceeds from the financing activities of the Company and the repayments of these funds.

2.4 Errors and changes in accounting policies and estimates

The preparation of the Company's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

2.5 Comparative informations

The financial statements of the Company are prepared comparatively with the previous period in order to enable the determination of the financial situation and performance trends. When the presentation or classification of financial statements changes, prior period financial statements are also reclassified in accordance with the change in order to ensure comparability.

The reclassifications made in the statement of profit or loss and other comprehensive income of the Company for the year ended December 31, 2021 are as follows:

- Interest income related to short-term financial investments amounting to TL 303.892 and foreign exchange gains related to financial investments amounting to TL 1.748.100 in the financial income account are classified to income from investment activities.

- Insurance expenses amounting to TL 1.586.448 in the general administrative expenses account have been reclassified to the cost of sales account.

2. Basis of presentation of consolidated financial statements (continued)

2.6 Summary of important accounting policies

In the preparation of the financial statements, the Company management is required to make assessments, assumptions and estimations that will affect the reported asset and liability Amounts, determine the probable liabilities and commitments as of the balance sheet date and the income and expense Amounts as of the reporting period. Actual results may differ from estimates. Estimates are reviewed regularly, necessary adjustments are made and reflected in the financial statements in the period they are realized.

The important assumptions made by taking into account the main sources of the existing or future estimates at the reporting date that may have a material impact on the Amounts reflected in the financial statements are as follows:

a) In accordance with accounting policies, tangible and intangible assets are presented with their net value after deducting accumulated depreciation and impairment, if any. Depreciation is allocated using the straight-line method based on the useful lives of tangible assets. The Group allocates depreciation over its useful economic lives as explained in Note 2.3, including the balance sheet effects as of 31 December 2022 and 2021 (Notes 9 and 10). The useful lives of tangible and intangible assets, determined for depreciation using the straight-line method, are based on the Group management's past experience with similar assets and reflect their best estimates. These useful lives are reviewed at each reporting date and adjusted if necessary.

b) The provision for impairment of trade receivables is calculated in accordance with the ECL model under the simplified approach. In accordance with the said model, the Group monitors its customers within the scope of past experiences and receivables aging. In the calculation of the provision for impairment, the net risk calculation is made by taking into account the guarantees received on a customer basis and the credit insurance limits. While assessing whether the receivables are impaired or not, the past performance of the borrowers, their credibility in the market, their collection performance from the balance sheet date to the approval date of the consolidated financial statements and the renegotiated conditions are also taken into account. As of 31 December 2022 and 2021, the explanations regarding the Group's provision for trade receivables impairment and the guarantees in its portfolio received from customers are given in Note 6 and Note 28.

c) The Group makes various assumptions such as discount rate, inflation rate, real salary increase rate, probability of leaving voluntarily in the calculation of severance pay liability. Severance pay liability in the consolidated financial statements has been calculated in accordance with the consolidated financial statements and valuation principles specified in TAS 19 “Employee Benefits” (Note 16).

d) The Group recognizes deferred tax assets and liabilities for temporary timing differences arising from the differences between the tax base legal financial statements and the consolidated financial statements prepared in accordance with TFRS. These differences are generally due to the fact that the tax base amounts of some income and expense items take place in different periods in the legal financial statements and the consolidated financial statements prepared in accordance with TFRS. The Group has deferred tax assets and liabilities consisting of temporary differences that can be deducted from future profits (Note 25).

2.7 Segment reporting

Since the main field of activity of the Group is single, there are no reportable segments other than the geographical group. Geographical grouping was determined by considering the geographies where sales were made. The Group management does not follow the operating results separately, except for the geographical segments detailed in Note 19. For this reason, performance criteria other than revenue cannot be explained for geographical segments.

(Currency – In Turkish Lira ("TL"), unless otherwise indicated)

3. Cash and cash equivalents

	December 31, 2022	December 31, 2021
Cash	**23.922**	33.594
Banks		
- Demand deposits		
- Turkish Lira	**1.279.922**	704.499
- US Dollar	**173.202.076**	132.385.984
- Euro	**1.854.258**	12.575.474
- British pound	**27.805.039**	44.158.067
- Time deposits		
- TL	**41.014.375**	21.000.000
- US Dollar	**46.614.862**	213.338.633
- Euro	**-**	113.150.250
Total	**291.794.454**	537.346.501

As of 31 December 2022 and 2021, the average maturities of time deposits are as follows:

	December 31, 2022	December 31, 2021
TL (Day)	**2**	3
US Dollar (Day)	**2**	29
Euro (Day)	**-**	27

As of 31 December 2022 and 2021, the weighted average interest rates of time deposits on currency basis are as follows:

	December 31, 2022	December 31, 2021
TL	**16,00%**	21,46%
US Dollar	**3,95%**	1,26%
Euro	**-**	0,54%

As of 31 December 2022 and 2021, there is no blockage on cash and cash equivalents.

(Currency – In Turkish Lira ("TL"), unless otherwise indicated)

4. Financial investments

a) Financial investments measured at amortized cost

	December 31, 2022	December 31, 2021
Bonds (*)	**9.349.150**	6.664.500
Other	**77.844**	77.844
Total	**9.426.994**	6.742.344

(*) Refers to the principal-protected US dollar bond with an interest rate between 0.80% and 4%, received from an international finance institution on October 28, 2021.

Movements of financial investments measured at amortized cost during the period are as follows:

	2022	2021
Opening, January 1	**6.742.344**	13.951.429
Purchases during the period	**-**	4.740.650
Collection during the period (principal)	**-**	(12.500.000)
Interest accrued during the period	**114.657**	303.892
Interest collected during the period	**(114.657)**	(1.710.467)
Foreign exchange loss	**2.684.650**	1.923.850
Other	**-**	32.990
Closing, December 31	**9.426.994**	6.742.344

b) Financial investments at fair value through other comprehensive income

	December 31, 2022	December 31, 2021
Shares – Non-quoted on the stock exchange (*)		
Enda Enerji Holding A.Ş.	**14.967.230**	8.371.138
Egenda Ege Enerji Üretim A.Ş.	**6.974.897**	4.069.310
Total	**21.942.127**	12.440.448

(*) As of 31 December 2022 and 2021, the Group's shareholding rates at Enda Enerji Holding A.Ş. and Egenda Ege Enerji Üretim A.Ş. are 1% and 0.4%, respectively.

The movements of financial investments at fair value through other comprehensive income during the period are as follows:

	2022	2021
Opening, January 1	**12.440.448**	11.985.321
Current period change effect	**9.501.679**	455.127
Closing, December 31	**21.942.127**	12.440.448

(Currency – In Turkish Lira ("TL"), unless otherwise indicated)

5. Financial borrowings

	December 31, 2022	December 31, 2021
Short-term financial borrowings		
Bank loans	**112.628.964**	146.157.250
Lease liabilities	**938.036**	21.028.271
Other financial liabilities	**74.788**	39.006
	113.641.788	167.224.527
Current portion of long-term borrowings		
Bank loans	**78.199.580**	42.941.320
	78.199.580	42.941.320
Long-term financial borrowings		
Bank loans	**199.276.536**	208.460.230
Lease liabilities	**5.844.225**	541.519
	205.120.761	209.001.749
Total	**396.962.129**	419.167.596

a) Short-term borrowings

	December 31, 2022		December 31, 2021	
	Effective interest rate %	**Balance – TL**	Effective interest rate %	Balance – TL
- TL				
-Fixed rate loans	**26,69**	**112.628.964**	17,88	146.157.250
Total		**112.628.964**		146.157.250

b) Current portion of long-term borrowings

	December 31, 2022		December 31, 2021	
	Effective interest rate %	**Balance – TL**	Effective interest rate %	Balance - TL
Bank loans				
- TL				
-Fixed rate loans	**15,97**	**31.575.074**	14,16	27.624.019
- Euro				
-Fixed rate loans	**4,17**	**46.624.506**	5,19	15.317.301
Total		**78.199.580**		42.941.320

(Currency – In Turkish Lira ("TL"), unless otherwise indicated)

5. Financial borrowings (continued)

c) Long-term borrowings

	December 31, 2022		December 31, 2021	
	Effective rate %	**Balance – TL**	Effective rate %	Balance – TL
Bank loans				
- TL				
-Fixed rate loans	**16,06**	**15.380.184**	15,96	40.490.787
- Euro				
-Fixed rate loans	**3,79**	**183.896.352**	3,86	167.969.443
Total		**199.276.536**		208.460.230

d) Short-term lease liabilities

	December 31, 2022		December 31, 2021	
	Effective rate %	**Balance – TL**	Effective rate %	Balance – TL
Lease liabilities				
- TL				
-Fixed rate loans	**19,61**	**938.036**	22,73	561.503
- Euro				
-Fixed rate loans	**-**	**-**	6,66	20.466.768
Total		**938.036**		21.028.271

a) Long-term lease liabilities

	December 31, 2022		December 31, 2021	
	Effective rate %	**Balance – TL**	Effective rate %	Balance – TL
Lease liabilities				
- TL				
-Fixed rate loans	**19,11**	**5.844.225**	19,25	541.519
Total		**5.844.225**		541.519

As of 31 December 2022 and 2021, the repayment schedule of the Group's long-term bank loans is as follows:

	December 31, 2022	December 31, 2021
Between 1-2 years	**59.046.786**	61.117.084
Between 2-3 years	**53.443.918**	44.234.632
Between 3-4 years	**36.104.837**	39.865.045
Between 4-5 years	**26.297.022**	26.325.313
5 years and longer	**24.383.973**	36.918.156
Total	**199.276.536**	208.460.230

(Currency – In Turkish Lira ("TL"), unless otherwise indicated)

5. Financial liabilities (continued)

Movement tables of financial borrowings are as follows:

January 1 – December 31, 2022	**Bank loans**	**Lease liabilities**	**Other financial liabilities**	**Total**
Opening balance	**397.558.800**	**21.569.790**	**39.006**	**419.167.596**
Additions during the period	**231.442.530**	**5.560.889**	**74.788**	**237.078.207**
Principal paid during the period	**(298.935.194)**	**(23.502.870)**	**(39.006)**	**(322.477.070)**
Interest accrued during the period	**59.140.313**	**2.028.987**	**-**	**61.169.300**
Interest paid during the period	**(57.146.230)**	**(1.527.107)**	**-**	**(58.673.337)**
Foreign exchange (gain)/ loss	**58.044.861**	**2.652.572**	**-**	**60.697.433**
Closing balance	**390.105.080**	**6.782.261**	**74.788**	**396.962.129**

January 1 – December 31, 2021	Bank loans	Lease liabilities	Other financial liabilities	Total
Opening balance	131.293.460	30.138.704	6.611	161.438.775
Additions during the period	307.444.576	1.869.429	39.006	309.353.011
Principal paid during the period	(94.458.509)	(21.887.078)	(6.611)	(116.352.198)
Interest accrued during the period	15.334.642	1.369.425	-	16.704.067
Interest paid during the period	(13.139.193)	(1.211.954)	-	(14.351.147)
Foreign exchange (gain)/ loss	51.083.824	11.291.264	-	62.375.088
Closing balance	397.558.800	21.569.790	39.006	419.167.596

6. Trade receivables and payables

a) Trade receivables

	December 31, 2022	December 31, 2021
Trade receivables	**594.039.261**	234.725.075
Trade receivables from related parties (Not 27)	**-**	133.186
Notes receivables	**11.553.455**	7.976.433
	605.592.716	242.834.694
Less: Provision for impairment	**(8.533.888)**	(5.947.468)
Trade receivables, net	**597.058.828**	236.887.226

As of 31 December 2022, the average collection period of short-term trade receivables is between 2-3 months (31 December 2021: 2-3 months).

(Currency – In Turkish Lira ("TL"), unless otherwise indicated)

6. Other receivables and payables (continued)

The movement table of the provision for impairment of trade receivables for the years ended as of 31 December 2022 and 2021 is as follows.

	January 1 – December 31, 2022	January 1 – December 31, 2021
Opening balance	**5.947.468**	4.406.701
Charge for the year	**5.555.056**	1.540.767
Provision no longer required	**(2.968.636)**	-
Closing balance	**8.533.888**	5.947.468

The details of the guarantees that the Group has received from its customers are explained in Note 17. Explanations on the Group's credit risk are included in Note 28.

b) Trade payables

	December 31, 2022	December 31, 2021
Trade payables	**216.394.546**	110.310.987
Cheques given	**13.190.040**	-
Trade payables from related parties (Not 27)	**-**	9.184
Rediscount on trade payables (-)	**(884.082)**	(848.324)
Total	**228.700.504**	109.471.847

As of 31 December 2022, the average payment term of trade payables is 2 months (31 December 2021: 2 months).

7. Other receivables

	December 31, 2022	December 31, 2021
Short-term other receivables		
VAT receivables	**38.458.830**	9.582.936
Insurance receivables	**7.415.924**	-
Other receivables from related parties (Not 27)	**-**	39.226
Deposits and guarantees given	**6.848**	6.848
Long-term other receivables		
Deposits and guarantees given	**1.445**	1.445
Total	**45.883.047**	9.630.455

(Currency – In Turkish Lira ("TL"), unless otherwise indicated)

8. Inventories

	December 31, 2022	December 31, 2021
Raw materials	**124.750.541**	90.309.725
Finished goods	**83.861.467**	31.360.778
Work in process	**92.477.878**	23.666.463
Other inventories (*)	**21.795.496**	14.157.082
Goods in transit	**59.871.917**	11.304.300
Commercial goods	**141.724**	377.359
Total	**382.899.023**	171.175.707

(*) Other stocks consist of spare parts and product labels that can be used in the future for production machines, and are added to the production costs as they are used or consumed.

(Currency – In Turkish Lira ("TL"), unless otherwise indicated)

9. Property, plant and equipment

The movement table of tangible fixed assets for the year ended 31 December 2022 is as follows:

	Land	Land improvements	Buildings	Machinery and equipment	Vehicles	Furniture and fixtures	Leasehold improvements	Construction in progress	Total
Cost value									
January 1, 2022	3.673.883	982.794	46.815.285	173.255.837	10.925.193	5.814.273	118.523	25.967.865	267.553.653
Additions	-	55.405	29.740	3.702.621	11.085.737	2.285.874	-	277.532.983	294.692.360
Disposals	-	-	-	(483.123)	(1.185.419)	(30.610)	-	-	(1.699.152)
Transfers	-	28.000	125.117	9.903.486	-	-	-	(10.056.603)	-
December 31, 2022	**3.673.883**	**1.066.199**	**46.970.142**	**186.378.821**	**20.825.511**	**8.069.537**	**118.523**	**293.444.245**	**560.546.861**
Accumulated depreciation									
January 1 2022	-	(635.555)	(7.779.202)	(42.297.362)	(5.495.110)	(3.615.615)	(114.915)	-	(59.937.759)
Additions	-	(51.561)	(1.178.121)	(8.523.708)	(1.804.314)	(811.505)	(2.406)	-	(12.371.615)
Disposals	-	-	-	219.156	-	23.768	-	-	242.924
December 31, 2022	**-**	**(687.116)**	**(8.957.323)**	**(50.601.914)**	**(7.299.424)**	**(4.403.352)**	**(117.321)**	**-**	**(72.066.450)**
Net book value, January 1, 2022	**3.673.883**	**347.239**	**39.036.083**	**130.958.475**	**5.430.083**	**2.198.658**	**3.608**	**25.967.865**	**207.615.894**
Net book value, December 31, 2022	**3.673.883**	**379.083**	**38.012.819**	**135.776.907**	**13.526.087**	**3.666.185**	**1.202**	**293.444.245**	**488.480.411**

As of 31 December 2022 and 2021, explanation on guarantees and mortgages on tangible assets is included in Note 17.

The investments in progress mostly consist of the expenses related to the new factory investment in Mersin Tarsus OSB, and the borrowing costs capitalized in the current period regarding the ongoing investments are TL 28.644.041 TL (31 December 2021: TL 1.153.078). The TL weighted average borrowing rate used in the determination of borrowing costs is approximately 18% per annum.

(Currency – In Turkish Lira ("TL"), unless otherwise indicated)

9. Property, plant and equipment (continued)

The movement table of tangible fixed assets for the years ended 31 December 2021 is as follows:

	Land	Land improvements	Buildings	Machinery and equipment	Vehicles	Furniture and fixtures	Leasehold improvements	Construction in progress	Total
Cost value									
January 1, 2021	3.673.883	982.794	46.054.224	164.260.915	8.178.328	4.548.871	118.523	7.954.912	235.772.450
Additions	-	-	-	336.306	3.650.865	1.265.402	-	27.432.630	32.685.203
Disposals	-	-	-	-	(904.000)	-	-	-	(904.000)
Transfers	-	-	761.061	8.658.616	-	-	-	(9.419.677)	-
December 31, 2021	3.673.883	982.794	46.815.285	173.255.837	10.925.193	5.814.273	118.523	25.967.865	267.553.653
Accumulated depreciation									
January 1, 2021	-	(579.656)	(6.624.234)	(34.190.570)	(4.902.133)	(3.043.893)	(112.509)	-	(49.452.995)
Additions	-	(55.899)	(1.154.968)	(8.106.792)	(1.193.695)	(571.722)	(2.406)	-	(11.085.482)
Disposals	-	-	-	-	600.718	-	-	-	600.718
December 31, 2021	-	(635.555)	(7.779.202)	(42.297.362)	(5.495.110)	(3.615.615)	(114.915)	-	(59.937.759)
Net book value, January 1, 2021	3.673.883	403.138	39.429.990	130.070.345	3.276.195	1.504.978	6.014	7.954.912	186.319.455
Net book value, December 31, 2021	3.673.883	347.239	39.036.083	130.958.475	5.430.083	2.198.658	3.608	25.967.865	207.615.894

(Currency – In Turkish Lira ("TL"), unless otherwise indicated)

9. Property, plant and equipment (continued)

As of 31 December 2022 and 2021, the details of tangible fixed assets that are fully amortized but still in use are as follows:

	December 31, 2022	December 31, 2021
Land improvements	**271.548**	246.561
Buildings	**15.371**	15.371
Machinery and equipment	**2.667.335**	1.925.240
Fixed assets	**2.666.118**	2.200.309
Vehicles	**3.952.617**	3.269.871
Other fixed assets	**94.465**	94.465
	9.667.454	7.751.817

Depreciation expenses arising from tangible and intangible assets and right-of-use assets for the year ended December 31, 2022 and 2021 are recognized in the profit or loss statement as follows:

	January 1 – December 31, 2022	January 1 – December 31, 2021
Depreciation and amortization expenses		
Property, plant and equipment	**12.371.615**	11.085.482
Intangible assets (Note 10)	**169.701**	221.576
Right-of-use assets (Note 11)	**1.641.471**	890.545
Total	**14.182.787**	12.197.603
Cost of sales (Note 19)	**12.765.742**	11.043.569
Sales and marketing expenses (Note 20)	**292.143**	441.103
General and administrative expenses (Note 20)	**1.124.902**	712.931
Total	**14.182.787**	12.197.603

10. Intangible Assets

Movement tables of intangible assets for the years ended as of 31 December 2022 and 2021 are as follows:

	January 1, 2022	**Additions**	**Disposals**	**Transfers**	**December 31, 2022**
Cost:					
Rights	**2.816.495**	**413.599**	**-**	**-**	**3.230.094**
Other	**485.856**	**-**	**-**	**-**	**485.856**
	3.302.351	**413.599**	**-**	**-**	**3.715.950**
Accumulated depreciation:					
Rights	**(2.653.158)**	**(169.701)**	**-**	**-**	**(2.822.859)**
Other	**(485.856)**	**-**	**-**	**-**	**(485.856)**
	(3.139.014)	**(169.701)**	**-**	**-**	**(3.308.715)**
Net book value	**163.337**				**407.235**

(Currency – In Turkish Lira ("TL"), unless otherwise indicated)

10. Intangible Assets (continued)

	January 1, 2021	Additions	Disposals	Transfers	December 31, 2021
Cost:					
Rights	2.766.468	50.027	-	-	2.816.495
Other	485.856	-	-	-	485.856
	3.252.324	50.027	-	-	3.302.351
Accumulated depreciation:					
Rights	(2.431.582)	(221.576)	-	-	(2.653.158)
Other	(485.856)	-	-	-	(485.856)
	(2.917.438)	(221.576)	-	-	(3.139.014)
Net carrying value	334.886				163.337

As of 31 December 2022, there are no guarantees, pledges or mortgages on intangible assets. (31 December 2021: None).

11. Right of use assets

	December 31, 2022	December 31, 2021
Buildings	**5.421.079**	976.228
Machinery and equipment	**2.058.872**	2.374.262
Vehicles	**751.309**	961.352
Total	**8.231.260**	4.311.842

Movement tables of right-of-use assets for the years ended 31 December 2022 and 2021 are as follows:

	January 1, 2022	**Additions**	**Transfers**	**Disposals**	**December 31, 2022**
Cost:					
Machinery and equipment	**3.879.799**	**-**	**-**	**-**	**3.879.799**
Buildings	**1.601.049**	**5.560.889**	**-**	**-**	**7.161.938**
Vehicles	**1.040.140**	**-**	**-**	**-**	**1.040.140**
	6.520.988	**5.560.889**	**-**	**-**	**12.081.877**
Accumulated depreciation (-):					
Machinery and equipment	**(1.505.537)**	**(315.390)**	**-**	**-**	**(1.820.927)**
Buildings	**(624.821)**	**(1.116.038)**	**-**	**-**	**(1.740.859)**
Vehicles	**(78.788)**	**(210.043)**	**-**	**-**	**(288.831)**
	(2.209.146)	**(1.641.471)**	**-**	**-**	**(3.850.617)**
Net book value	**4.311.842**				**8.231.260**

(Currency – In Turkish Lira ("TL"), unless otherwise indicated)

11. Right of use assets (continued)

	January 1, 2021	Additions	Transfers	Disposals	December 31, 2021
Cost:					
Machinery and equipment	3.879.799	-	-	-	3.879.799
Buildings	771.760	829.289	-	-	1.601.049
Vehicles	-	1.040.140	-	-	1.040.140
	4.651.559	1.869.429	-	-	6.520.988
Accumulated depreciation (-):					
Machinery and equipment	(1.137.904)	(367.633)	-	-	(1.505.537)
Buildings	(180.697)	(444.124)	-	-	(624.821)
Vehicles	-	(78.788)	-	-	(78.788)
	(1.318.601)	(890.545)	-	-	(2.209.146)
Net carrying value	3.332.958				4.311.842

As of 31 December 2022 and 2021, there is no guarantee, pledge or mortgage on the Group's right-of-use assets.

12. Prepaid expenses

	December 31, 2022	December 31, 2021
Short-term prepaid expenses		
Order advances given	**20.877.239**	1.666.025
Prepaid expenses	**14.177.218**	4.996.423
	35.054.457	6.662.448
Long-term prepaid expenses		
Advances given for fixed asset purchases (*)	**25.592.886**	56.982.664
Prepaid expenses	**-**	344.360
	25.592.886	57.327.024

(*) Advances given for fixed asset purchases as of 31 December 2022 and 2021 consist of advances given by the Group regarding the new factory investment in Mersin Tarsus OSB. Borrowing costs capitalized in the current period for qualifying assets are 1,331,867 TL, and the TL weighted average borrowing cost rate used in determining borrowing costs is approximately 18%.

(Currency – In Turkish Lira (“TL”), unless otherwise indicated)

13. Other assets and liabilities

	December 31, 2022	December 31, 2021
Other assets		
Deferred VAT	**8.186.850**	39.475
Advances given to the personnel	**1.052.989**	428.399
Job advances given	**158.916**	32.066
Other	**-**	2.004
	9.398.755	501.944

	December 31, 2022	December 31, 2021
Other liabilities		
Taxes and funds payable	**3.457.198**	103.482
Other	**-**	-
	3.457.198	103.482

14. Deferred income

	December 31, 2022	December 31, 2021
Short term deferred income		
Advances receives	**3.596.192**	2.829.174
Deferred income	**263.636**	76.740
	3.859.828	2.905.914
Long term deferred income		
Deferred income	**1.647.722**	-
	1.647.722	-
Total	**5.507.550**	2.905.914

15. Payables due to employee benefits

	December 31, 2022	December 31, 2021
Social security premiums payable	**4.465.008**	1.083.095
Employee taxes	**1.279.689**	800.130
Payables to personnel	**326.913**	133.842
Total	**6.071.610**	2.017.067

(Currency – In Turkish Lira ("TL"), unless otherwise indicated)

16. Provisions

a) Long-term provisions due to employee benefits

	December 31, 2022	December 31, 2021
Provision for employee termination benefits	**27.083.503**	10.020.005
Provision for unused vacation	**2.010.817**	2.190.166
Total	**29.094.320**	12.210.171

Provision for employee termination benefits:

Under the Turkish Labour Law, the Company is required to pay termination benefits to each employee who has completed one year of service and whose employment is terminated without due cause, or who is called up for military service, dies or retires after completing 25 years of service (20 years for women) and reaches the retirement age (58 for women and 60 for men).

The amount payable consists of one month's salary limited to a maximum of TL 15.371,40 for each year of service as of December 31, 2022 (December 31, 2021: TL 8.284,51). As of January 1, 2023, maximum limit was updated to TL 19.982,83

The provision for severance pay is not legally subject to any funding and there are no funding requirements. The provision for severance pay is calculated by estimating the present value of the probable obligation to be paid in case of retirement of the employees. There are no pension plan agreements made other than the legal obligation described above.

TAS 19 requires actuarial valuation methods to be developed to estimate the Company's long-term severance pay provision. Accordingly, the following actuarial assumptions were used in the calculation of the total liability:

	December 31, 2022	December 31, 2021
Discount rate (%)	**2,01**	4,37
Interest rate (%)	**21,70**	21,70
Inflation rate (%)	**19,30**	16,60
Probability of retirement (%)	**95,71**	92,47

The principal assumption is that the maximum liability for each year of service will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation.

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The movement table of the provision for employment termination benefits for the year ending December 31, 2022 and 2021 is as follows:

	January 1 – December 31, 2022	January 1 – December 31, 2021
Opening balance	**10.020.005**	7.642.464
Interest cost	**2.174.341**	1.658.415
Current service cost	**1.757.356**	1.348.876
Paid during the year	**(3.914.412)**	(1.040.810)
Actuarial loss	**17.046.213**	411.060
Closing balance	**27.083.503**	10.020.005

(Currency – In Turkish Lira ("TL"), unless otherwise indicated)

16. Provisions (continued)

As of 31 December 2022 and 2021, the sensitivity analyzes of the important assumptions used in the calculation of the provision for employment termination benefits are as follows:

				December 31, 2022
		Net discount rate	**Turnover rate to estimate the probability of retirement**	
Sensitivity level	**0,5% decrease**	**0,5% increase**	**0,5% decrease**	**0,5% increase**
Rate (%)	**1,51**	**2,51**	**95,21**	**96,21**
Change in the retirement pay liability (TL)	**1.641.900**	**(1.469.861)**	**(390.059)**	**667.351**

				December 31, 2021
		Net discount rate	Turnover rate to estimate the probability of retirement	
Sensitivity level	0,5% decrease	0,5% increase	0,5% decrease	0,5% increase
Rate (%)	3,87	4,87	91,97	92,97
Change in the retirement pay liability (TL)	441.261	(397.899)	(79.807)	90.738

Provision for unused vacation

The movement table of provisions for unused vacation for the year ended December 31, 2022 and 2021 is as follows:

	January 1 – December 31, 2022	January 1 – December 31, 2021
Opening balance	**2.190.166**	1.842.171
Provision / (release) in current period, net	**(179.349)**	347.995
Closing balance	**2.010.817**	2.190.166

b) Other short term provisions:

The details of other short-term provisions for the years ended as of 31 December 2022 and 2021 are as follows:

	December 31, 2022	December 31, 2021
Lawsuit provisions	**2.564.730**	2.678.425
Total	**2.564.730**	2.678.425

(Currency – In Turkish Lira ("TL"), unless otherwise indicated)

16. Provisions (continued)

The movement table of provisions for lawsuits for the years ended as of 31 December 2022 and 2021 is as follows:

	January 1 – December 31, 2022	January 1 – December 31, 2021
Opening balance	**2.678.425**	2.404.279
Provision in current period	**977.438**	785.863
Provision no longer required	**-**	(143.808)
Payments	**(1.091.133)**	(367.909)
Closing balance	**2.564.730**	2.678.425

Lawsuit provisions mainly consist of worker lawsuits filed against the Group for the compensation of employees' personal rights within the scope of work accident in the past, and the Group management uses significant judgment in determining the amount of the provision, taking the opinions of legal counsel and the cases concluded in local courts as precedent. As of 31 December 2022, apart from the provisions set aside, there are no ongoing lawsuits that will require a significant cash outflow and that are not taken into consideration, to the knowledge of the Group.

17. Commitments and contingencies

a) Letters of guarantees received

As of 31 December 2022 and 2021, the breakdown of guarantees, insurance and bails received by the Group in their original currencies is as follows:

	December 31, 2022	December 31, 2021
Credit insurance (*)	**435.539.502**	242.008.351
Notes receivables (**)	**41.455.714**	2.425.531
Bank letters of guarantee (***)	**31.010.000**	18.855.000
Guarantee checks received (*****)	**11.990.040**	8.807.799
Total	**519.995.256**	272.096.681

(*) It refers to the risk limits within the scope of insurance policies that the Group receives from an international insurance company for its receivables from overseas customers to which it exports. 90% of the amount specified in the signed policies can be compensated by the insurance company. When the doubtful receivable is collected by the insurance company, the remaining 10% is compensated.

(**) It consists of the guarantee notes received from the suppliers for the constructions of the Group in İzmir and Mersin.

(***) It consists of letters of guarantee received from customers.

(****) It consists of the guarantee check received from the seller for the constructions of the Group in Mersin.

(Currency – In Turkish Lira ("TL"), unless otherwise indicated)

17. Commitments and contingencies (continued)

As of 31 December 2022 and 2021, the distribution of the guarantees received in terms of original currency is as follows:

	December 31, 2022		December 31, 2021	
	Original amount	**TL amount**	Original amount	TL amount
Turkish Liras	**84.455.754**	**84.455.754**	30.088.330	30.088.330
US Dollar	**23.293.000**	**435.539.502**	18.648.866	242.008.351
Total		**519.995.256**		272.096.681

b) Collaterals, pledges, mortgages ("CPM")

As of 31 December 2022 and 2021, the tables regarding the collateral, pledge, mortgage ("GPM") position given by the Group are as follows:

	December 31, 2022	December 31, 2021
Group:		
A. A. GPMs given on behalf of its own legal entity	**477.160.683**	269.996.511
B. B. GPM given on behalf of subsidiaries that are included in full consolidation	**-**	-
C. C. GPM given in order to guarantee third parties debts for the routine trade operations	**-**	-
D. D. Total amounts of other GPM given	**-**	-
i. Total amount of GPMs given on behalf of the majority shareholder	**-**	-
ii. Total amount of GPMs given to on behalf of other group companies which are not in scope of B and C	**-**	-
iii. Total amount of GPMs given on behalf of third parties which are not in scope of C.	**-**	-
Total	**477.160.683**	269.996.511
Other CPM / Equity ratio	**0%**	0%

The details of the GPM's given are as follows:

	December 31, 2022	December 31, 2021
Mortgages given (*)	**319.164.268**	250.877.684
Bank letters of guarantee (**)	**155.181.671**	8.155.945
Guarantees given (***)	**2.814.744**	10.830.742
Total	**477.160.683**	269.864.371

(*) It consists of mortgages given on tangible fixed assets in İzmir and Mersin within the scope of general loan agreements signed by the Group with domestic financial institutions.

(**) It consists of letters of guarantee given to courts, tax offices and various vendors for cash collection of VAT receivables.

(***) It consists of the guarantees given by the Group for the bank loan within the scope of KGF amounting to TL 20.000.000 on 28 April 2020.

(Currency – In Turkish Lira ("TL"), unless otherwise indicated)

17. Commitments and contingencies (continued)

As of 31 December 2022 and 2021, the distribution of the guarantees given in terms of original currency is as follows:

	December 31, 2022		December 31, 2021	
	Original amount	**TL amount**	Original amount	TL amount
Turkish Liras	**217.996.415**	**217.996.415**	78.986.687	78.986.687
Euro	**13.000.530**	**259.164.268**	13.000.530	190.877.684
Total		**477.160.683**		269.864.371

18. Equity

a) Share capital

As of 31 December 2022 and 2021, the Group's share capital and shareholding structure are as follows:

	December 31, 2022		December 31, 2021	
Shareholders	**Amount (TL)**	**Share (%)**	Amount (TL)	Share (%)
Ş.Erhan Tezol	**64.555.440**	**29,34**	29.275.200	29,28
M.Ersin Tezol	**64.388.720**	**29,27**	29.267.600	29,27
M.Makbule Kuşçu	**13.927.760**	**6,33**	6.330.800	6,33
Müge Kuşçu	**13.927.760**	**6,33**	6.330.800	6,33
E.Nesrin Tezol	**9.162.560**	**4,16**	4.164.800	4,16
Ö.Şükrü Tezol	**693.880**	**0,32**	315.400	0,32
A. Selda Tezol	**693.880**	**0,32**	315.400	0,32
Open to public	**52.650.000**	**23,93**	24.000.000	24,00
Paid-in capital	**220.000.000**	**100,00**	100.000.000	100,00

With the Ordinary General Assembly Decision made on March 28, 2022, the company decided to increase its current capital from TL 100.000.000 to TL 220.000.000 through non-cash transfer. This capital increase was registered in the Trade Registry Gazette on 4 July 2022 and was published in the Turkish Trade Registry Gazette dated 5 July 2022 and numbered 10613.

As of 31 December 2022, the share capital of the Group is TL 220.000.000, which consists of 220.000.000 shares, each of which is TL 1 (31 December 2021: 100.000.000 shares, each of which is TL 1, and the share capital amount is TL 100.000.000). The shares consist of 66.000.000 Group A shares and 154.000.000 Group B shares.

(Currency – In Turkish Lira ("TL"), unless otherwise indicated)

18. Equity (continued)

b) Legal reserves

The legal reserves consist of first and second legal reserves appropriated in accordance with the Turkish Commercial Code ("TCC"). 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 Company's share capital. The second legal reserve is appropriated at the rate of 10% of all distributions in excess of 5% of the Company's share capital. Under TCC, the legal reserves can only be used to offset losses and are not available for any other usage unless they exceed 50% of paid in share capital.

	December 31, 2022	December 31, 2021
Legal reserves	**40.900.015**	14.032.990
	40.900.015	14.032.990

c) Other comprehensive income and expenses not to be reclassified to profit or loss

	December 31, 2022	December 31, 2021
Actuarial gain (loss) arising from defined benefit plans	**(16.225.332)**	(2.588.362)
Gains arising from the financial assets measured at fair value through other comprehensive income	**17.116.606**	8.090.011
	891.274	5.501.649

d) Profit distribution

Legal reserves are set aside as first-order legal reserves until 5% of the "profit" reaches 20% of the paid/issued capital, pursuant to the first paragraph of Article 519 of the New TCC No. 6102. After deducting the Amount allocated as the I. order reserve fund from the "Profit", the first dividend is set aside for the shareholders from the remaining Amount. The General Assembly is authorized to decide whether to allocate or distribute the remaining balance as extraordinary reserves after the I. legal reserve fund and I. dividend have been set aside, taking into account the profit distribution policy of the Company. II. the legal reserve fund, pursuant to the 3rd subparagraph of the 2nd paragraph of the 519th article of the New TCC; One-tenth of the amount found after deducting 5% of the issued/paid-up capital from the portion that has been decided to be distributed is allocated. In case it is decided to distribute bonus shares by adding the profit to the capital, II. legal reserve is not set aside. According to the Turkish Commercial Code, as long as the legal reserves do not exceed 50% of the paid-in capital, they can only be used to offset losses and cannot be used in any other way.

Companies distribute their profits in accordance with their dividend policy determined by the General Assembly and with General Assembly resolution in accordance with provisions of the relevant legislation. According to the Turkish commercial code, legal reserves can only be distributed as dividends after they reached 50% of the company's paid in capital or issued share capital. Accordingly the Group determined its dividend distribution policy in line with the communique. Companies pay dividends according to their articles of association or dividend distribution policy. In addition, dividends may be paid in equal or different amount of installments, and cash dividend advances may be distributed over profit for the year period presented in financial statements.

(Currency – In Turkish Lira ("TL"), unless otherwise indicated)

18. Equity (continued)

In line with the decisions taken at the Ordinary General Assembly meeting dated March 28, 2022, the Company has decided to distribute a cash profit of gross TL 55.000.000 (net 49.500.000) to its shareholders. The total gross dividend paid per share for 220,000,000 shares is TL 0.25 and the net dividend is TL 0.225.

TL 45.000.000 (net TL 40.500.000) of this amount was paid on 29 April 2022 (gross dividend paid per share for 220.000.000 shares is TL 0,205, net dividend is 0,184 TL) and TL 7.600.085 (net TL 6.840.074) was paid on September 30, 2022 (gross dividend paid per share for 220.000.000 shares is TL 0,035, net dividend is TL 0,031), TL 2.399.915 (net TL 2.195.916) was paid on 4 October 2022. (For 220,000,000 shares, the gross dividend paid per share is TL 0,011, and the net dividend is TL 0,009).

Equity items, excluding the share capital, included in the statutory financial statements of the Company prepared in accordance with the Local Tax Law are as follows:

	December 31, 2022	December 31, 2021
Legal reserves	**42.058.671**	15.191.646
Extraordinary reserves	**293.841.393**	304.841.390
Special funds	**8.958.484**	10.238.267
Retained losses	**68.042.365**	(8.869.000)
Net profit for the period	**523.153.553**	267.222.135
Total	**936.054.466**	588.624.438

19. Revenue and cost of sales

	January 1 – December 31, 2022	January 1 – December 31, 2021
Domestic sales	**1.364.069.108**	531.063.464
Export sales	**1.091.037.557**	374.629.168
Other sales	**17.234.322**	4.185.309
Sales returns and discounts (-)	**(75.906.539)**	(31.727.874)
Net sales	**2.396.434.448**	878.150.067
Raw material expenses	**1.004.186.269**	427.114.345
General production expenses	**464.147.569**	135.458.208
Payroll expenses	**96.503.815**	54.627.848
Depreciation and amortization expenses	**12.765.742**	11.043.569
Other	**23.824.446**	620.586
Total cost of sales (-)	**1.601.427.841**	628.864.556
Gross profit	**795.006.607**	249.285.511

(Currency – In Turkish Lira ("TL"), unless otherwise indicated)

19. Revenue and cost of sales (continued)

The details of net sales by geographical segments are as follows:

Geographic divisions	January 1 – December 31, 2022	January 1 – December 31, 2021
Turkey	**1.288.162.569**	499.335.590
Europe	**589.803.184**	163.701.209
North America	**338.083.233**	60.450.955
South America	**116.228.230**	118.985.521
Middle East	**58.977.281**	25.681.171
Other	**5.179.951**	9.995.621
Net sales	**2.396.434.448**	878.150.067

Product types	January 1 – December 31, 2022	January 1 – December 31, 2021
Cleaning papers	**1.296.414.461**	509.862.660
Jumbo roll papers	**1.100.019.987**	368.287.407
Net sales	**2.396.434.448**	878.150.067

The Group recognizes revenue by transferring control over all sales of goods by fulfilling its performance obligations to its customers at a point in time.

20. Operating expenses

	January 1 – December 31, 2022	January 1 – December 31, 2021
Selling, marketing and distribution expenses	**257.079.985**	104.588.906
General administrative expenses	**34.414.267**	25.317.094
Total	**291.494.252**	129.906.000

a) Marketing, sales and distribution expenses

	January 1 – December 31, 2022	January 1 – December 31, 2021
Freight and other export expenses	**161.307.675**	68.213.860
Transportation expenses	**73.527.282**	27.840.712
Payroll expenses	**7.534.033**	4.109.957
Export commission expenses	**3.532.833**	163.165
Depreciation and amortization expenses	**292.143**	441.103
Other	**10.886.019**	3.820.109
Total	**257.079.985**	104.588.906

(Currency – In Turkish Lira ("TL"), unless otherwise indicated)

20. Operating expenses

b) General administrative expenses

	January 1 – December 31, 2022	January 1 – December 31, 2021
Payroll expenses	**17.691.080**	10.827.170
Consultancy expenses	**5.746.306**	3.737.066
Tax expenses	**1.234.583**	2.704.598
Depreciation and amortization expenses	**1.124.902**	712.931
Insurance expenses	**416.013**	220.123
Public offering promotion expenses	**-**	1.434.579
Other	**8.201.383**	4.094.179
Total	**34.414.267**	23.730.646

21. Expenses by nature

	January 1 – December 31, 2022	January 1 – December 31, 2021
Raw material expenses	**1.004.186.269**	427.114.345
Energy expenses	**370.929.954**	92.072.531
Export commission expenses	**161.307.675**	68.213.860
Payroll expenses	**121.728.928**	69.564.975
Transportation expenses	**73.527.282**	27.840.712
Repair and maintenance expenses	**31.850.948**	13.543.648
Depreciation and amortization expenses	**14.182.787**	12.197.603
Outsourcing expenses	**9.507.983**	7.498.743
Tax expenses	**1.234.583**	2.704.598
Other	**104.465.684**	36.433.093
Total	**1.892.922.093**	757.184.108

22. Other operating income and expenses

a) Other operating income

	January 1 – December 31, 2022	January 1 – December 31, 2021
Foreign exchange gain	**348.321.388**	189.738.432
Insurance income	**4.114.205**	72.600
Provisions for doubtful receivables	**2.968.636**	-
Lawsuit provisions no longer required	**1.091.133**	511.717
Other	**1.511.075**	1.427.405
Total	**358.006.437**	191.750.154

(Currency – In Turkish Lira ("TL"), unless otherwise indicated)

22. Other operating income and expenses (continued)

b) Other operating expenses

	January 1 – December 31, 2022	January 1 – December 31, 2021
Foreign exchange loss	**277.605.012**	155.556.373
Provision for impairment of trade receivables (TFRS 9)	**5.555.056**	1.540.767
Lawsuit provision expenses	**977.438**	785.863
Other	**688.403**	853.133
Total	**284.825.909**	158.736.136

23. Income from investing activities:

	January 1 – December 31, 2022	January 1 – December 31, 2021
Gains on sale of property, plant and equipment	**3.378.890**	3.567.299
Currency linked deposit, foreign exchange gain and interest income	**4.514.500**	-
Bond foreign exchange gain and interest income	**2.975.057**	2.051.992
Total	**10.868.447**	5.619.291

24. Financial income and expenses

a) Financial income

	January 1 – December 31, 2022	January 1 – December 31, 2021
Foreign exchange gain	**133.521.749**	207.135.715
Interest income	**11.481.079**	3.923.263
Gains on derivative instruments	**-**	1.039.115
Total	**145.002.828**	212.098.093

b) Financial expenses

	January 1 – December 31, 2022	January 1 – December 31, 2021
Foreign exchange loss (*)	**60.005.998**	86.769.921
Interest expenses (*)	**51.019.483**	15.334.642
Interest expenses for employee termination benefits	**2.174.341**	1.658.415
Interest expenses for lease liabilities	**2.028.987**	1.369.425
Total	**115.228.809**	105.132.403

(*) In accordance with TAS 23, TL 11.067.806 of borrowing costs capitalized in the current period consists of interest expenses and TL 18.908.102 consists of foreign exchange loss.

(Currency – In Turkish Lira ("TL"), unless otherwise indicated)

25. Tax assets and liabilities

In the temporary declarations to be submitted after 01.07.2021, the corporate tax rate will be changed from 20% to 25% in 2022, within the scope of the Law No. 7316 on the "Law on the Collection of Public Claims and Amendment of Certain Laws", which was published in the Official Gazette dated April 22, 2021. It will be applied as 20% from 2023.

As of 31 December 2022 and 2021, corporate tax liabilities / (current tax-related assets) are as follows:

	December 31, 2022	December 31, 2021
Current corporate tax expense	**(11.373.049)**	(15.914.919)
Fixed asset revaluation tax expense in accordance with Tax Law temporary article 52	**(5.642.623)**	-
Less: Current prepaid taxes and funds	**7.297.647**	9.759.543
Corporate tax liability to be paid	**(9.718.025)**	(6.155.376)

The Company calculates its deferred income tax assets and liabilities by taking into account the effects of temporary differences that arise as a result of different evaluations between TFRS and tax base legal financial statements of financial position items. As of December 31, 2022 and 2021, the breakdown of accumulated temporary differences and deferred tax assets and liabilities using the applicable tax rates is as follows:

	Cumulative temporary differences		**Differed tax assets/(liabilities)**	
	December 31, 2022	December 31, 2021	**December 31, 2022**	December 31, 2021
Deferred tax assets:				
Revaluation deferred tax effect (*)	**684.777.739**	-	**125.548.097**	-
Provision for employment termination benefits	**27.083.503**	10.020.005	**5.145.866**	2.004.001
Provision for doubtful receivables	**8.429.107**	5.842.687	**1.432.948**	1.168.537
Revenue cut-off adjustments	**5.521.714**	6.430.243	**938.691**	1.350.351
The effect of foreign exchange adjustments on advances	**3.659.900**	7.329.421	**705.623**	1.465.884
Lawsuit provisions	**2.564.730**	2.678.425	**436.004**	535.685
Unused vacation provisions	**2.010.817**	2.190.166	**382.055**	438.033
Other	**3.449.793**	1.236.901	**620.964**	320.534
			135.210.248	7.283.025
Deferred tax liabilities:				
The net difference between the book values of tangible and intangible assets and their tax bases	**(27.184.848)**	(30.460.961)	**(5.165.121)**	(6.092.192)
Effect of foreign currency valuation adjustments	**-**	(10.002.745)	**-**	(2.100.577)
Other	**(884.082)**	(848.324)	**(150.294)**	(178.148)
			(5.315.415)	(8.370.917)
Deferred tax liabilities, net			**129.894.833**	(1.087.892)

(*) As of 31 December 2022, the Group has revalued its tangible and intangible assets included in the tax base financial statements within the scope of Temporary Article 32 and Reiterated Article 298/ç of the Tax Law. Due to these effects, deferred tax assets are recognized in the current period in the accompanying TFRS consolidated financial statements over taxable temporary differences that are expected to be closed through depreciation in future periods.

(Currency – In Turkish Lira ("TL"), unless otherwise indicated)

25. Tax assets and liabilities (continued)

Movement table of deferred tax asset / liability, net balance by years is as follows:

	January 1 – December 31, 2022	January 1 – December 31, 2021
Opening Balance	**(1.087.892)**	(5.547.957)
Recognized in the statement of profit or loss	**128.048.566**	4.400.609
Recognized in other comprehensive income	**2.934.159**	59.456
Closing balance	**129.894.833**	(1.087.892)

The tax expense included in the statement of profit or loss and other comprehensive income for the accounting period 1 January – 31 December 2022 and 2021 is summarized below:

	January 1 – December 31, 2022	January 1, – December 31, 2021
Current period corporate tax	**(11.373.049)**	(15.914.919)
Fixed asset revaluation tax expense in accordance with Tax Law temporary article 32	**(5.642.623)**	-
Deferred tax income (expense)	**128.048.566**	4.400.609
Total tax income (expense) – included in the consolidated statement of profit or loss	**111.032.894**	(11.514.310)

The reconciliation of the current period tax expense in the statement of profit and loss for the periods ending on 31 December 2022 and 2021 and the tax expense to be calculated using the current tax rate on profit before tax is as follows:

	January 1 – December 31, 2022	January 1, – December 31, 2021
Profit before tax:	**617.335.349**	266.564.958
The current effective statutory tax rate	**23%**	25%
Calculated tax expense	**(141.987.130)**	(66.641.240)
Investment discount effect used, net (*)	**101.379.696**	52.797.041
The effect of non-deductible expenses	**(1.948.182)**	(1.832.159)
Public offering corporate tax discount effect (**)	**10.401.832**	5.611.948
Effect of tax rate difference used in deferred tax calculation	**25.733.595**	(1.247.939)
Deferred tax effect of Tax Law revaluation effects	**125.292.745**	
Current period income tax effect of revaluation made in accordance with Article 32 of Tax Law	**(5.642.623)**	
Other	**(2.197.039)**	(201.961)
Total tax expense - included in the statement of profit or loss	**111.032.894**	(11.514.310)

(*) The Group has two investment incentive certificates received from the Ministry of Economy on different dates within the scope of İzmir factory modernization and Mersin factory investment. The Group can deduct some of its expenditures within the scope of these incentive certificates within the framework of different tax rates. In this context, since the Group has used all the investment contribution amount earned as of 31 December 2022, there is no investment contribution amount transferred to future periods subject to deferred tax asset recognition.

(**) The corporate tax rate is applied with a discount of 2 points to the corporate earnings of the five accounting periods, starting from the accounting period in which the shares of the companies (excluding banks, leasing companies, factoring companies, financing companies, payment and electronic money institutions, authorized foreign exchange institutions, asset management companies, capital market institutions, insurance and reinsurance companies and pension companies) whose shares are offered by minimum 20% to the public for the first time at the Borsa Istanbul Equity Market. In the event that the condition set forth in this paragraph regarding the share rate is lost within five accounting periods starting from the accounting period benefiting from the discount, the taxes not accrued on time due to the reduced tax rate application is collected together with the default interest without any tax loss penalty.

(Currency – In Turkish Lira ("TL"), unless otherwise indicated)

26. Earnings per share

Earnings per share is calculated by dividing the net profit for the period by the weighted average number of shares traded during that period.

	January 1 – December 31, 2022	January 1 – December 31, 2021
Weighted average number of shares outstanding during the period	**220.000.000**	220.000.000
Net profit for the period	**728.368.243**	255.050.648
Earnings per share (TL)	**3,3108**	1,1593

27. Related party disclosures

a) Trade receivables from related parties:

	December 31, 2022	December 31, 2021
Controlled by the main shareholders		
TZC Kimya San.ve Tic. A.Ş.	**-**	133.186
Total		133.186

b) Trade payables to related parties:

	December 31, 2022	December 31, 2021
Controlled by the main shareholders		
TZC Kimya San.ve Tic. A.Ş.	**-**	9.184
Total	**-**	9.184

c) Other receivables from related parties:

	December 31, 2022	December 31, 2021
Shareholder		
E.Nesrin Tezol	**-**	39.226
Total	**-**	39.226

d) Other payables to related parties:

	December 31, 2022	December 31, 2021
Shareholders		
E.Nesrin Tezol	**84.041**	23.864
M.Ersin Tezol	**22.350**	-
M.Makbule Kuşcu	**1.514**	-
Ş.Erhan Tezol	**-**	-
Other	**75**	-
Total	**107.980**	23.864

(Currency – In Turkish Lira ("TL"), unless otherwise indicated)

27. Related party disclosures (continued)

e) Purchase transactions from related parties

	January 1 – December 31, 2022	January 1 – December 31, 2021
Purchase of goods		
TZC Kimya San.ve Tic. A.Ş. (1)	**6.001**	226.506
Total	**6.001**	226.506

(1) Controlled by the main shareholders

f) Key management compensation

The Company's senior executives consist of the members of the executive board.

As of December 31, 2022, the total of benefits provided to key management is TL 6.345.684. (December 31, 2021: TL 3.882.000).

28. Nature and level of risks arising from financial instruments

The Group's main financial instruments consist of bank loans, finance leases, financial investments, cash and short-term deposits. The main purpose of financial instruments is to provide financing for the Group's operations. Apart from these, the Group has financial instruments such as trade receivables and payables arising as a result of its activities.

The main risks posed by the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The management's policies regarding the management of these risks are summarized below. The Group also considers the market value risk of all its financial instruments.

Capital management

While trying to ensure the continuity of its activities in capital management, the company also aims to use the debt and equity balance in the most efficient way. The Company's objectives when managing capital are to ensure the continuation of the Company's operations in order to maintain an optimal capital structure in order to provide returns for its shareholders, benefits for other shareholders, and to reduce the cost of capital.

The company monitors capital using the debt/total capital ratio. This ratio is found by dividing net debt by total capital. Net debt is calculated as total debt Amount (includes financial liabilities and trade payables as shown in the balance sheet) less cash and cash equivalents. Total capital is calculated by adding equity and net debt as shown in the balance sheet.

(Currency – In Turkish Lira ("TL"), unless otherwise indicated)

28. Nature and level of risks arising from financial instruments (continued)

As of 31 December 2022 and 2021, the net debt/total capital ratio is as follows:

	December 31, 2022	December 31, 2021
Total liabilities	**626.278.731**	529.032.565
Cash and cash equivalents (-) (Note 3)	**(291.794.454)**	(537.346.501)
Financial investments (-) (Note 4)	**(9.426.994)**	(6.742.344)
Net debt	**325.057.283**	(15.056.280)
Total equity	**1.363.372.146**	694.614.278
Net debt / total equity ratio	**24%**	(2%)

Foreign currency risk

The Company is exposed to exchange rate risk arising from exchange rate changes due to the conversion of foreign currency debt or credit Amounts to TL. The company constantly controls the cash flow statement and cash inflows and outflows in order to reduce the currency risk.

As of 31 December 2022 and 2021, the net foreign currency position is as follows:

	December 31, 2022	December 31, 2021
A. Assets in foreign currency	**481.345.816**	603.818.882
B. Liabilities in foreign currency	**269.263.215**	231.064.390
Net currency position (A-B)	**212.082.601**	372.754.492

(Currency – In Turkish Lira (“TL”), unless otherwise indicated)

28. Nature and level of risks arising from financial instruments (continued)

The table below summarizes the Group's foreign currency position risk as of 31 December 2022 and 2021. The recorded amounts of foreign currency assets and liabilities held by the Group, by foreign currency type, are as follows:

31 December 2022

	31 December 2022			
	TL equivalent	**USD**	**EUR**	**GBP**
1. Trade receivables	222.520.431	8.545.348	-	2.789.648
2a. Monetary financial assets, (cash and banks included)	258.825.385	12.255.976	93.805	1.236.381
2b. Non-monetary financial assets	-	-	-	-
3. Other	-	-	-	-
4. Current assets (1+2+3)	**481.345.816**	**20.801.324**	**93.805**	**4.026.029**
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)	**481.345.816**	**20.800.482**	**93.805**	**4.026.029**
10. Trade payables	38.742.357	996.101	927.989	71.928
11. Financial liabilities	-	-	-	-
12a. Other monetary liabilities	230.520.858	-	11.563.683	-
12b. Other non-monetary liabilities	-	-	-	-
13. Current liabilities (10+11+12a+12b)	**269.263.215**	**996.101**	**12.491.672**	**71.928**
14. Trade payables	-	-	-	-
15. Financial liabilities	-	-	-	-
16a. Other monetary liabilities	-	-	-	-
16b. Other non-monetary liabilities	-	-	-	-
17. Non-current liabilities (14+15+16a+16b)	-	-	-	-
18. Total liabilities (13+17)	**269.263.215**	**996.101**	**12.491.672**	**71.928**
19. Net assets of off balance sheet derivative items/ (liability) position (19a - 19b)	-	-	-	-
19a. Total amount of assets hedged	-	-	-	-
19b. Total amount of liabilities hedged	-	-	-	-
20. Net foreign assets / (liability) position (9–18+19)	**212.082.601**	**19.804.381**	**(12.397.867)**	**3.954.101**
21. Net foreign currency asset / (liability) / (position of monetary items (=1+2a+5+6a-10–11-12a–14–15-16a)	**212.082.601**	**19.804.381**	**(12.397.867)**	**3.954.101**
	-	-	-	-
22. Fair value of derivative instruments used in foreign currency hedge	-	-	-	-
23. Amount of hedged portion of foreign currency assets	-	-	-	-
24. Amount of hedged portion of foreign currency liabilities	-	-	-	-
25. Export	**1.091.037.557**	**46.856.383**	**1.250.060**	**13.916.338**
26. Import	**907.546.524**	**39.084.052**	**15.173.454**	-

(Currency – In Turkish Lira (“TL”), unless otherwise indicated)

28. Nature and level of risks arising from financial instruments (continued)

31 December 2021

	31 December 2021			
	TL Equivalent	USD	EUR	GBP
1. Trade receivables	81.545.975	4.676.554	95.668	988.989
2a. Monetary financial assets, (cash and banks included)	522.272.908	26.432.154	8.333.547	2.457.773
2b. Non-monetary financial assets	-	-	-	-
3. Other	-	-	-	-
4. Current assets (1+2+3)	**603.818.883**	**31.108.708**	**8.429.215**	**3.446.762**
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)	**603.818.883**	**31.108.708**	**8.429.215**	**3.446.762**
10. Trade payables	27.310.878	925.786	901.354	76.397
11. Financial payables	35.784.069	-	2.371.895	-
12a. Other monetary liabilities	-	-	-	-
12b. Other non-monetary liabilities	-	-	-	-
13. Current liabilities (10+11+12a+12b)	**63.094.947**	**925.786**	**3.273.249**	**76.397**
14. Trade payables	-	-	-	-
15. Financial payables	167.969.443	-	11.133.611	-
16a. Other monetary liabilities	-	-	-	-
16b. Other non-monetary liabilities	-	-	-	-
17. Non-current liabilities (14+15+16a+16b)	167.969.443	-	11.133.611	-
18. Total Liabilities(13+17)	**231.064.390**	**925.786**	**14.406.860**	**76.397**
19. Net assets of off balance sheet derivative items/ (liability) position (19a - 19b)	-	-	-	-
19a. Total amount of assets hedged	-	-	-	-
19b. Total amount of liabilities hedged	-	-	-	-
20. Net foreign assets / (liability) position (9–18+19)	**372.754.493**	**30.182.922**	**(5.977.645)**	**3.370.365**
21. Net foreign currency asset / (liability) / (position of monetary items (=1+2a+5+6a-10-11-12a-14-15-16a)	**372.754.493**	**30.182.922**	**(5.977.645)**	**3.370.365**
22. Fair value of derivative instruments used in foreign currency hedge	-	-	-	-
23. Amount of hedged portion of foreign currency assets	-	-	-	-
24. Amount of hedged portion of foreign currency liabilities	-	-	-	-
25. Export	**374.629.168**	**30.380.891**	**743.716**	**6.890.877**
26. Import	**261.417.308**	**30.001.551**	**4.572.756**	**-**

(Currency – In Turkish Lira ("TL"), unless otherwise indicated)

28. Nature and level of risks arising from financial instruments (continued)

Table of foreign currency sensitivity analysis

In the profit/loss section of the exchange rate sensitivity table, it is presented how the income statement will be affected in case of a 10% appreciation/depreciation of TL against the following foreign currencies as of 31 December 2022 and 2021. While performing the analysis, it is assumed that all other variables, especially interest rates, remain constant.

	31 December 2022		31 December 2021	
		Profit/loss		Profit/loss
	Foreign currency appreciation	**Foreign currency devaluation**	Foreign currency appreciation	Foreign currency Devaluation
Change of USD against TL by 10%:				
1- USD net assets / liabilities	**37.030.827**	**(37.030.827)**	39.941.905	(39.941.905)
2- USD hedged from risks (-)	**-**	**-**	-	
3- USD net effect (1+2)	**37.030.827**	**(37.030.827)**	39.941.905	(39.941.905)
Change of EUR against TL by 10%:				
4- EUR net assets / liabilities	**(24.715.024)**	**24.715.024**	(8.721.889)	8.721.889
5- EUR hedged from risks (-)	**-**	**-**	-	-
6- EUR net effect (4+5)	**(24.715.024)**	**24.715.024**	(8.721.889)	8.721.889
Change of GBP against TL by 10%:				
7- GBP net assets / liabilities	**8.892.458**	**(8.892.458)**	6.055.433	(6.055.433)
8- GBP hedged from risks (-)	**-**	**-**		
9- GBP net effect (7+8)	**8.892.458**	**(8.892.458)**	6.055.433	(6.055.433)
Total (3+6+9)	**21.208.261**	**(21.208.261)**	37.275.449	(37.275.449)

(Currency – In Turkish Lira ("TL"), unless otherwise indicated)

28. Nature and level of risks arising from financial instruments (continued)

Credit risk

The risk of financial loss to the Group due to the failure of one of the parties to the financial instrument to fulfill its contractual obligations is defined as credit risk. The Group seeks to mitigate credit risk by performing transactions only with creditworthy parties and, where possible, obtaining adequate collateral. The credit risks that the Group is exposed to and the credit ratings of its customers are constantly monitored. Credit risk is controlled through limits set for customers and reviewed and approved by Group management.

Trade receivables cover a large number of customers. Continuous credit evaluations are made over the trade receivable balances of the customers.

	Receivables					
	Trade recivables		Other receivables			
31 December 2022	**Related parties**	**Third parties**	**Related parties**	**Third parties**	**Cash at banks**	**Financial investments**
Maximum credit risk exposed as of balance sheet date (A+B+C+D+E) (1)	**-**	**597.058.828**	**-**	**45.881.602**	**291.770.532**	**9.426.994**
- The part of maximum risk under guarantee with collaterals etc. (2)	-	77.045.840	-	-	-	-
A. Net book value of financial assets that are neither past due not impaired (*)	-	433.172.479	-	45.881.602	291.770.532	9.426.994
- The part of maximum risk under guarantee with collaterals etc.	-	91.597.410	-	-	-	-
B. Net book of financial assets that are renegotiated, if not that will be accepted as part due or impaired	-	-	-	-	-	-
C. Carrying value of financial assets that are past due but not impaired (*)	-	163.886.349	-	-	-	-
- The part of maximum risk under guarantee with collaterals etc.	-	58.000.185	-	-	-	-
D. Net book value of impaired assets						
- Past due (gross carrying amount)	-	-	-	-	-	-
- Impairment (-)	-	8.533.888	-	-	-	-
- The part under guarantee with collaterals, etc.	-	-	-	-	-	-
- Not past due (gross carrying amount)						
- Impairment (-)	-	(8.533.888)	-	-	-	-
E. Off-balance sheet items with credit risk	-	-	-	-	-	-

(*) The Group management anticipates that no problem will be encountered in the collection of the relevant amounts, taking into account its past experience.

(1) These are the amounts showing the maximum credit risk exposure as of the balance sheet date, without taking into account the collaterals held and other factors that increase credit reliability.
(2) It refers to bank letters of guarantee received from customers, guarantees of receivables and all kinds of other guarantees.

(Currency – In Turkish Lira ("TL"), unless otherwise indicated)

28. Nature and level of risks arising from financial instruments (continued)

	Receivables					
	Trade receivables		Other receivables			
31 December 2021	**Related parties**	**Third parties**	**Related parties**	**Third parties**	**Cash at banks**	**Financial investments**
Maximum credit risk exposed as of balance sheet date (A+B+C+D+E) (1)	133.186	236.754.040	39.226	5.670.949	537.346.501	6.742.344
- The part of maximum risk under guarantee with collaterals etc. (2)	-	77.045.840	-	-	-	-
A. Net book value of financial assets that are neither past due not impaired (*)	-	184.044.815	39.226	5.670.949	537.346.501	6.742.344
- The part of maximum risk under guarantee with collaterals etc.	-	62.260.212	-	-	-	-
B. Net book of financial assets that are renegotiated, if not that will be accepted as part due or impaired	-	-	-	-	-	-
C. Carrying value of financial assets that are past due but not impaired (*)	133.186	52.709.225	-	-	-	-
- The part of maximum risk under guarantee with collaterals etc.	-	15.065.871	-	-	-	-
D. Net book value of impaired assets						
- Past due (gross carrying amount)	-	4.406.701	-	-	-	-
- Impairment (-)	-	(4.406.701)	-	-	-	-
- The part under guarantee with collaterals, etc.	-	-	-	-	-	-
- Not past due (gross carrying amount)	-	1.540.767	-	-	-	-
- Impairment (-)	-	(1.540.767)	-	-	-	-
E. Off-balance sheet items with credit risk	-	-	-	-	-	-

(*) The Group management anticipates that no problem will be encountered in the collection of the relevant amounts, taking into account its past experience.

(1) These are the amounts showing the maximum credit risk exposure as of the balance sheet date, without taking into account the collaterals held and other factors that increase credit reliability.

(2) It refers to bank letters of guarantee, credit insurance and all other guarantees received from customers.

(Currency – In Turkish Lira ("TL"), unless otherwise indicated)

28. Nature and level of risks arising from financial instruments (continued)

Credit Risk

Details regarding the aging of trade receivables are as follows:

	31 December 2022		31 December 2021	
	Related parties	**Third parties**	Related parties	Third parties
Not overdue	**-**	**433.172.479**	-	184.044.815
Net book value of financial assets that are neither past due not impaired				
- 0-30 days overdue	**-**	**131.735.263**	-	46.252.024
- 31-60 days overdue	**-**	**19.651.200**	118.000	2.863.923
- 61-90 days overdue	**-**	**3.155.343**	-	2.681.221
- 91-120 days overdue	**-**	**-**	-	747
- 121-360 days overdue	**-**	**-**	-	29.777
- 1 year and more overdue	**-**	**9.344.543**	15.186	881.533
Total	**-**	**597.058.828**	133.186	236.754.040

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its net funding needs. Liquidity risk is managed through cash inflows and outflows that are balanced with credit institutions within the scope of predetermined credit limits.

The breakdown of financial liabilities according to their maturities is shown by considering the period from the balance sheet date to the due date.

The table below shows the Group's financial liabilities as of 31 December 2022 and 2021 according to the maturity of the contractual undiscounted payments.

31 December 2022

In accordance with the contract	**Net book value**	**Contractual cash flows (I+II+III+IV)**	**Less than a month (I)**	**1 - 3 months (II)**	**3 - 12 months (III)**	**1-5 years (IV)**
Non-derivative Financial liabilities						
Financial liabilities and lease liabilities	**396.887.341**	**402.813.827**	**3.730.951**	**28.201.323**	**144.930.439**	**225.951.114**
Trade payables	**228.700.504**	**229.584.586**	**63.681.942**	**165.902.644**	**-**	**-**
Other payables	**616.098**	**616.098**	**616.098**	**-**	**-**	**-**

(Currency – In Turkish Lira ("TL"), unless otherwise indicated)

28. Nature and level of risks arising from financial instruments (continued)

31 December 2021

In accordance with the contract	Net book value	Contractual cash flows (I+II+III+IV)	Less than a month (I)	1 - 3 months (II)	3 - 12 months (III)	1-5 years (IV)
Non-derivative Financial liabilities						
Financial liabilities and lease liabilities	419.128.590	458.793.350	8.098.247	27.017.722	177.231.880	246.445.501
Trade payables	109.471.847	110.320.171	51.175.615	59.144.556	-	-
Other payables	393.122	393.122	393.122	-	-	-

Interest rate risk

The Group is exposed to interest rate risk due to the impact of changes in interest rates on interest rate sensitive assets and liabilities. The said interest rate risk is managed by balancing the assets and liabilities that are sensitive to interest rate changes.

As of 31 December 2022 and 2021, the Group's interest position table is given below:

	31 December 2022	31 December 2021
Financial instruments with fixed interest rate		
Cash and cash equivalents / Time deposits	**87.629.237**	347.488.883
Financial investments measured with amortized method	**77.844**	77.844
Financial borrowings	**396.962.129**	419.128.590
Financial instruments with floating interest rate		
Financial investments measured at amortised cost	**9.349.150**	6.664.500
Total	**494.018.360**	773.359.817

As the Group prefers fixed rate borrowing in accordance with its general borrowing policy, it considers that it is exposed to insignificant interest rate risk as of the reporting dates.

(Currency – In Turkish Lira ("TL"), unless otherwise indicated)

29. Disclosures of the fair value

Financial Instruments

Fair value is the amount for which an asset could be exchanged or a liability settled in an arm's length transaction between knowledgeable willing parties, other than in a forced sale or liquidation, and is best evidenced by a quoted market price, where one exists.

The Company has determined the estimated values of its financial instruments by using the available market information and best practices for valuation. However, fair value measurement requires interpretation and reasoning. Accordingly, the estimates arrived at may not always be the indicators of values that the Company would obtain from a current market operation. The fair values of the financial assets and liabilities shown with effective interest discounted cost including cash and bank receivables, other financial assets and short-term financial liabilities are close to their book values considering that they are short-term and possible losses may be insignificant. the ayes have it. Since the maturities of short-term loans are short, it is assumed that their carrying values reflect their fair values.

31 December 2022	Financial assets or liabilities measured at amortized cost	Financial assets or liabilities which fair value through other comprehensive income	Financial assets or liabilities which fair value through profit or loss	Carrying value	Net book value	Not e
<u>Financial asset</u>						
Cash and cash equivalents	291.794.454	-	-	291.794.454	291.794.454	3
Financial investments	9.426.994	21.942.127	-	31.369.121	31.369.121	4
Trade receivables	597.058.828	-	-	597.058.828	597.058.828	6
Other receivables (*)	45.874.754	-	-	45.874.754	45.874.754	7
<u>Financial liabilities</u>						
Financial borrowings	-	-	390.105.080	390.105.080	390.105.080	5
Lease liabilities	-	-	6.782.261	6.782.261	6.782.261	5
Trade payables	-	-	228.700.504	228.700.504	228.700.504	6
Other payables (**)	-	-	107.980	107.980	107.980	27

(*) Escrow by deducting the deposits and guarantees given.
(**) Escrow by deducting deposits and guarantees received.

31 December 2021	Financial assets or liabilities measured at amortized cost	Financial assets or liabilities which fair value through other comprehensive income	Financial assets or liabilities which fair value through profit or loss	Carrying value	Net book value	Not e
<u>Financial assets</u>						
Cash and cash equivalents	537.346.501	-		537.346.501	537.346.501	3
Financial investments	6.742.344	12.440.448		19.182.792	19.182.792	4
Trade receivables	236.887.226	-		236.887.226	236.887.226	6
Other receivables (*)	9.582.936	-		9.582.936	9.582.936	7
<u>Financial liabilities</u>						
Financial borrowings	-	-	397.558.800	397.558.800	397.558.800	5
Lease liabilities	-	-	21.569.790	21.569.790	21.569.790	5
Trade payables	-	-	109.471.847	109.471.847	109.471.847	6
Other payables (**)	-	-	23.864	23.864	23.864	27

(*) Presented by deducting the deposits and guarantees given.
(**) Presented by deducting deposits and guarantees received.

(Currency – In Turkish Lira (“TL”), unless otherwise indicated)

29. Disclosures of the fair value (continue)

Nature and levels of fair value

In the following table, the Group’s valuation methodologies of financial investments made valuation with their fair values are presented. Ther are described in terms of their levels are follows:

- Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: Inputs for the asset or liability that are not based on observable market (unobservable inputs)

31 December 2022	**Fair value level as of the reporting period**		
	Level 1	**Level 2**	**Level 3**
	TL	**TL**	**TL**
Financial investments			
- Enda Enerji Holding A.Ş.	**-**	**-**	**14.967.230**
- Egenda Ege Enerji Üretim A.Ş	**-**	**-**	**6.974.897**
Total assets	**-**	**-**	**21.942.127**

31 December 2021	Fair value level as of the reporting period		
	Level 1	Level 2	Level 3
	TL	TL	TL
Financial investments			
- Enda Enerji Holding A.Ş.	-	-	8.371.138
- Egenda Ege Enerji Üretim A.Ş	-	-	4.069.310
Total assets			12.440.448

30. Fees for services received from independent auditor/independent audit firm

The Company's statement regarding the fees for services rendered by independent audit firms, within the scope prepared by the POA pursuant to the Board Decision published in the Official Gazette repetitively on March 30, 2021, and whose preparation principles are based on the POA's letter dated August 19, 2021, is as follows:

	January 1- December 31 2022	**January 1- December 31 2021**
Independent audit fee for the reporting period	435.000	1.184.500
Fees for services other than independent audit	279.300	215.964
Total	**714.300**	**1.400.464**

31. Subsequent events

The earthquake that occurred on February 6, 2023, only partially affected Mersin, one of the production regions of the Group. The earthquake did not cause any damage to the Group's production facilities in Mersin. However, it is not possible as of the reporting date to determine the possible effects of the post-earthquake social and economic developments on the regional economy and the ongoing new factory investment.

The regulation dismantling the retirement age requirement for employees who started their working life before September 8, 1999 was published in the Official Gazette on March 3, 2023. Accordingly, the employees who have completed the number of premium days and social insurance period are entitled to retirement. The regulation is expected to have an impact on the timing and probability of settlement of severance payments. Efforts to measure the impact of the regulation on the Company's financial position and financial performance continue.

32. Disclosure of other matters

Convenience translation into English:

As at December 31, 2022, the accounting principles described in Note 2 (defined as Turkish Accounting Standards/Turkish Financial Reporting Standards) to the accompanying financial statements differ from International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board with respect to the application of inflation accounting, certain reclassifications and also for certain disclosures requirement of the POA. Accordingly, the accompanying financial statements are not intended to present the financial position and results of operations in accordance with IFRS.