

**TEKFEN HOLDİNG ANONİM ŐİRKETİ
AND ITS SUBSIDIARIES**

CONSOLIDATED FINANCIAL
STATEMENTS WITH THE
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR
ENDED 31 DECEMBER 2023

(Translated into English from the report
originally issued in Turkish)

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TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

AUDITED CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2023

(Amounts expressed in thousands of Turkish Lira (TRY) in terms of purchasing power of the TRY at 31 December 2023 unless otherwise indicated.)

ASSETS	Notes	Audited 31 December 2023	Audited 31 December 2022
Current Assets		27.409.735	37.041.500
Cash and cash equivalents	5	6.592.988	6.840.561
Financial investments	6	1.099.952	2.914.871
Trade receivables	8	5.995.589	6.841.879
- Related party receivables		59.770	108.979
- Trade receivables		5.935.819	6.732.900
Other receivables	9	174.134	180.392
- Other receivables		174.134	180.392
Contract assets arising from ongoing construction works	11	1.081.631	3.881.099
Derivative instruments	35	36.012	14.052
Inventories	10	9.879.184	13.374.350
Prepaid expenses	18	1.079.892	1.030.880
- Prepaid expenses		1.079.892	1.030.880
Assets related with current tax	32	468.306	705.867
Other current assets	23	876.019	823.114
- Other current assets		876.019	823.114
		<u>27.283.707</u>	<u>36.607.065</u>
Assets classified as held for sale	31	126.028	434.435
Non-Current Assets		25.338.077	24.609.213
Financial investments	6	3.126.083	3.428.523
Trade receivables	8	998.377	581.866
- Trade receivables		998.377	581.866
Other receivables	9	113.642	106.652
- Other receivables		113.642	106.652
Investments valued by equity method	12	1.731.155	1.736.980
Investment property	13	1.617.524	1.675.431
Property, plant and equipment	14	15.450.839	15.604.249
Right-of-use assets	15	404.051	242.078
Intangible assets		389.692	488.557
- Goodwill	17	240.599	313.810
- Other intangible assets	16	149.093	174.747
Prepaid expenses	18	63.205	77.965
- Prepaid expenses		63.205	77.965
Deferred tax assets	32	1.321.147	524.476
Other non-current assets	23	122.362	142.436
- Other non-current assets		122.362	142.436
TOTAL ASSETS		<u>52.747.812</u>	<u>61.650.713</u>

The accompanying notes form an integral part of these consolidated financial statements.
Translated into English from the report originally issued in Turkish.

TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

AUDITED CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2023

(Amounts expressed in thousands of Turkish Lira (TRY) in terms of purchasing power of the TRY at 31 December 2023 unless otherwise indicated.)

LIABILITIES	Notes	Audited 31 December 2023	Audited 31 December 2022
Current Liabilities		27.114.284	30.138.030
Short-term borrowings	7	6.390.315	4.173.693
Short-term portion of long-term borrowings	7	382.770	315.202
Trade payables	8	11.029.899	17.410.554
- Related party payables		91.031	15.017
- Trade payables		10.938.868	17.395.537
Payables related to employee benefits	22	397.765	282.563
Other payables	9	507.161	389.719
- Related party payables		11.727	12.734
- Other payables		495.434	376.985
Contract liabilities arising from ongoing construction works	11	1.524.600	1.743.034
Derivative instruments	35	67.741	582.775
Deferred revenue	18	3.145.658	3.481.077
- Deferred revenue		3.145.658	3.481.077
Current tax liability	32	626.617	635.985
Short-term provisions		3.007.071	1.118.199
- Short-term provisions attributable to employee benefits	22	296.729	440.220
- Other short-term provisions	20	2.710.342	677.979
Other short-term liabilities	23	34.687	5.229
- Other short-term liabilities		34.687	5.229
Non-Current Liabilities		3.601.700	6.181.824
Long-term borrowings	7	2.407.660	3.290.868
Trade payables	8	77.579	591.672
- Trade payables		77.579	591.672
Other payables	9	161.534	333.134
- Other payables		161.534	333.134
Deferred revenue	18	912	933
- Deferred revenue		912	933
Long-term provisions		645.106	809.643
- Long-term provisions attributable to employee benefits	22	645.106	809.612
- Other long-term provisions	20	-	31
Deferred tax liabilities	32	308.909	1.155.574
TOTAL LIABILITIES		30.715.984	36.319.854
EQUITY		22.031.828	25.330.859
Equity Attributable To Owners Of The Parent	24	21.692.859	24.979.913
Paid in capital		370.000	370.000
Capital structure adjustment		4.653.580	4.653.580
Premiums in capital stock		3.847.647	3.847.647
Accumulated other comprehensive income (loss) that will not be reclassified in profit or loss		(2.238.200)	(2.117.002)
- Gain (loss) on investments in equity instruments		(2.063.932)	(1.925.896)
- Gain on revaluation and remeasurement		(174.268)	(191.106)
Accumulated other comprehensive income (loss) that will be reclassified in profit or loss		803.165	1.223.813
- Currency translation reserve		812.573	1.678.707
- Hedging reserve	35	(9.408)	(454.894)
Legal reserves		3.393.483	3.184.008
Prior years' income		12.012.941	12.428.925
Net profit (loss) for the period		(1.149.757)	1.388.942
Non-controlling Interests		338.969	350.946
TOTAL LIABILITIES AND EQUITY		52.747.812	61.650.713

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

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TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

AUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 31 DECEMBER 2023

(Amounts expressed in thousands of Turkish Lira (TRY) in terms of purchasing power of the TRY at 31 December 2023 unless otherwise indicated.)

	Notes	Audited 1 January - 31 December 2023	Audited 1 January - 31 December 2022
Revenue	25	43.136.005	54.992.324
Cost of revenue (-)	25	(41.907.027)	(52.197.285)
GROSS PROFIT		<u>1.228.978</u>	<u>2.795.039</u>
General administrative expenses (-)	26	(1.664.650)	(1.611.988)
Marketing expenses (-)	26	(1.814.604)	(1.538.919)
Research and development expenses (-)	26	(56.280)	(49.516)
Other operating income	28	2.723.427	4.614.484
Other operating expenses (-)	28	(4.122.286)	(5.458.258)
Share on profit of investments valued by equity method	12	57.661	1.520.793
OPERATING PROFIT (LOSS)		<u>(3.647.754)</u>	<u>271.635</u>
Investment income	29	2.118.760	1.810.184
Investment expense (-)	29	(227.088)	(522.342)
PROFIT (LOSS) BEFORE FINANCIAL INCOME (EXPENSES)		<u>(1.756.082)</u>	<u>1.559.477</u>
Financial income	30	1.557.331	2.908.183
Financial expense (-)	30	(2.038.314)	(2.465.439)
Net monetary position gain (loss)		462.342	(315.046)
PROFIT FROM CONTINUING OPERATIONS BEFORE TAXATION		<u>(1.774.723)</u>	<u>1.687.175</u>
Tax Income (Expense) from Continuing Operations	32	623.238	(279.187)
Tax expense for the period (-)		(1.107.422)	(531.288)
Deferred tax (expense) income for the period		1.730.660	252.101
PROFIT FROM CONTINUING OPERATIONS FOR THE PERIOD		<u>(1.151.485)</u>	<u>1.407.988</u>
Distribution of Profit for the Period			
Non-controlling interests		(1.728)	19.046
Owners of the parent		(1.149.757)	1.388.942
Earning (Loss) Per Share	33	(3,107)	3,754

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TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

AUDITED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2023

(Amounts expressed in thousands of Turkish Lira (TRY) in terms of purchasing power of the TRY at 31 December 2023 unless otherwise indicated.)

	<u>Notes</u>	<u>Audited 1 January- 31 December 2023</u>	<u>Audited 1 January- 31 December 2022</u>
PROFIT (LOSS) FOR THE PERIOD		(1.151.485)	1.407.988
OTHER COMPREHENSIVE INCOME (EXPENSE):			
<u>Items that will not be reclassified to profit or loss</u>		(121.198)	(748.609)
Loss on investments in equity instruments (-)		(129.984)	(532.275)
Gain (loss) on revaluation of defined benefit plans	24	12.188	(260.384)
Taxes based on other comprehensive income (expense) that will not be reclassified to profit or loss		(3.402)	44.050
- <i>Deferred tax (expense) income</i>		<i>(3.402)</i>	<i>44.050</i>
<u>Items that will be reclassified to profit or loss</u>		(430.897)	(2.146.500)
Currency translation reserve differences	24	(876.383)	(1.170.900)
Other comprehensive income (expense) related to cash flow hedging		556.074	(1.244.861)
Taxes based on other comprehensive income (expense) that will be reclassified to profit or loss		(110.588)	269.261
- <i>Deferred tax expense (income)</i>		<i>(110.588)</i>	<i>269.261</i>
OTHER COMPREHENSIVE INCOME (EXPENSE)		(552.095)	(2.895.109)
TOTAL COMPREHENSIVE INCOME (EXPENSE)		(1.703.580)	(1.487.121)
Distribution of Total Comprehensive Income (Expense) for The Period			
Non-controlling interests		(11.977)	(26.433)
Owners of the parent		(1.691.603)	(1.460.688)

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TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

AUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2023

(Amounts expressed in thousands of Turkish Lira (TRY) in terms of purchasing power of the TRY at 31 December 2023 unless otherwise indicated.)

	Paid in capital	Capital structure adjustment	Premiums in capital stock	Items not to be reclassified to profit or loss	Items to be reclassified to profit or loss	Retained Earnings								
				Gain (loss) on investments in equity instruments	Gain (loss) on revaluation and remeasurement	Currency translation reserve	Hedging reserve	Legal reserves	Prior years' income	Net profit (loss) for the period	Equity attributable to owners of the parent	Non-controlling interests	Equity	
Audited														
Opening balance as of 1 January 2022	370.000	4.653.580	3.847.647	(1.386.024)	17.631	2.804.128	520.706	2.724.932	11.998.169	1.494.082	27.044.851	377.379	27.422.230	
Transfers	-	-	-	-	-	-	-	459.076	1.035.006	(1.494.082)	-	-	-	
Total comprehensive income (loss)	-	-	-	(539.872)	(208.737)	(1.125.421)	(975.600)	-	-	1.388.942	(1.460.688)	(26.433)	(1.487.121)	
- Profit for the period	-	-	-	-	-	-	-	-	-	1.388.942	1.388.942	19.046	1.407.988	
- Other comprehensive loss	-	-	-	(539.872)	(208.737)	(1.125.421)	(975.600)	-	-	-	(2.849.630)	(45.479)	(2.895.109)	
Dividends	-	-	-	-	-	-	-	-	(604.250)	-	(604.250)	-	(604.250)	
Closing balance as of 31 December 2022	370.000	4.653.580	3.847.647	(1.925.896)	(191.106)	1.678.707	(454.894)	3.184.008	12.428.925	1.388.942	24.979.913	350.946	25.330.859	
Audited														
Opening balance as of 1 January 2023	370.000	4.653.580	3.847.647	(1.925.896)	(191.106)	1.678.707	(454.894)	3.184.008	12.428.925	1.388.942	24.979.913	350.946	25.330.859	
Transfers	-	-	-	-	-	-	-	209.475	1.179.467	(1.388.942)	-	-	-	
Total comprehensive income (loss)	-	-	-	(138.036)	16.838	(866.134)	445.486	-	-	(1.149.757)	(1.691.603)	(11.977)	(1.703.580)	
- Loss for the period	-	-	-	-	-	-	-	-	-	(1.149.757)	(1.149.757)	(1.728)	(1.151.485)	
- Other comprehensive income (loss)	-	-	-	(138.036)	16.838	(866.134)	445.486	-	-	-	(541.846)	(10.249)	(552.095)	
Dividends	-	-	-	-	-	-	-	-	(1.595.451)	-	(1.595.451)	-	(1.595.451)	
Closing balance as of 31 December 2023	370.000	4.653.580	3.847.647	(2.063.932)	(174.268)	812.573	(9.408)	3.393.483	12.012.941	(1.149.757)	21.692.859	338.969	22.031.828	

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TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

AUDITED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2023

(Amounts expressed in thousands of Turkish Lira (TRY) in terms of purchasing power of the TRY at 31 December 2023 unless otherwise indicated.)

	Notes	Audited 1 January - 31 December 2023	Audited 1 January - 31 December 2022
A. CASH FLOWS FROM OPERATING ACTIVITIES		2.433.216	1.319.164
Profit for the Period		(1.151.485)	1.407.988
Adjustments to Reconcile Net Profit		4.976.014	3.782.647
- Depreciation and Amortization	13,14,15,16	1.498.199	1.665.827
- Impairment/Reversed Provision	25,29	70.902	(56.779)
- Provision Adjustments	8,20,22	2.008.797	(243.039)
- Dividend Income and Expenses	29	(58.816)	(41.092)
- Interest Income and Expense Adjustments	30	855.297	449.968
- Gain/Loss on Fair Valuation	6,29,37	(68.776)	334.970
- Group's Share on Profit of Investments Valued by Equity Method	12	(57.661)	(1.520.793)
- Allowance for Taxation	32	(623.238)	279.186
- Adjustments for Gain/Loss on Sale of Fixed Assets	29	(207.329)	(90.694)
- Adjustments for Gain/Loss on Sales of Assets Held for Sale	29	(508.489)	(26.334)
- Adjustments for Gain/Loss on Sales of Joint Ventures and Financial Investments	29	-	(39.666)
- Adjustments for Gain/Loss from Monetary Items	34	2.067.128	3.071.093
Movements in Working Capital		977.038	(2.459.720)
- Changes in Financial Investments	6	1.814.919	(2.774.541)
- Changes in Trade Receivables	8	393.479	860.769
- Changes in Other Assets	9	(33.563)	450.778
- Changes in Contract Assets Arising from Ongoing Construction Works	11	2.799.468	1.162.775
- Changes in Inventories	10	3.399.721	(2.658.771)
- Changes in Prepaid Expenses	18	(38.866)	(99.537)
- Changes in Trade Payables	8	(6.895.755)	(1.069.515)
- Changes in Payables Related to Employee Benefits	22	115.202	(60.901)
- Changes in Contract Liabilities Arising from Ongoing Construction Works	11	(218.434)	504.169
- Changes in Other Liabilities	9	(23.693)	147.847
- Changes in Deferred Revenue	18	(335.440)	1.077.207
Cash Generated by Operating Activities		4.801.567	2.730.915
Interest Paid		(1.036.290)	(706.931)
Interest Received		180.993	256.964
Provision Paid Related to Employee Benefits	22	(403.046)	(428.384)
Other Provision Paid	20	(2.586)	(2.112)
Tax Paid/Return	32	(1.107.422)	(531.288)
B. CASH FLOWS FROM INVESTING ACTIVITIES		(90.034)	(1.544.822)
Cash Inflows from Sales of Shares or Capital Decrease of Associates or Joint Ventures		-	78.498
Cash Inflows for Sales of Shares in Other Entities or Shares in Funds or Borrowing Instruments	37	2.262	108.133
Cash Outflows for Acquisition of Shares in Other Entities or Shares in Funds or Borrowing Instruments	6,37	(46.131)	(184.779)
Proceeds from Sales of Tangible and Intangible Assets	14,16	488.740	120.845
Acquisition of Tangible and Intangible Assets	14,16	(1.448.463)	(1.838.931)
Proceeds from Sales of Investment Properties	13	-	32.360
Acquisition of Investment Properties	13	(6.930)	(27.209)
Proceeds from Sales of Assets Held for Sale	31	857.058	38.726
Advances and Debts Given	18	4.614	86.443
Dividend Received	29	58.816	41.092
C. CASH FLOWS FROM FINANCING ACTIVITIES		73.231	(537.254)
Proceeds from Borrowings	7	6.525.261	12.874.961
Repayments of Borrowings	7	(4.663.239)	(12.697.723)
Payments of Lease Obligations	7	(193.340)	(110.242)
Dividend paid	24	(1.595.451)	(604.250)
CHANGE IN CASH AND CASH EQUIVALENTS BEFORE CURRENCY TRANSLATION RESERVE EFFECT		2.416.413	(762.912)
D. CURRENCY TRANSLATION RESERVE EFFECT ON CASH AND CASH EQUIVALENTS		(191.542)	(1.774.454)
MONETARY LOSS ON CASH AND CASH EQUIVALENTS		(2.472.444)	(4.329.139)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C+D)		(247.573)	(6.866.505)
E. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		6.840.561	13.707.066
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (A+B+C+D+E)	5	6.592.988	6.840.561

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TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

(Amounts expressed in thousands of Turkish Lira (TRY) in terms of purchasing power of the TRY at 31 December 2023 unless otherwise indicated.)

1. ORGANIZATION AND OPERATIONS OF THE GROUP

Majority shares of Tekfen Holding A.Ş. (“the Company”) are controlled by Berker Family, Gökyiğit Family and Akçağlılar Family. The Company and its subsidiaries are referred to as the “Group” in the accompanying notes to the consolidated financial statements.

As of 31 December 2023, the Group has employees 11.878 (31 December 2022: 11.950) including the personnel of subcontractors. Registered address of the Company is Kültür Mahallesi, Budak Sokak, Tekfen Sitesi, A Blok, No: 7, Beşiktaş, İstanbul, Türkiye.

Company shares are listed on Borsa İstanbul since 23 November 2007.

As of 31 December, the details of registered names of the subsidiaries, joint ventures and branches, their nature of business, their countries of origin, their business segments and their direct / effective share participation rates are listed below:

Subsidiaries	Nature of Business	Country of Origin	Direct/Effective Share Participation		Business Segment
			2023	2022	
Tekfen İnşaat ve Tesisat A.Ş. “Tekfen İnşaat”	Construction	Turkey	100	100	Engineering & Contracting
Tekfen Mühendislik A.Ş. “Temaş”	Engineering	Turkey	100	100	Engineering & Contracting
Tekfen İmalat ve Mühendislik A.Ş. “Timaş”	Manufacturing	Turkey	100	100	Engineering & Contracting
Tekfen Engineering UK Limited "Temaş UK"	Engineering	United Kingdom	100	-	Engineering & Contracting
Cenub Tikinti Servis ASC “Cenub Tikinti”	Construction	Azerbaijan	51	51	Engineering & Contracting
HMB Hallesche Mitteldeutsche Bau- Aktiengesellschaft “HMB”	Trading	Germany	100	100	Engineering & Contracting
Gate İnşaat Taahhüt San. ve Tic. A.Ş. “Gate” (*)	Construction	Turkey	-	100	Engineering & Contracting
Denkmal in Dahlem Otto-Hahn-Platz GmbH “Denkmal Dahlem”	Construction	Germany	89	89	Engineering & Contracting
OOO Rusfen “Rusfen”	Construction	Russia	100	100	Engineering & Contracting
Gate Construction “Gate Construction”	Construction	Kazakhstan	100	100	Engineering & Contracting
Tekfen Construction and Installation W.L.L “Tekfen Construction”	Construction	Qatar	49	49	Engineering & Contracting
Eurl Tekfen Algeria “Tekfen Algeria”	Construction	Algeria	100	100	Engineering & Contracting
Toros Tarım Sanayi ve Ticaret A.Ş. “Toros Tarım”	Agriculture- Shipping Agent	Turkey	100	100	Agricultural Industry
Toros Adana Yumurtalık Serbest Bölgesi Kur. ve İşleticisi A.Ş. “Tayseb”	Service	Turkey	100	100	Agricultural Industry
Toros Terminal Servisleri ve Denizcilik A.Ş. “Toros Terminal”	Service	Turkey	100	100	Agricultural Industry
Toros Gemi Acenteliği ve Ticaret A.Ş. “Toros Gemi”	Shipping Agent	Turkey	100	100	Agricultural Industry
Tekfen Tarımsal Araştırma Üretim ve Pazarlama A.Ş. "Tekfen Tarım"	Manufacturing	Turkey	100	100	Agricultural Industry
Alanar Meyve ve Gıda Üretim Pazarlama Sanayi ve Tic. A.Ş. "Alanar Meyve"	Fruit Manufacturing	Turkey	100	100	Agricultural Industry
Toros Gönen Yenilenebilir Enerji Üretim A.Ş. “Gönen Enerji”	Agriculture – Electricity	Turkey	70	70	Agricultural Industry
Toros Meram Yenilenebilir Enerji Üretim A.Ş. “Meram Enerji”	Agriculture – Electricity	Turkey	70	70	Agricultural Industry

(*) Gate, with all its assets and liabilities, was transferred to Tekfen İnşaat on August 18, 2023.

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1. ORGANIZATION AND OPERATIONS OF THE GROUP (cont'd)

Subsidiaries	Nature of Business	Country of Origin	Direct/Effective Share Participation		Business Segment
			2023	2022	
Toros Agroport Romania S.A "Toros Agroport"	Fertilizer Trade	Romania	100	100	Agricultural Industry
Tekfen Turizm ve İşletmecilik A.Ş. "Tekfen Turizm"	Service	Turkey	100	100	Investment
Tekfen Gayrimenkul Yatırım A.Ş. "Tekfen Gayrimenkul" (**)	Investment	Turkey	-	100	Investment
Tekfen Sigorta Aracılık Hizmetleri A.Ş. "Tekfen Sigorta"	Insurance Service	Turkey	100	100	Investment
Tekfen International Finance and Investments S.A. "Tekfen Finance"	Investment	Luxembourg	100	100	Investment
Tekfen Teknoloji Yatırım ve Ticaret A.Ş. "Tekfen Teknoloji"	Investment	Turkey	100	100	Investment
CFS Petrokimya Sanayi A.Ş. "CFS"	Investment	Turkey	100	100	Agricultural Industry
Techinvestments MMC "Techinvestments"	Investment	Azerbaijan	100	100	Investment
Tekfen Ventures L.P. "Tekfen Ventures"	Investment	USA	100	100	Investment
Tekfen Venture Management LLC "Venture Management"	Management Service	USA	100	100	Investment
Tekfen Engineering USA Inc. "Temaş USA"	Engineering	USA	100	-	Engineering & Contracting
Tekfen Yenilenebilir Enerji Çözümleri A.Ş. "Tekfen Yenilenebilir" (***)	Energy	Turkey	100	-	Investment
Tekfen Taşınmaz Yatırım ve Yönetim A.Ş. "Tekfen Taşınmaz" (*****)	Investment	Turkey	100	-	Investment
Tekfen Derince Gayrimenkul A.Ş. "Tekfen Derince" (****)	Investment	Turkey	100	-	Engineering & Contracting
Toros Taşınmaz Yatırım ve Yönetim A.Ş. "Toros Taşınmaz" (*****)	Investment	Turkey	100	-	Agricultural Industry

(**) Tekfen Gayrimenkul, with all its assets and liabilities, was transferred to Toros Tarım on 10 November 2023.

(***) Tekfen Yenilenebilir was established on 23 October 2023.

(****) Tekfen Derince was established on 27 December 2023.

(*****) Toros Taşınmaz was established on 27 December 2023.

(*****) Tekfen Taşınmaz was established on 29 December 2023.

Joint Ventures	Nature of Business	Country of Origin	Direct/Effective Share Participation		Business Segment
			2023	2022	
Azfen Birge Müessesesi "Azfen"	Construction	Azerbaijan	40	40	Engineering & Contracting

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1. ORGANIZATION AND OPERATIONS OF THE GROUP (cont'd)

During the current period, Group's management has decided to conduct its activities that it has managed in five business segments as Engineering and Contracting, Chemical Industry, Agricultural Production, Service and Investment in the previous year on the basis of five business segments as Engineering and Contracting, Agricultural Industry and Investment. Due to the mentioned revision in the business segments, comparative information on segmental reporting has been revised on the basis of three segments. Nature of the activities of the business segments of the Group can be summarized as follows:

Engineering and Contracting Segment

Engineering and Contracting segment undertakes infrastructure and industrial construction projects in Turkey, Azerbaijan, Kazakhstan, Saudi Arabia, Qatar and Iraq. Petroleum, gas and petrochemical facilities, pipelines, land and marine terminals, off-shore platforms, tank farms, oil refineries, pumping stations, power plants, and highway, subway, bridge and tunnel construction, electrical and instrumentation projects, infrastructure projects, production facilities, commercial and technical building complexes and major sports complexes are included in Engineering and Contracting segment's scope of activity. Income provided from the consolidation of Azfen by equity method is disclosed in this segment.

Agricultural Industry Segment

The Agricultural Industry segment continues its activities in the the production and sale of mineral fertilizers as well as special water soluble fertilizers and organic/organomineral fertilizers. It also manufactures bags used in fertilizer packaging in its own facility. Additionally, it generates biogas through the fermentation of organic wastes and electricity from biogas and also produces solid and liquid organic fertilizers from wastes that have completed the gasification process. In addition, plant tissue, banana sapling cultivation, high quality potato seed, certified wheat germ production and sale activities are carried out. Also production, packaging and export operations of cherry, apricot, pomegranate, plum, and figs are made. Terminal management, ship agency, free zone operations are among the other activities of the Agricultural Industry segment.

Investment Segment

Operations of Investment segment mainly comprise of Tekfen Ventures' investments in innovation-creating initiatives and holding operations. Holding operations are executed by the Company and include coordinating the Group's financial needs when needed. Dividend income, rent income, interest income, foreign exchange gains of Tekfen Holding and fair value gains of financial investments are main source of Investment Segment's revenue. In addition to Tekfen Ventures' investments, SOCAR Polymer Investments LLC, Akmerkez Gayrimenkul Yatırım Ortaklığı and Berlin Light JV S.a.r.l, some of the Group's major financial investments, are also within the scope of the Investment Segment's activities. Insurance services and building and facility management services are among the other activities of the Investment segment.

Approval of consolidated financial statements

Consolidated financial statements are approved by the Board of Directors and have been granted authorization to be published on the date of 17 April 2024. The General Assembly and other regulatory organs reserve their right to modify and change these consolidated financial statements.

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2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

2.1 The Basis of Presentation

Basis of Preparation of Financial Statements and Summary of Significant Accounting Policies

The Company and its subsidiaries registered in Turkey maintain their books of account and prepare their statutory financial statements in accordance with the accounting principles in line with the Turkish Commercial Code (“TCC”) and Tax Legislation. Subsidiaries those are registered in foreign countries maintain their books of account and prepare their statutory financial statements in local currencies and in accordance with the prevailing accounting principles in their registered countries.

The accompanying condensed consolidated financial statements have been prepared in accordance with the Communiqué Series 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 which is published on Official Gazette numbered 28676. Turkish Accounting and Financial Reporting Standards (“TFRS”) and additions and interpretations regarding these standards as adopted by the Public Oversight Accounting and Auditing Standards Authority (“POA”) are predicated on in accordance with article 5th of the Communiqué.

The condensed consolidated financial statements and notes are presented in accordance with the formats of Examples of Financial Statements and Usage Guide announced by CMB and “Announcement regarding to TFRS Taxonomy” which was published by POA on 4 October 2022.

The consolidated financial statements have been prepared on the historical cost basis adjusted for the effects of inflation on the Turkish Lira (“TRY”) as of the reporting date, excluding monetary assets and liabilities determined in accordance with TAS 29 Financial Reporting in Hyperinflationary Economies and assets and liabilities measured at fair value, as specified below:

- Financial assets measured at fair value through profit or loss and derivative financial instruments,
- Financial assets measured at fair value through other comprehensive income,

Historical cost is generally based on the fair value of the consideration paid on the date of purchase in exchange for assets.

Financial Reporting in Hyperinflationary Economy

Financial reporting in hyperinflationary economy with the announcements made by the Public Oversight Accounting and Auditing Standards Authority (POA) on November 23, 2023, entities applying TFRSs have started to apply inflation accounting in accordance with TAS 29 Financial Reporting in Hyperinflation Economies as of financial statements for the annual reporting period ending on or after December 31, 2023.

According to the standard, financial statements prepared in the currency of a hyperinflationary economy are presented in terms of the purchasing power of that currency at the balance sheet date. Prior period financial statements are also presented in the current measurement unit at the end of the reporting period for comparative purposes. The Group has therefore presented its consolidated financial statements as of December 31, 2022, on the purchasing power basis as of December 31, 2023.

Pursuant to the decision of the Capital Markets Board (SPK) dated December 28, 2023 and numbered 81/1820, it has been decided that issuers and capital market institutions subject to financial reporting regulations that apply Turkish Accounting/Financial Reporting Standards will apply inflation accounting by applying the provisions of TAS 29 starting from their annual financial reports for the periods ending on December 31, 2023.

Year End	Index	Conversion Factor	Three-year Inflation Rate
31 December 2023	1.859,38	1,00000	268%
31 December 2022	1.128,45	1,64772	156%
31 December 2021	686,95	2,70672	74%

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

2.1 The Basis of Presentation (cont'd)

The main elements of the Group's adjustment process for financial reporting in hyperinflationary economies are as follows:

- Consolidated financial statements are expressed in terms of the purchasing power at the balance sheet date of the current period. Consolidated financial statements from the previous period have also been adjusted for the purchasing power of the current period.
- Monetary assets and liabilities are already expressed based on the purchasing power at the end of the reporting period and therefore are not adjusted. Monetary items are money held and items to be received or paid in money.
- Non-monetary assets, liabilities and equity are adjusted based on the purchasing power of the current period.
- All items in the income statement, except for the effects of non-monetary items in the balance sheet on the income statement, have been restated by applying the multiples calculated over the periods when they were initially recognized in the financial statements.
- The impact of inflation on the Group's net monetary asset position in the current period is recorded in the net monetary gain/(loss) account in the consolidated income statement.

During the previous reporting period, the group applied the requirements of TAS 29 as if the economy were always subject to high inflation, based on its determination that the current currency belongs to economy with high inflation. Therefore, in the consolidated statement of financial position as of January 1, 2022, the relevant amounts have been restated to reflect the impact of inflation from the date assets were acquired and liabilities were incurred until the end of the reporting period. For non-monetary items presented at their current amounts in the opening consolidated statement of financial position, this adjustment reflects the impact of inflation from the date their current values were determined until the end of the reporting period.

As of January 1, 2022, the amount of retained earnings from previous years not adjusted for inflation is 8.860.093 , while after inflation adjustment in accordance with TAS 29 as of December 31, 2023, the purchasing power-adjusted amount of retained earnings as of January 1, 2022, is 11.998.169.

Functional and Reporting Currency

The separate financial statements of each Group entity are prepared in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in Turkish Lira ("TRY"), which is the functional currency of the Company, and the reporting currency for the consolidated financial statements.

In accordance with TAS 21 (The Effects of Changes in Foreign Exchange Rates), balance sheet items of functional currencies are differed from TRY, are translated with the rate prevailing at the balance sheet date and revenue, expenses and cash flows are translated with the exchange rates at the transaction date (historical rates) or yearly average rate in the case of uncertain transaction date. Gain/loss arising from the translation is recognized in the currency translation reserve under equity. The functional currency of Tekfen İnşaat, a subsidiary of Tekfen İnşaat, is US Dollars. The US Dollar is used to a significant extent in, or has a significant impact on, the operations of Tekfen İnşaat and reflects the economic substance of the underlying events and circumstances relevant to Tekfen İnşaat. The purchase and selling prices, the main services and products and majority of financial debts and finance expenses are mainly denominated in US Dollar. Therefore, the Group has determined US Dollar as the functional currency of the Tekfen İnşaat in line with TAS 21 - The Effects of Changes in Foreign Exchange Rates. Due to the depreciation of the TL against foreign currencies in the current year because of the economic conditions in Turkey, Tekfen İnşaat income and expenses for the current year have been converted into TL using the year-end average exchange rates.

The exchange rates used in the consolidation process as of 31 December 2023 are 1 USD= 29,4382 TRY, 1 EUR= 32,5739 TRY, 1 AZN= 17,3166 TRY, 1 SAR= 7,8502 TRY, 1 QAR= 8,0653 TRY, 1 RON= 6,5113 TRY (As of 31 December 2022; 1 USD= 18,6983 TRY, 1 EUR= 19,9349 TRY, 1 AZN= 10,9990 TRY, 1 SAR= 4,9862 TRY, 1 QAR= 5,1228 TRY, 1 RON= 4,0062).

Consolidation Principles

Consolidated financial statements are made of entities' financial statements that are either controlled by the Company or its subsidiaries. The Company and its subsidiaries control an investee when it is exposed, or have rights, to variable returns from its involvement with the investee and have the ability to affect those returns through its power over the investee.

Control is maintained by the Company where it has less voting rights than the majority of an investee but still voting rights are sufficient to give the practical ability to direct or manage relevant activities of the related investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to maintain power.

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

2.1 The Basis of Presentation (cont'd)

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. The results of the purchased or sold subsidiaries of the Group are shown in the consolidated profit or loss and consolidated other comprehensive income statement that belongs to the dates after they purchased or the dates before they sold.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates or joint ventures are included in these consolidated financial statements using the equity method of accounting, except the ones that are classified as assets held for sale in accordance with TFRS 5. Under the equity method, an investment in associate or a joint venture is initially recognized in the consolidated statement of financial position at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate or joint venture and any impairment. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognizing its share of further losses. Any additional losses are recognized if the Group is exposed to any legal or constructive obligation or the Group has made payments on behalf of the associate or a joint venture.

Interests in Joint Operations:

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. The details of the joint operations of the Group as of 31 December are as follows:

Joint Operations	Nature of Business	Country of Origin	Direct/Effective		Business Segment
			2023	2022	
Tekfen-Tubin-Özdemir J.V. "TÖT J.V."	Construction	Turkey	71	71	Engineering & Contracting
Gama-Tekfen-Tokar J.V. "GTT J.V."	Construction	Turkey	35	35	Engineering & Contracting
Tekfen TML J.V. "Tekfen TML J.V."	Construction	Libya	67	67	Engineering & Contracting
Doğuş - Tekfen Adi Ortaklığı "Doğuş - Tekfen"	Construction	Turkey	50	50	Engineering & Contracting
Tekfen - Al Jaber Engineering "Tekfen – Al Jaber J.V."	Construction	Qatar	50	50	Engineering & Contracting
Tekfen - T Engineering Ortak Girişimi "Tekfen - T Engineering J.V."	Construction	Turkey	85	85	Engineering & Contracting
Istek Construction "Istek J.V."	Construction	Kazakhstan	50	50	Engineering & Contracting

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

2.1 The Basis of Presentation (cont'd)

When a group entity undertakes its activities under joint operations, the Group as a joint operator recognizes in relation to its interest in a joint operation:

- Its assets, including its share of any assets held jointly,
- Its liabilities, including its share of any liabilities incurred jointly,
- Its revenue generated from the sale of any product/output arising from the joint operation,
- Its share of the revenue from the sale of the output by the joint operation,
- Its expenses, including its share of any expenses incurred jointly.

The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the TFRS applicable to the particular assets, liabilities, revenues and expenses.

2.2 Changes in Accounting Policies

Significant changes in accounting policies have been applied retrospectively and prior period consolidated financial statements are restated. In the current year, there are not any material changes in accounting policies of the Group.

2.3 Changes in Accounting Estimates and Errors

If changes in accounting estimates and errors are for only one period, changes are applied in the current year but if the estimated changes affect the following periods, changes are applied both on the current and following years prospectively. In the current year, there are not any material changes in accounting estimate methods of the Group.

If any significant accounting errors are found out, changes are applied retrospectively, and prior year's financial statements are restated. The Group did not determine any significant accounting errors in the current year.

2.4 Adoption of New and Amended Standards

New and revised standards and interpretations are presented below:

- (a) **Amendments in standards affecting the notes and amounts in the consolidated financial statements:**
- TAS 8 (amendments), "Definition of Accounting Estimates", effective for annual periods beginning after 1 January 2023.
 - TAS 1 (amendments), "Disclosure of Accounting Policies", effective for annual periods beginning after 1 January 2023.
 - TAS 12 (amendments), International Tax Reform - Pillar Two Model Rules, the deferred tax exception and the announcement of the exception came into effect, effective for annual periods beginning after 1 January 2023.
- (b) **Standards, amendments and interpretations to existing standards that are effective as of the year 2023, but not affecting the consolidated financial statements of the Group:**
- TAS 12 (amendments), "Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction", effective for annual periods beginning after 1 January 2023.
- (c) **Standards and interpretations and amendments to existing standards that are issued but not yet effective and have not been early adopted by the Group:**
- TAS 1 (amendments), "Classification of Liabilities", effective for annual periods beginning after 1 January 2024.
 - TAS 7 ve TFRS 7 (amendments), Disclosures – Supplier Finance Arrangements, effective for annual periods beginning after 1 January 2024.
 - TSRS S1 "General Requirements for Disclosure of Sustainability-related Financial Information" effective for annual periods beginning after 1 January 2024.
 - TSRS S2 "Climate-related Disclosures" effective for annual periods beginning after 1 January 2024.
 - TFRS 16 (amendments), "Sale and Leaseback Transactions" effective for annual periods beginning after 1 January 2024.
 - TFRS 17 "Insurance Contracts", effective for annual periods beginning after 1 January 2025.

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

2.4 Adoption of New and Amended Standards (cont'd)

- TFRS 17 (amendments), initial application of TFRS 17 and TFRS 9 - comparative information; effective for annual periods beginning after 1 January 2025.
- TFRS 4 (amendments), applying TFRS 9 financial instruments with TFRS 4; effective for annual periods beginning after 1 January 2024.
- TAS 21 (amendments), "lack of exchangeability" effective for annual periods beginning after 1 January 2025.

The Group evaluates the effects of the standards issued but not yet effective as of 31 December 2023 on its consolidated financial position and performance.

2.5 Summary of Significant Accounting Policies

Revenue

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

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

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

- Parties to the agreement approved the agreement (in writing, orally or in other means in line with commercial practices) and committed to meet their respective obligations,
- Group can define the rights of each party civ the goods or services to be transferred,
- Group can define payment conditions concerning the goods or services to be transferred,
- The agreement is commercial in essence.
- It is possible that the Group will collect money in return for goods and services to be transferred to the client.

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

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

A group of different goods or services are subject to the same transfer method if the below conditions are met:

- Each different product or service that the Group committed to transfer to the client must meet required conditions and constitute a performance obligation to be met in time and
- As per the relevant paragraph of the standard, using the same method to measure the progress of the Group in meeting its obligation to transfer each product or service included in the group to the client.

Group takes into account agreement provisions and commercial customs in order to determine transaction price. Transaction price is the price, which the Group expects to deserve in return for goods and services Group committed to provide to client, excluding amounts (eg. some sales taxes) collected on behalf of third parties. A committed price in an agreement with a client can include both the fixed amounts and variable amounts. If the price the Group commits in the agreement is variable, the Group determines the price it deserves in return for goods and services committed to client through estimation. For the Group to include some or all of variable price it estimates in transaction price, it should be very likely that there will not be an important cancellation in cumulative revenue in the financial statements when the uncertainty about variable price is eliminated. When assessing whether or not there will be an important cancellation in cumulative revenue in the financial statements when the uncertainty about variable price is eliminated, the Group must take into account both realisation possibility and impact of revenue cancellation.

The Group recognizes revenue from the following major sources:

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

2.5 Summary of Significant Accounting Policies (cont'd)

Revenue (cont'd)

Sale of goods:

The Group evaluates the goods promised in each contract with the customers and determines each commitment given for transfer of goods as a separate performance obligation. Afterwards, it is determined that whether the performance obligations will be fulfilled over-time or at a point-in-time. If the Group transfers the control of a good over-time and thus fulfills the performance obligations related to those sales over time, it measures the progress of the fulfillment of the performance obligations in full and recognize revenue over-time in the consolidated financial statements. Revenue related to the performance obligations of goods transfer is recognized when the control of the goods is fully transferred to the customers.

Rental income:

Rental income from investment properties is recognized on an accrual basis over the term of the relevant lease.

Construction Contracts:

In contracts where third parties undertake the management, control and coordination of the construction activities are referred to as service contracts and they are only recognized as revenues when they are benefited by third parties.

When the revenue of a construction contract can be estimated reliably, contract revenue associated with the construction contract shall be recognized by reference to the percentage of completion (over time based cost-to-cost method) of the contract activity at the balance sheet date. Percentage of completion is measured by the proportion of the contract costs incurred for work performed to date divided by the estimated total contract costs. This calculation does not apply if the percentage of completion cannot be measured reliably.

Changes in construction contract, additional receivable variation order and incentive payments are included in the project revenue in accordance with the probable consent of the employer if the revenue is measured reliably.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognized to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognized as expenses in the period in which they are incurred.

Construction contract costs consist of direct costs such as all raw materials and direct labor expenses and indirect labor costs related with contract performance, equipment, maintenance, and depreciation expenses. Selling and general administration expenses are recognized when they occur. Provision for cost of estimated loss of incomplete contracts is recognized immediately in the year, which such loss is forecasted. Changes in estimated profitability due to business efficiency, business conditions, provisions for contract penalties and final contract arrangements can cause revisions in costs incurred and revenues obtained at the end of the project. Impact of these revisions is accounted for in the year, in which such revision is made.

Contract assets arising from ongoing construction works indicates the revenue recognized on construction contracts more than billings, and contract liabilities arising from ongoing construction works indicate the billings in excess of the revenue recognized on construction contracts.

Group management does not recognize the additional receivables under compensation outside the scope of the contract that may be subject to litigation as income, unless negotiations have reached to an advanced stage such that it is probable that the customer will accept the variation order and the amount of the additional receivable can be measured reliably.

Retention Receivables from Contractors

The Group's progress billings from its employees are subject to retention deductions, which vary, based on the individual agreements. These balances are collected based on contract terms either via letter of bank guarantees or from the contractors upon successful completion of the contract at the end of the warranty period. Retention receivables are measured at initial recognition at fair value and are subsequently measured at amortized cost using the effective interest rate method.

TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

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

2.5 Summary of Significant Accounting Policies (cont'd)

Retention Payables to Subcontractors

The Group's progress billings to its subcontractors are subject to retention deductions, which vary, based on the individual agreements. These payables are paid to subcontractors after they successfully complete the guarantee periods. Retention payables are measured at initial recognition at fair value and are subsequently measured at amortized cost using the effective interest rate method.

Inventories

Inventories are stated at the lower of cost and net realizable value. Costs, including an appropriate portion of fixed and variable overhead expenses, are assigned to inventories held by the method most appropriate to the particular class of inventory, with the majority being valued on a weighted average basis. Net realizable value represents the estimated selling price in the ordinary course of business less all estimated costs of completion and costs necessary to make a sale.

For construction projects, the materials have been produced especially for these projects are included in the project costs when they are delivered to contract sites.

Property, Plant and Equipment

Property plant and equipment are carried at cost values adjusted for inflation less accumulated depreciation and any accumulated impairment losses.

Properties in the course of construction for production, rental or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognized impairment loss. Cost includes legal fees. In case of the qualifying assets which necessarily take a substantial period of time to get ready for its intended use or sale, borrowing costs are capitalized. When the construction of these assets is completed and they are ready for use, they are transferred to the relevant property, plant and equipment class. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is charged to write off the cost of property, plant and equipment, other than land and properties under construction, over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation methods are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Leases

As a lessee

At inception of a contract, the Group assesses whether a contract is, or contains a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, The Group assess whether:

- The contract involved the use of an identified asset – this may be specified explicitly or implicitly,
- The asset should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, the asset is not identified,
- The Group has the right to obtain substantially all of the economic benefits from the use of an asset throughout the period of use

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

2.5 Summary of Significant Accounting Policies (cont'd)

Leases (cont'd)

As a lessee (cont'd)

- d) The Group has the right to direct use of the asset. The Group concludes to have the right of use, when it is predetermined how and for what purpose the Group will use the asset. The Group has the right to direct use of asset if either:
- The Group has the right to operate (or to have the right to direct others to operate) the asset over its useful life and the lessor does not have the rights to change the terms to operate or;
 - The Group designed the asset (or the specific features) in a way that predetermines how and for what purpose it is used.

The Group recognizes a right of use and a rent obligation in the consolidated financial statements at the date of the lease.

Right-of-use asset

The right-of-use asset is initially recognized at cost comprising of:

- Amount of the initial measurement of the lease liability;
- Any lease payments made at or before the commencement date, less any lease incentives received;
- Any initial direct costs incurred by the Group.

To apply a cost model, the Group measure the right-of-use asset at cost:

- Less any accumulated depreciation and any accumulated impairment losses; and
- Adjusted for any remeasurement of the lease liability.

The Group applies the straight-line method to depreciate the right of use. If the lease transfers ownership of the underlying asset to the lessee by the end of the lease term or if the cost of the right-of-use asset reflects that the lessee will exercise a purchase option, the Group depreciate the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the Group depreciate the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The Group apply TAS 36 Impairment of Assets to determine whether the right-of-use asset is impaired and to account for any impairment loss identified.

Lease liability

At the commencement date, The Group measures the lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the lessee's incremental borrowing rate.

At the commencement date, 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:

- Fixed payments, less any lease incentives receivable,
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date,
- The exercise price of a purchase option if the Group is reasonably certain to exercise that option, and
- Payments of penalties for terminating the lease, if the lease term reflects the Group exercising an option to terminate the lease.

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

2.5 Summary of Significant Accounting Policies (cont'd)

Leases (cont'd)

Lease liability (cont'd)

After the commencement date, the Group measures the lease liability by:

- Increasing the carrying amount to reflect interest on the lease liability,
- Reducing the carrying amount to reflect the lease payments made, and
- Remeasuring the carrying amount to reflect any reassessment or lease modifications, or to reflect revised insubstance fixed lease payments.

Interest on the lease liability in each period during the lease term is the amount that produces a constant periodic rate of interest on the remaining balance of the lease liability. The Group determines the periodic discount rate as the interest rate implicit in the lease for the remainder of the lease term, if that rate can be readily determined, or the lessee's incremental borrowing rate at the date of reassessment, if the interest rate implicit in the lease cannot be readily determined. After the commencement date, the Group remeasures the lease liability to reflect changes to the lease payments. the Group recognises the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

The Group shall remeasure the lease liability by discounting the revised lease payments using a revised discount rate, if either:

- There is a change in the lease term. The Group determines the revised lease payments on the basis of the revised lease term; or
- There is a change in the assessment of an option to purchase the underlying asset.

The Group determines the revised lease payments to reflect the change in amounts payable under the purchase option. The Group determine the revised discount rate as the interest rate implicit in the lease for the remainder of the lease term, if that rate can be readily determined, or the lessee's incremental borrowing rate at the date of reassessment, if the interest rate implicit in the lease cannot be readily determined.

Leases with a lease term of 12 months or less and leases of low-value assets determined by the Group are evaluated in scope of the exemption of the standard and payments associated with those leases are recognised on a straight-line basis as an expense in profit or loss.

Intangible Assets

Intangible assets acquired separately are reported at cost values adjusted for inflation less accumulated amortization and any accumulated impairment losses. Amortization is charged on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Impairment of Assets

Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

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. When the Group borrows funds specifically for the purpose of the qualifying assets, the amount of borrowing costs eligible for capitalization is the actual borrowing costs incurred on that borrowing during the period less any investment income on the temporary investment of those borrowings. All other borrowing costs are recognized in the statement of profit or loss in the period in which they are incurred.

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

2.5 Summary of Significant Accounting Policies (cont'd)

Financial Instruments

Financial Assets

At initial recognition, the Group measures a financial asset at its fair value, except for trade receivables that do not contain significant financing component. The Group measures trade receivables at their transaction price if the trade receivables do not contain a significant financing component in accordance with TFRS 15 (or when the entity applies the practical expedient) at initial recognition.

At initial recognition, the Group measures a financial asset at its fair value plus or minus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset. Financial assets are recorded on transaction date.

The Group reclassifies financial assets as subsequently measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss on the basis of both: a) the Group's business model for managing the financial assets and b) the contractual cash flow characteristics of the financial asset. When, and only when, the Group changes its business model for managing financial assets, it reclassifies all affected financial assets. The Group applies the reclassification prospectively from the reclassification date. The Group does not restate any previously recognized gains, losses (including impairment gains or losses) or interest.

Financial assets measured at amortized cost.

A financial asset is measured at amortized cost if both of the following conditions are met:

(a) the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and

(b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Interest revenue of financial assets measured at amortized cost is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:

(a) purchased or originated credit-impaired financial assets. For those financial assets, the Group applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.

(b) financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Group applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

When the contractual cash flows of a financial asset are renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of that financial asset, the Group recalculates the gross carrying amount of the financial asset and recognizes a modification gain or loss in profit or loss.

The Group directly reduces the gross carrying amount of a financial asset and derecognizes it when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof.

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

2.5 Summary of Significant Accounting Policies (cont'd)

Financial Instruments (cont'd)

Financial Assets (cont'd)

Financial assets measured at fair value through other comprehensive income.

A financial asset is measured at fair value through other comprehensive income if both of the following conditions are met:

- (a) the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and
- (b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A gain or loss on a financial asset measured at fair value through other comprehensive income is recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses, until the financial asset is derecognized or reclassified. When the financial asset is derecognized the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment. If the financial asset is reclassified out of the fair value through other comprehensive income measurement category, the Group accounts for the cumulative gain or loss that was previously recognized in other comprehensive income in consolidated financial statements. Interest calculated using the effective interest method is recognized in profit or loss.

At initial recognition, the Group may make an irrevocable election to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument that is not held for trading.

Financial assets measured at fair value through profit or loss.

A financial asset shall be measured at fair value through profit or loss unless it is measured at amortized cost or at fair value through other comprehensive income.

Impairment

The Group recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost or fair value through other comprehensive income.

The Group applies the impairment requirements for the recognition and measurement of a loss allowance for financial assets that are measured at fair value through other comprehensive income.

At each reporting date, the Group measures the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses if the credit risk on that financial instrument has increased significantly since initial recognition.

The Group measures the loss allowance at an amount equal to lifetime expected credit losses for trade receivables, contract assets and lease receivables that do not contain a significant financing component, which is referred as simplified approach.

Financial Liabilities

At initial recognition, the Group measures a financial liability at its fair value plus or minus, in the case of a financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the issue of the financial liability.

The Group classifies all financial liabilities as subsequently measured at amortized cost, except for:

- (a) financial liabilities at fair value through profit or loss: Such liabilities, including derivatives that are liabilities, are subsequently measured at fair value.

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

2.5 Summary of Significant Accounting Policies (cont'd)

Financial Instruments (cont'd)

Financial Liabilities (cont'd)

(b) financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies. If a transfer does not result in derecognition because the Group has retained substantially all the risks and rewards of ownership of the transferred asset, the Group continues to recognize the transferred asset in its entirety and recognizes a financial liability for the consideration received. In subsequent periods, the Group recognizes any income on the transferred asset and any expense incurred on the financial liability.

(c) contingent consideration recognized by an acquirer in a business combination to which TFRS 3 applies. Such contingent consideration is subsequently be measured at fair value with changes recognized in profit or loss.

Recognition and Derecognition of Financial Assets and Liabilities

The Group recognizes a financial asset or a financial liability only when the Group becomes party to the contractual provisions of the instrument. The Group derecognizes a financial asset only when the contractual rights to the cash flows from the financial asset expire, or it transfers the financial asset, and the transfer qualifies for derecognition. If a transfer of financial asset does not result in derecognition because the Group has retained substantially all the risks and rewards of ownership of the transferred asset, the Group will continue to recognize the transferred asset in its entirety and recognize a financial liability for the consideration received.

If the Group retains all the risks and gains arising from the ownership of a transferred asset, the accounting of the financial asset is continued, and for the income obtained, a guarantee amount payable against the transferred financial asset is also recognized. The Group derecognizes a financial liability from its consolidated balance sheet only when it is extinguished—i.e., when the obligation specified in the contract is discharged or cancelled or expires.

Derivative Financial Instruments and Hedge Accounting

The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

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

Hedge accounting is discontinued when the Group revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. Any gain or loss recognized in other comprehensive income and accumulated in equity at that time remains in equity and is recognized when the forecast transaction is ultimately recognized in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognized immediately in profit or loss.

The Group uses derivative financial instruments to mitigate denominated in foreign currency and interest rate risk. Derivative instruments are initially recognised at fair value. After initial recognition, changes in the fair value of derivative instruments are recognized in profit or loss.

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

2.5 Summary of Significant Accounting Policies (cont'd)

Foreign Currency Transactions

The individual financial statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in TRY, which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in foreign currencies are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated to functional currency at the rates prevailing on the balance sheet date.

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated to functional currency at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognized in profit or loss in the period in which they arise except for which relate to assets under construction for future productive use, which are included in the cost of those assets where they are regarded as an adjustment to interest costs on foreign currency borrowings.

Presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are expressed in TRY using exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Arising translation differences are recognized in other comprehensive income and transferred to accumulated other comprehensive income (loss) that will be reclassified in profit or loss under equity. Such translation differences are recognized in profit or loss in the period in which the foreign operation is disposed of.

Earnings Per Share

Earnings per share disclosed in the accompanying consolidated statement of income is determined by dividing net income by the weighted average number of shares in existence during the year concerned.

In Turkey, companies can raise their share capital by distributing "bonus shares" to shareholders from retained earnings. In computing earnings per share, such "bonus share" distributions are assessed as issued shares. Accordingly, the retrospective effect for those share distributions is taken into consideration in determining the weighted-average number of shares outstanding used in this computation.

Events After the Reporting Period

Events after the reporting period comprise of events which occur between the reporting date and the date on which the financial statements are authorized for issue, even if they occur after an announcement related with the profit for the year or after public disclosure of any other selected financial information.

The Group adjusts the amounts recognized in its financial statements if adjusting events occur after the balance sheet date.

Provisions, Contingent Assets and Liabilities

Provisions are recognized when the Group has a present obligation because of a past event, and it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, considering the risks and uncertainties surrounding the obligation.

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

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

2.5 Summary of Significant Accounting Policies (cont'd)

Provisions, Contingent Assets and Liabilities (cont'd)

Onerous contracts

Present obligations arising under onerous contracts are recognized and measured as a provision.

An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

Warranties

Provisions of warranty costs are recognized at the date of sale of the relevant products, at management's best estimate of the expenditure required to settle the Group's obligation.

Government Grants and Incentives

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

Government incentives are accounted systematically in profit or loss where they are matched with the relevant costs recorded as expenses during the period. Government incentives as a financial instrument should be associated with the balance sheet as unearned revenue to offset the related expense item instead of being recognized in profit or loss and must be accounted systematically in profit or loss depending on useful lives of the related assets.

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

Investment Property

Investment property, which is property, held to earn rentals and/or for capital appreciation is carried at cost values adjusted for inflation less accumulated depreciation and any accumulated impairment losses. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the costs of day-to-day servicing of an investment property. Depreciation is provided on investment property on a straight-line basis.

An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from disposal. Any gain or loss arising on derecognition of the property is included in profit or loss in the period in which the property is derecognized.

Corporate Income Tax

Turkish tax legislation does not permit a parent company and its subsidiary to file a consolidated tax return, therefore, provisions for taxes, as reflected in the accompanying consolidated financial statements, have been calculated on a separate-entity basis.

Tax expense represents the sum of the period tax expense and deferred tax income / (expense).

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

2.5 Summary of Significant Accounting Policies (cont'd)

Corporate Income Tax (cont'd)

Controlled foreign corporation income:

Turkish CFC regime was introduced in 2006 by Turkish Corporate Income Tax Act. Due to CFC regulations, Turkish Corporate income taxpayer which manages their investments via foreign subsidiaries will need to declare and pay corporate income tax in Turkey under certain conditions regardless of whether or not the income generated through foreign subsidiaries is transferred to Turkey. In other words, to gain the profit is forced to be free from the distribution of the generated profit. Corporations which are established in foreign companies directly or indirectly controlled by a Turkish individual or corporation which holds (separately or together) at least 50% of their capital, dividend or voting rights which will be deemed as CFC. The other conditions of CFC are 25% or more of the income of the foreign subsidiary should be passive income (such as rent, dividend, interest), the foreign subsidiary should be subject to less than 10% effective tax burden over its corporate income and the gross revenue of foreign company should exceed the foreign currency equivalent of TRY 100.000.

If the CFC earnings, which are declared in Turkey and related taxes are paid, will be brought up to scene as dividend in the forthcoming periods; they will not be included into taxable income to prevent double taxation.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted for each entity included in the consolidation by the balance sheet date.

Deferred tax.

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases which is used in the computation of taxable profit and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

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

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognized in profit or loss except when they are directly related to a transaction which is accounted under equity. Otherwise, they are recognized in equity, along with the related transaction.

Assets Held for Sale

Non-current assets are classified as "assets held for sale" and stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is to be recovered principally through a sale transaction rather than through continuing use. These assets may be a component of an entity, a disposal group or an individual non-current asset.

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

2.5 Summary of Significant Accounting Policies (cont'd)

Employee Benefits

Termination and retirement benefits:

Under Turkish law and union agreements, lump sum payments are made to employees retiring, involuntarily leaving the Group or when the conditions presented in law are met. Such payments are considered as being part of defined retirement benefit plan according to the revised TAS 19 *Employee Benefits* ("TAS 19").

The retirement benefit obligation recognized in the consolidated financial statements represents the net present value of the defined benefit obligation. The calculated actuarial gains and losses are all recognized in other comprehensive income.

The Company and its subsidiaries are liable to pay retirement benefit for its qualified personnel. In addition to this, according to Group's retirement benefit policy, the Group pays retirement benefits to its retirees. The Group and its consolidated subsidiaries, regarding the retirement benefits of its personnel employed abroad, is subject to laws and regulations of the countries its personnel is located within. Regarding the laws mentioned, required provision has been provided for in the consolidated financial statements.

Preference Shares

As determined in the articles of association of Tekfen Holding A.Ş., 30 of the registered preference shares belong to Tekfen Eğitim Sağlık Kültür Sanat ve Doğal Varlıkları Koruma Vakfı ("Tekfen Vakfı"). The constitutive preference shares grant no voting rights or any membership rights to their owners.

According to the articles of association of the Company, 5% of the net profit is reserved as first order legal reserves up to 20% of the paid-up capital. At least 30% but not less than the rate and amount determined by the CMB of the amount that to be found by the addition of donations made within the year to the remaining part of the net profit is distributed as first dividend. Up to 3% of the remaining net profit is devoted to Tekfen Eğitim Sağlık Kültür Sanat ve Doğal Varlıkları Koruma Vakfı which holds preference shares.

According to TAS 32, if, as a result of contingent settlement provisions, the issuer does not have an unconditional right to avoid settlement by delivery of cash or other financial instrument, the instrument is a financial liability of the issuer.

Preference shares owned by Tekfen Vakfı are considered as negotiable instruments and realized as a financial liability assuming that they will continue to take advantage of the right at upper limit as long as the Group's existing shareholders structure and management remains the same. In assessment of fair values of related constitutive preference shares, the Group's market value as of balance sheet date is taken into consideration. Calculated fair value depends on different conditions which may occur in foreseeable future and is therefore discounted and realized as liability in the consolidated financial statements.

Business Combinations

The acquisition of subsidiaries are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognized in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value, except that:

- Deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognized and measured in accordance with TAS 12 Income Taxes and TAS 19 Employee Benefits respectively,
- Liabilities or equity instruments related to share-based payment arrangements of the acquiree, or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with TFRS 2 Share-based Payment at the acquisition date,
- Assets (or disposal groups) that are classified as held for sale in accordance with TFRS 5 are measured in accordance with that Standard.

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

2.5 Summary of Significant Accounting Policies (cont'd)

Business Combinations (cont'd)

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognized immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another TFRS.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e., the date when the Group obtains control) and the resulting gain or loss, if any, is recognized in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognized in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period or additional assets, or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognized at that date.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

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

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized directly in profit or loss in the consolidated statement of profit or loss. An impairment loss recognized for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

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

2.5 Summary of Significant Accounting Policies (cont'd)

Related Parties

Related parties are the person or business associated with the entity that prepared its financial statements (reporting entity).

- a) A person, or a member of that person's immediate family, is deemed to be associated with the reporting entity if,
- (i) Has control or joint control over the reporting entity,
 - (ii) Has a significant influence on the reporting entity,
 - (iii) If the reporting enterprise or a parent company of the reporting enterprise is a member of the key management personnel.
- b) If any of the following conditions exist, the entity is deemed to be related to the reporting entity:
- (i) If the entity and the reporting entity are members of the same group (each parent company, subsidiary and other subsidiary is associated with the others).
 - (ii) If the business is a subsidiary or business partnership of the other business (or a member of a group to which the other business is a member).
 - (iii) If both businesses are joint ventures of the same third party.
 - (iv) If one of the enterprises is a business partnership of a third enterprise and the other enterprise is a subsidiary of the the third enterprise.
 - (v) In the event that there are benefit plans for the employees of the company, the reporting enterprise or an enterprise associated with the reporting enterprise after they leave their employment. If the reporting enterprise itself has such a plan, the sponsoring employers are also associated with the reporting enterprise.
 - (vi) If the business is controlled or jointly controlled by a person identified in (a).
 - (vii) If a person defined in subparagraph (i) of article (a) has a significant influence on the enterprise or is a member of the key management personnel of the enterprise (or the parent company of this enterprise).

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

2.6 Critical Accounting Judgments, Key Sources of Estimation Uncertainty and Assumptions

In the process of applying accounting policies, which are described in Note 2.5, management has made the following judgments that have the most significant effect on the amounts recognized in the consolidated financial statements:

Deferred taxes

The Group recognizes deferred tax assets and liabilities based upon temporary differences arising between its financial statements as reported for TFRS purposes and its statutory tax financial statements. These differences usually arise from the fact that certain income and expense items are recognized in different reporting periods for TFRS and tax purposes. In the subsidiaries of the Group, there are deferred tax assets resulting from tax loss carryforwards and deductible temporary differences, all of which could reduce taxable income in the future. Based on available evidence, both positive and negative, it is determined whether it is probable that all or a portion of the deferred tax assets will be realized. The main factors which are considered include future earnings potential; cumulative losses in recent years; history of loss carryforwards and other tax assets expiring; the carry-forward period associated with the deferred tax assets; future reversals of existing taxable temporary differences; tax-planning strategies that would, if necessary, be implemented, and the nature of the income that can be used to realize the deferred tax asset. As a result of the assessment made, the Group recognizes deferred tax assets in certain entities because it is probable that taxable profit will be available sufficient to recognize deferred tax assets in those entities.

Income tax

The Group operates in various tax jurisdictions and is subject to applicable tax legislation and tax laws in these countries. The Group requires the use of significant estimates of determining provision of income tax. The Group estimates the usage of financial losses carried forward and the tax provision arising from tax liabilities. When the final tax results are determined, realized amounts may be different than the estimated amounts and as of the balance sheet date an adjustment may be made on the recognized income tax provision.

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

2.6 Critical Accounting Judgments, Key Sources of Estimation Uncertainty and Assumptions (cont'd)

Change in contract fee.

Changes in contract fees are recognized in the consolidated financial statements to the extent that those changes are likely to be approved by the customers, based on the percentage of completion method of the construction projects. Estimates on the collection of those changes are made based on the Group management's past experiences, the related contract terms, and the related legislation.

Percentage of completion

The Group uses the percentage of completion method in accounting for its construction contracts. Use of the percentage of completion method requires the Group to estimate the proportion of work performed to date as a proportion of the total work to be performed.

Construction costing estimates

The Group calculates the remaining costs to complete on construction projects through its internally developed projections. Factors such as escalations in material prices, labour costs and other costs are included in these projections based on best estimate as of the balance sheet dates. Any unanticipated escalation in the subsequent periods will require the reassessment of the remaining costs.

Non-current retention receivables

Non-current retention receivable and payable are stated at their fair value each period end by discounting the Group's effective deposit and borrowing rates respectively, which management considers to be the appropriate discount rates for these assets and liabilities.

Fair value of derivatives and other financial instruments

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques based on market-observable data, market comparable approach that reflects recent transaction prices for similar properties and discounted cash flows.

3. JOINT OPERATIONS

Group's significant partnerships subject to joint operations are described in Note 2.

Financial information related to these joint operations is as follows:

	31 December 2023	31 December 2022
Current assets	1.748.876	36.069
Non-current assets	333.429	12.832
Current liabilities	3.817.124	4.127.155
Non-current liabilities	13.529	9.329
Shareholders' equity	(1.748.348)	(4.087.583)
	1 January- 31 December 2023	1 January- 31 December 2022
Revenue	2.049.817	566.674
Cost of revenue (-)	(267.855)	(488.738)
Profit for the period	1.754.914	87.400

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4. SEGMENTAL REPORTING

a) Segmental results

	1 January - 31 December 2023			Total
	Engineering & Contracting	Agricultural Industry	Investment	
Revenue	15.898.113	26.883.280	354.612	43.136.005
Cost of revenue (-)	(16.436.666)	(25.240.003)	(230.358)	(41.907.027)
GROSS PROFIT (LOSS)	(538.553)	1.643.277	124.254	1.228.978
General administrative expenses (-)	(803.581)	(414.948)	(446.121)	(1.664.650)
Marketing expenses (-)	(35.836)	(1.778.548)	(220)	(1.814.604)
Research and development expenses (-)	(19.374)	(36.906)	-	(56.280)
Other operating income	988.519	1.711.759	23.149	2.723.427
Other operating expenses (-)	(818.429)	(3.244.536)	(59.321)	(4.122.286)
Share on profit of investments valued by equity method	57.661	-	-	57.661
OPERATING LOSS	(1.169.593)	(2.119.902)	(358.259)	(3.647.754)
Investment income	855.700	371.980	891.080	2.118.760
Investment expense (-)	(204.156)	(1.507)	(21.425)	(227.088)
PROFIT (LOSS) BEFORE FINANCIAL INCOME (EXPENSES)	(518.049)	(1.749.429)	511.396	(1.756.082)
Financial income	280.991	542.262	734.078	1.557.331
Financial expenses (-)	(629.365)	(1.269.375)	(139.574)	(2.038.314)
Net monetary position gain (loss)	575	1.589.178	(1.127.411)	462.342
LOSS FROM CONTINUING OPERATIONS BEFORE TAXATION	(865.848)	(887.364)	(21.511)	(1.774.723)
Tax (expense) income from continuing operations	(504.466)	929.748	197.956	623.238
PROFIT (LOSS) FROM CONTINUING OPERATIONS FOR THE PERIOD	(1.370.314)	42.384	176.445	(1.151.485)

For the year ended 31 December 2023, there is not any revenue obtained from a single non-related client which constitute higher than 10% of the Group's total revenue.

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4. SEGMENTAL REPORTING (cont'd)

a) Segmental results (cont'd)

	1 January - 31 December 2022			Total
	Engineering & Contracting	Agricultural Industry	Investment	
Revenue	18.055.844	36.647.532	288.948	54.992.324
Cost of revenue (-)	(18.280.041)	(33.706.685)	(210.559)	(52.197.285)
GROSS PROFIT (LOSS)	(224.197)	2.940.847	78.389	2.795.039
General administrative expenses (-)	(889.106)	(378.727)	(344.155)	(1.611.988)
Marketing expenses (-)	(35.012)	(1.503.605)	(302)	(1.538.919)
Research and development expenses (-)	(24.487)	(25.029)	-	(49.516)
Other operating income	1.774.901	2.826.183	13.400	4.614.484
Other operating expenses (-)	(1.647.305)	(3.773.762)	(37.191)	(5.458.258)
Share on profit of investments valued by equity method	1.520.432	361	-	1.520.793
OPERATING PROFIT (LOSS)	475.226	86.268	(289.859)	271.635
Investment income	201.093	407.153	1.201.938	1.810.184
Investment expense (-)	(18.120)	(34.609)	(469.613)	(522.342)
PROFIT (LOSS) BEFORE FINANCIAL INCOME	658.199	458.812	442.466	1.559.477
Financial income	433.433	792.619	1.682.131	2.908.183
Financial expenses (-)	(722.339)	(596.929)	(1.146.171)	(2.465.439)
Net monetary position gain (loss)	613	1.652.080	(1.967.739)	(315.046)
PROFIT (LOSS) FROM CONTINUING OPERATIONS BEFORE TAXATION	369.906	2.306.582	(989.313)	1.687.175
Tax (expense) income from continuing operations	(249.180)	(145.189)	115.182	(279.187)
PROFIT (LOSS) FROM CONTINUING OPERATIONS FOR THE PERIOD	120.726	2.161.393	(874.131)	1.407.988

For the year ended 31 December 2022, there is not any revenue obtained from a single non-related client which constitute higher than 10% of the Group's total revenue.

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4. SEGMENTAL REPORTING (cont'd)

b) Segmental assets and liabilities

Balance sheet	31 December 2023			
	Engineering & Contracting	Agricultural Industry	Investment	Total
Total assets	22.012.801	24.336.013	6.398.998	52.747.812
Current and non-current liabilities	20.211.474	9.816.807	687.703	30.715.984
Equity attributable to owners of the parents	(1.665.408)	11.236.207	12.122.060	21.692.859
Non-controlling interests	336.123	2.846	-	338.969

Balance sheet	31 December 2022			
	Engineering & Contracting	Agricultural Industry	Investment	Total
Total assets	22.616.667	31.078.861	7.955.185	61.650.713
Current and non-current liabilities	20.381.094	14.789.307	1.149.453	36.319.854
Equity attributable to owners of the parents	187.196	10.949.132	13.843.585	24.979.913
Non-controlling interests	327.626	23.320	-	350.946

c) Segmental information related to property, plant and equipment, intangible assets, investment property, right-of-use assets and revenue

	1 January - 31 December 2023			
	Engineering & Contracting	Agricultural Industry	Investment	Total
Capital expenditures	752.760	688.332	14.301	1.455.393
Depreciation and amortization expense for the period (*)	581.040	849.886	67.273	1.498.199
Intra-segment revenue	624.277	447.236	43.161	1.114.674
Inter-segment revenue	807	12.959	283.368	297.134

	1 January - 31 December 2022			
	Engineering & Contracting	Agricultural Industry	Investment	Total
Capital expenditures	317.880	1.501.584	46.678	1.866.142
Depreciation and amortization expense for the period (*)	741.527	855.277	69.023	1.665.827
Intra-segment revenue	470.274	313.405	47.715	831.394
Inter-segment revenue	26	14.497	237.762	252.285

(*) The depreciation expense of 33.342 is removed from the cost of inventories (2022: 77.362).

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4. SEGMENTAL REPORTING (cont'd)

d) Geographical segmental information

	Turkey	CIS	Middle Eastern Countries	Other	Eliminations	Total
Revenue (1 January - 31 December 2023)	31.712.080	3.394.179	8.132.270	1.309.284	(1.411.808)	43.136.005
Total assets (31 December 2023)	89.912.987	17.735.573	11.811.403	9.343.350	(76.055.501)	52.747.812
Capital expenditures (1 January - 31 December 2023)	818.851	39.861	596.681	-	-	1.455.393

	Turkey	CIS	Middle Eastern Countries	Other	Eliminations	Total
Revenue (1 January - 31 December 2022)	37.744.556	9.561.004	6.260.300	2.510.143	(1.083.679)	54.992.324
Total assets (31 December 2022)	90.065.782	20.758.524	11.677.172	9.282.846	(70.133.611)	61.650.713
Capital expenditures (1 January - 31 December 2022)	1.665.798	79.387	120.491	466	-	1.866.142

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5. CASH AND CASH EQUIVALENTS

	31 December 2023	31 December 2022
Cash on hand	5.881	10.812
Cash at banks		
Demand deposits	1.603.800	866.882
Time deposits with maturity of three months or less	3.262.252	3.519.148
Liquid funds	15.218	791.550
Other cash equivalents	1.705.837	1.652.169
	<u>6.592.988</u>	<u>6.840.561</u>

Explanations about the nature and level of risks related to cash and cash equivalents are provided in Note 36.

6. FINANCIAL INVESTMENTS

	31 December 2023	31 December 2022
<u>Short-term financial investments</u>		
Financial assets at amortised cost - eurobonds	29.637	282.525
Time deposits with maturity of longer than three months	2.061	2.320
Currency protected deposits	1.057.580	2.630.026
Option contract premium	10.674	-
	<u>1.099.952</u>	<u>2.914.871</u>
<u>Long-term financial investments</u>		
Fair value through other comprehensive income financial investments	1.346.863	1.739.776
Fair value through profit or loss financial investments	1.778.362	1.687.966
Long term funds	858	781
	<u>3.126.083</u>	<u>3.428.523</u>
Financial investments total	<u>4.226.035</u>	<u>6.343.394</u>

Financial asset measured by their amortized cost included in short-term financial investments consisted of Eurobond with a nominal value of USD 1.000.000 with coupon rate of 6,13% (31 December 2022: Short-term financial investments are consisted of Eurobonds with a nominal value of USD 9.138.000 with coupon rates varying between 5,25% and 7,25%).

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6. FINANCIAL INVESTMENTS (cont'd)

Long-term financial investments are as follows:

Details	Share %	31 December 2023	Share %	31 December 2022
Fair value through other comprehensive income financial investments				
<u>Traded</u>				
Akmerkez Gayrimenkul Yatırım Ortaklığı A.Ş.	10,47	502.875	10,47	525.184
Türkiye Sınai Kalkınma Bankası A.Ş.	<1	8.605	<1	9.460
Akçansa Çimento Sanayi ve Ticareti A.Ş.	<1	791	<1	567
Turcas Petrol A.Ş.	<1	87	<1	176
		<u>512.358</u>		<u>535.387</u>
<u>Non-traded</u>				
Toren Doğalgaz Depolama ve Madencilik A.Ş. ⁽¹⁾	2,50	-	2,50	-
Gaz Depo ve Madencilik A.Ş. ⁽¹⁾	2,50	-	2,50	-
SOCAR Polymer Investments LLC	10,00	763.592	10,00	962.654
Cording Dortmund Hiltropwall SCSp	12,58	4.887	12,58	6.932
Berlin Light JV S.a.r.l	11,44	14.395	11,44	183.194
Mersin Serbest Bölge İşleticisi A.Ş.	9,56	35.412	9,56	35.411
Akmerkez Lokantacılık Gıda San. ve Tic. A.Ş. ⁽²⁾	30,50	6.688	30,50	6.688
Üçgen Bakım ve Yönetim Hizmetleri A.Ş. ⁽²⁾	27,45	1.651	27,45	1.651
Antalya Serbest Bölge Kurucu ve İşleticisi A.Ş.	10,00	7.717	10,00	7.718
Other		163		141
		<u>834.505</u>		<u>1.204.389</u>
Fair value through profit or loss financial investments		1.778.362		1.687.966
Long term funds		858		781
<u>Long-term financial investments total</u>		<u>3.126.083</u>		<u>3.428.523</u>

⁽¹⁾ Related assets are considered as financial assets that are not equity instruments. As of the balance sheet date, since the addressees of the Group have not fulfilled their share repurchase debts in accordance with the terms of the contract, a written warning was sent first, and then a lawsuit was filed demanding the fulfillment of the share repurchase debt of the addressees due to the failure to reach an agreement in the mediation process. Parallel to this, a provision for impairment has been set aside for all of the book values of the assets. (2022: A provision for impairment has been set aside for all of the book values of the assets).

⁽²⁾ As of 31 December 2023 and 2022, entities classified as financial investment are not included in the consolidation since their total assets do not have a significant effect at the accompanying consolidated financial statements.

As of reporting date, the positive change of 110.358 and negative change of 21.448 in the fair value of the Group's fair value through profit or loss financial investments has been recognized in the investment income and expenses lines of consolidated statement of profit or loss (31 December 2022: 132.877 positive, 467.847 negative).

Explanations about the nature and level of risks related to financial investments are provided in Note 36.

Explanations about the fair value changes of financial investments are provided in Note 37.

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7. SHORT AND LONG-TERM BORROWINGS

	31 December 2023	31 December 2022
Short-term bank loans	6.390.315	4.173.693
Short-term portion of long-term bank loans and interest payments	179.930	164.690
Short-term portion of long-term lease payables	202.840	150.512
Total short-term borrowings	6.773.085	4.488.895
Long-term bank loans	2.312.818	3.254.142
Long-term lease payables	94.842	36.726
Total long-term borrowings	2.407.660	3.290.868
Total borrowings	9.180.745	7.779.763

The details of bank loans are as follows:

Original currency	Weighted average interest rate %		31 December 2023		
	Short-term	Long-term	Short-term	Long-term	Total
US Dollars	9,49	8,50	4.959.444	1.987.079	6.946.523
EUR	4,33	2,65	933.918	325.739	1.259.657
TRY	31,39	-	538.185	-	538.185
QAR	8,00	-	138.698	-	138.698
			6.570.245	2.312.818	8.883.063

Original currency	Weighted average interest rate %		31 December 2022		
	Short-term	Long-term	Short-term	Long-term	Total
US Dollars	5,65	6,65	2.466.082	2.772.861	5.238.943
EUR	2,77	2,65	730.342	459.861	1.190.203
TRY	15,03	10,19	899.335	21.420	920.755
QAR	6,50	-	242.624	-	242.624
			4.338.383	3.254.142	7.592.525

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7. SHORT AND LONG-TERM BORROWINGS (cont'd)

Repayment schedule of bank loans is as follows:

	31 December 2023	31 December 2022
To be paid within 1 year	6.570.245	4.338.383
To be paid within 1-2 year	792.656	846.023
To be paid within 2-3 year	792.656	824.603
To be paid within 3-4 year	727.506	824.603
To be paid within 4-5 year	-	758.913
	<u>8.883.063</u>	<u>7.592.525</u>

The movement of the Group's borrowings is as follows:

	2023	2022
Opening balance as at 1 January	7.779.763	9.477.687
Currency translation effect	(8.150)	(1.088.504)
Loans used during the period	6.525.261	12.874.961
Additions from lease obligations during the period	253.309	153.607
Paid during the period	(4.856.579)	(12.807.965)
Interest effect	29.352	11.216
	(542.211)	(841.239)
Closing balance as at 31 December	<u>9.180.745</u>	<u>7.779.763</u>

Group's bank loans in the amounts of 144.874 thousand USD (4.264.833), 13.160 thousand EUR (428.673), 17.197 thousand QAR (138.698) and 536.682 are subject to fixed interest rates. (31 December 2022: 69.176 thousand USD (2.131.273), 18.102 thousand EUR (594.601), 28.743 thousand QAR (242.623) and 920.758). Bank loan in the amounts of 91.096 USD (2.681.690) and 25.511 EUR (830.984) is borrowed at floating interest rates thus exposing the Group's cash flow to interest rate risk (31 December 2022: 100.867 USD (3.107.669) and 18.133 EUR (595.600)).

The Group has borrowed from Export Development Canada (EDC) on 14 November 2022 with a total maturity of 5 years for predictable cash flow and conversion of existing short-term loans to long-term. Thus, it has distributed the maturity distribution on its total loans over the long term. The interest rate of the related loan is SOFR+3,75% for 6 months. As of 31 December 2023, the Group has fulfilled the performance criteria to be complied with in accordance with the signed contract.

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8. TRADE RECEIVABLES AND PAYABLES

a) Trade Receivables:

As at balance sheet date, details of trade receivables of the Group are as follows:

	31 December 2023	31 December 2022
<u>Short-term trade receivables</u>		
Receivables from Engineering & Contracting segment operations	4.952.413	4.249.088
Receivables from Agricultural Industry segment operations	1.096.541	1.640.116
Receivables from Investment segment operations	12.228	15.039
Provision for doubtful receivables	(295.037)	(258.737)
Retention receivables (Note: 11)	139.135	991.797
Due from related parties (Note: 34)	59.770	108.979
Other	30.539	95.597
	<u>5.995.589</u>	<u>6.841.879</u>
<u>Long-term trade receivables</u>		
Retention receivables (Note: 11)	675.989	581.866
Receivables from Engineering & Contracting segment operations	322.388	-
	<u>998.377</u>	<u>581.866</u>

Postdated cheques amounting to 621.819 (31 December 2022: 1.229.502), notes receivables amounting to 15.680 (31 December 2022: 44.377), positive foreign currency differences amounting to 126.278 (31 December 2022: Positive 20.908) are included in short and long-term trade receivables. There are no due date differences included in short and long-term trade receivables (31 December 2022: None).

Average maturity date for trade receivables varies between the segments. Average maturity date for Engineering and Contracting segment, for projects in abroad is 124 days (31 December 2022: 103 days), for domestic projects is 107 days (31 December 2022: 72 days), for Agricultural Industry segment is 39 days (31 December 2022: 38 days), for Investment segment is 30 days (31 December 2022: 30 days).

As of 31 December 2023, receivables amounting 1.475.782 was obtained from a non-related client which constitute 25,9% of the Group's receivables (31 December 2022: 1.808.185, 24,7%).

As of 31 December 2023, 295.037 of provision for doubtful receivables was determined based on past uncollectible receivable cases encountered and future expectations (31 December 2022: 258.737).

The movement of the Group's provision for doubtful receivables is as follows:

	2023	2022
Provision as at 1 January	(258.737)	(425.955)
Charge for the year	(53.801)	(8.356)
Collected	174	201
Provision released	-	30
Write off of bad debt	313	76.138
Currency translation effect	(3.418)	70.684
Monetary (gain)/ loss	20.432	28.521
Provision as at 31 December	<u>(295.037)</u>	<u>(258.737)</u>

5.955 and 47.846 of doubtful receivable expense has been charged to general administrative expenses and cost of revenue respectively (2022: 2.801 and 5.525 of doubtful receivable expense has been charged to general administrative expenses and cost of revenue respectively).

Explanations about the nature and level of risks related to trade receivables are provided in Note 36.

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8. TRADE RECEIVABLES AND PAYABLES (cont'd)

b) Trade Payables:

As at balance sheet date, details of trade payables of the Group are as follows:

	31 December 2023	31 December 2022
<u>Short-term trade payables</u>		
Payables from Engineering & Contracting segment operations	4.193.397	4.526.188
Payables from Agricultural Industry segment operations	5.197.942	10.864.598
Payables from Investment segment operations	208.481	158.338
Due to related parties (Note: 34)	91.031	15.017
Retention payables (Note: 11)	1.331.961	1.840.360
Other trade payables	7.087	6.053
	<u>11.029.899</u>	<u>17.410.554</u>
<u>Long-term trade payables</u>		
Retention payables (Note: 11)	41.056	566.569
Payables from Engineering & Contracting segment operations	<u>36.523</u>	<u>25.103</u>
	<u>77.579</u>	<u>591.672</u>

Foreign currency differences amounting to 305.270 (31 December 2022: 573.755) are included in short and long-term trade payables. There are not any notes payable and postdated cheques in the current year (31 December 2022: None).

For Agricultural Industry segment, payables attributable to inventory supplied through imports constitute 96% (31 December 2022: 94%) of trade payables as at balance sheet date and average payable period for these import purchases is 121 days (31 December 2022: 92 days) whereas average payable period for domestic purchases is 29 days (31 December 2022: 29 days). For Engineering and Contracting segment, average payable period for purchases is 140 days (31 December 2022: 194 days). Investment segment is 30 days (31 December 2022: 41 days).

Explanations about the nature and level of risks related to trade payables are provided in Note 36.

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9. OTHER RECEIVABLES AND PAYABLES

a) Other Receivables:

	31 December 2023	31 December 2022
Other short-term receivables		
Deposits and guarantees given	45.609	78.843
VAT receivables	95.603	77.098
Receivables related to business combinations	454	4.652
Receivables related to sale of financial investment	2.797	-
Other doubtful receivables	571	941
Other doubtful receivable provision (-)	(571)	(941)
Other receivables	29.671	19.799
	<u>174.134</u>	<u>180.392</u>
Other long-term receivables		
Deposits and guarantees given	113.642	106.652
	<u>113.642</u>	<u>106.652</u>

b) Other Payables:

	31 December 2023	31 December 2022
Other short-term payables		
Taxes and funds payable	270.480	272.179
Deposits and guarantees received	13.966	8.113
Related party payables (Note: 34)	11.727	12.734
Other payables	210.988	96.693
	<u>507.161</u>	<u>389.719</u>
Other long-term payables		
Fair value of redeemed shares	143.434	315.332
Deposits and guarantees received	18.100	17.802
	<u>161.534</u>	<u>333.134</u>

Explanations about the nature and level of risks related to other receivables and payables are provided in Note 36.

10. INVENTORIES

	31 December 2023	31 December 2022
Raw materials	1.807.583	2.870.966
Work in progress	2.532.590	3.250.238
Finished goods	461.900	854.695
Trading goods	261.096	1.721.886
Goods in transit	1.100.744	1.374.490
Inventory at construction sites	3.519.918	2.982.599
Other inventories	276.433	338.453
Allowance for impairment on inventory (-)	(81.080)	(18.977)
	<u>9.879.184</u>	<u>13.374.350</u>

During the year ended 31 December 2023, there are no borrowing costs added to inventory (31 December 2022: None).

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10. INVENTORIES (cont'd)

<u>Movement of allowance for impairment on inventory</u>	<u>2023</u>	<u>2022</u>
Provision as at 1 January	(18.977)	(32.740)
Charge for the period (Note: 25)	(58.248)	(12.521)
Currency translation effect	(13.773)	-
Provision released	9.918	26.284
Provision as at 31 December	<u>(81.080)</u>	<u>(18.977)</u>

All of impairment expense on inventory has been charged to cost of revenue (2022: All of impairment expense on inventory has been charged to cost of revenue).

11. CONTRACT ASSETS AND LIABILITIES ARISING FROM ONGOING CONSTRUCTION WORKS

	<u>31 December 2023</u>	<u>31 December 2022</u>
Cost incurred on uncompleted contracts	165.328.024	164.533.802
Recognised gain less losses (net)	2.230.868	1.766.934
	<u>167.558.892</u>	<u>166.300.736</u>
Less: Billings to date (-)	(168.001.861)	(164.162.671)
	<u>(442.969)</u>	<u>2.138.065</u>

Costs and billings incurred on uncompleted contracts in consolidated financial statements are follows:

	<u>31 December 2023</u>	<u>31 December 2022</u>
Contract assets arising from ongoing construction works	1.081.631	3.881.099
Contract liabilities arising from ongoing construction works	(1.524.600)	(1.743.034)
	<u>(442.969)</u>	<u>2.138.065</u>
	<u>31 December 2023</u>	<u>31 December 2022</u>
<u>Contract assets arising from ongoing construction works</u>		
Contracts undersigned abroad	874.017	3.595.912
Contracts undersigned in Turkey	207.614	285.187
	<u>1.081.631</u>	<u>3.881.099</u>
<u>Contract liabilities arising from ongoing construction works</u>		
Contracts undersigned abroad	(1.439.792)	(1.507.509)
Contracts undersigned in Turkey	(84.808)	(235.525)
	<u>(1.524.600)</u>	<u>(1.743.034)</u>
	<u>(442.969)</u>	<u>2.138.065</u>

The Group has 545.405 of advances given to subcontractors and other suppliers for construction projects classified in short-term prepaid expenses (31 December 2022: 533.369). Also, the Group has 1.999.384 of advances received for contracting projects classified in deferred revenue (31 December 2022: 2.728.962) (Note:18).

As of 31 December 2023, the Group has 1.373.017 of retention payables to subcontractors (31 December 2022: 2.406.929). Also, the amount of retention receivables is 815.124. (31 December 2022: 1.573.663) (Note: 8).

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12. INVESTMENTS VALUED BY EQUITY METHOD

The details of the joint ventures of the Group, which are valued by equity method, are as follows:

Joint Ventures	Location of foundation and operation	31 December 2023		31 December 2022		Power to appoint	Industry
		Participation Rate	Amount	Participation Rate	Amount		
Azfen	Azerbaijan	40 %	1.731.155	%40	1.736.980	%40	Engineering & Contracting
			<u>1.731.155</u>		<u>1.736.980</u>		

Movement of Group's joint ventures during the year is as follows:

	2023	2022
Opening balance as at 1 January	1.736.980	258.832
Group's share on profit	57.661	1.520.793
Currency translation effect	(63.486)	(3.813)
Effect of the joint ventures sold	-	(38.832)
Closing balance as at 31 December	<u>1.731.155</u>	<u>1.736.980</u>

Group's share on profit /loss of joint ventures is as follows:

H-T Fidencilik (*)	-	361
Azfen	57.661	1.520.432
Share on profit of investments valued by equity method	<u>57.661</u>	<u>1.520.793</u>

(*) Shares of H-T Fidencilik were sold on 19 April 2022.

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12. INVESTMENTS VALUED BY EQUITY METHOD (cont'd)

Information related to financial position:

31 December 2023	Azfen
Cash and cash equivalents	786.606
Other current assets	1.267.938
Other non-current assets	2.706.467
Total Assets	<u>4.761.011</u>
Other short-term liabilities	433.123
Total Liabilities	<u>433.123</u>
Net Assets	4.327.888
Group's Ownership Rate	%40
Group's share on Net Assets	<u>1.731.155</u>
31 December 2022	Azfen
Cash and cash equivalents	2.933.419
Other current assets	2.411.115
Other non-current assets	471.174
Total Assets	<u>5.815.708</u>
Other short-term liabilities	1.473.259
Total Liabilities	<u>1.473.259</u>
Net Assets	4.342.449
Group's Ownership Rate	40%
Group's share on Net Assets	<u>1.736.980</u>

Information related to statement of profit or loss :

1 January - 31 December 2023	H-T Fidecilik (*)	Azfen	Total
Revenue	-	3.050.847	3.050.847
Depreciation and amortization expense (-)	-	(93.051)	(93.051)
Operating profit	-	171.197	171.197
Tax expense (-)	-	(27.045)	(27.045)
Profit for the Period	-	144.152	144.152
Group's Ownership Rate	-	40%	
Group's Share on Profit for the Period	-	<u>57.661</u>	<u>57.661</u>

1 January - 31 December 2022	H-T Fidecilik (*)	Azfen	Total
Revenue	50.376	11.626.937	11.677.313
Depreciation and amortization expense (-)	(1.755)	(397.035)	(398.790)
Operating profit	5.526	4.928.415	4.933.941
Financial income	194	-	194
Financial expense (-)	(4.930)	-	(4.930)
Tax expense	(68)	(1.127.337)	(1.127.405)
Loss for the Period	721	3.801.081	3.801.802
Group's Ownership Rate	50%	40%	
Group's Share on Profit for the Period	<u>361</u>	<u>1.520.432</u>	<u>1.520.793</u>

(*) Shares of H-T Fidecilik were sold on 19 April 2022.

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13. INVESTMENT PROPERTY

Cost value	Land	Buildings	Total
Opening balance as at 1 January 2023	513.395	2.169.548	2.682.943
Currency translation effect	(24.022)	3.169	(20.853)
Additions	-	6.930	6.930
Closing balance as at 31 December 2023	<u>489.373</u>	<u>2.179.647</u>	<u>2.669.020</u>
Accumulated depreciation			
Opening balance as at 1 January 2023	-	(1.007.512)	(1.007.512)
Currency translation effect	-	3.781	3.781
Charge for the year	-	(47.765)	(47.765)
Closing balance as at 31 December 2023	<u>-</u>	<u>(1.051.496)</u>	<u>(1.051.496)</u>
Carrying value as at 31 December 2023	<u>489.373</u>	<u>1.128.151</u>	<u>1.617.524</u>
Cost value			
Opening balance as at 1 January 2022	543.552	1.686.352	2.229.904
Currency translation effect	(30.157)	(4.360)	(34.517)
Additions	-	27.209	27.209
Disposals	-	(7.444)	(7.444)
Transfers from property, plant and equipment	-	467.791	467.791
Closing balance as at 31 December 2022	<u>513.395</u>	<u>2.169.548</u>	<u>2.682.943</u>
Accumulated depreciation			
Opening balance as at 1 January 2022	-	(758.844)	(758.844)
Currency translation effect	-	(289)	(289)
Charge for the year	-	(45.774)	(45.774)
Transfers to property, plant and equipment	-	(202.605)	(202.605)
Closing balance as at 31 December 2022	<u>-</u>	<u>(1.007.512)</u>	<u>(1.007.512)</u>
Carrying value as at 31 December 2022	<u>513.395</u>	<u>1.162.036</u>	<u>1.675.431</u>

Investment Property includes buildings over rental income earned and lands that are held for the investment purposes. Useful lives of investment properties are within 4 and 50 years.

Depreciation expense has been charged to cost of revenue (2022: Depreciation expense has been charged to cost of revenue).

For the year ended 31 December 2023 total rental income earned from investment properties is 168.729 (31 December 2022: 90.278). Direct operating and depreciation expenses arising on the investment properties in the year amounted to 29.679 (31 December 2022: 22.574).

The fair values of the Group's investment properties have been determined by independent valuation firms authorized by the Capital Markets Board, which are not related parties of the Group. The valuation study has been concluded according to the current purchase and sale prices of similar real estates. According to the valuation reports prepared by independent valuation companies, the fair values of investment properties as of 31 December 2023 are 2.343.045 in total (31 December 2022: 2.980.984). There is no restriction on the ability to convert the investment properties into cash or collect the amount to be obtained in case of disposal.

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14. PROPERTY, PLANT AND EQUIPMENT

	Land and land improvements	Buildings	Machinery and equipment	Vehicles	Furniture and fixtures	Construction in progress	Leasehold improvements	Total
Cost value								
Opening balance as at 1 January 2023	6.931.844	5.385.410	21.857.292	547.768	1.507.027	1.802.291	2.213.419	40.245.051
Currency translation effect	(148.579)	(49.568)	(437.408)	(36.873)	28.790	(6.205)	(3.213)	(653.056)
Additions	84.526	-	302.886	20.559	364.290	663.100	11.606	1.446.967
Disposals	(170.243)	(18.991)	(794.258)	(126.865)	(49.734)	(14.073)	(57.022)	(1.231.186)
Transfers	174.384	20.616	209.570	31.822	2.563	(1.838.121)	1.393.850	(5.316)
Closing balance as at 31 December 2023	<u>6.871.932</u>	<u>5.337.467</u>	<u>21.138.082</u>	<u>436.411</u>	<u>1.852.936</u>	<u>606.992</u>	<u>3.558.640</u>	<u>39.802.460</u>
Accumulated depreciation								
Opening balance as at 1 January 2023	(2.817.158)	(2.907.798)	(15.819.965)	(475.555)	(1.153.175)	-	(1.467.151)	(24.640.802)
Currency translation effect	66.890	24.182	365.693	35.512	33.130	-	(2.673)	522.734
Charge for the year	(197.442)	(92.571)	(718.071)	(21.049)	(103.115)	-	(85.801)	(1.218.049)
Cancellation of allowance for impairment (Note: 29)	-	34.612	-	-	-	-	-	34.612
Disposals	97.859	15.942	633.570	111.271	34.422	-	56.750	949.814
Transfers	(10.573)	-	13.511	(23.328)	20.460	-	-	70
Closing balance as at 31 December 2023	<u>(2.860.424)</u>	<u>(2.925.633)</u>	<u>(15.525.262)</u>	<u>(373.149)</u>	<u>(1.168.278)</u>	<u>-</u>	<u>(1.498.875)</u>	<u>(24.351.621)</u>
Carrying value as at 31 December 2023	<u>4.011.508</u>	<u>2.411.834</u>	<u>5.612.820</u>	<u>63.262</u>	<u>684.658</u>	<u>606.992</u>	<u>2.059.765</u>	<u>15.450.839</u>

The carrying amounts of non-current assets in the current period have not been impaired as they exceed their recoverable amounts; therefore, no provision for impairment loss has been recognized. In the current period, the impairment recorded in previous periods amounting to 34.612 has been cancelled. (31 December 2022: Provision for impairment 8.548, impairment reversal: 60.801) (Note: 29).

For the year ended 31 December 2023, no additional capitalized borrowing costs are included in property, plant, and equipment (31 December 2022: None).

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

	Land and land improvements	Buildings	Machinery and equipment	Vehicles	Furniture and fixtures	Construction in progress	Leasehold improvements	Total
<u>Cost value</u>								
Opening balance as at 1 January 2022	7.301.177	6.016.966	23.682.745	740.673	1.711.680	824.073	2.238.873	42.516.187
Currency translation effect	(497.603)	(199.137)	(1.321.732)	(91.391)	(169.296)	(17.611)	(26.621)	(2.323.391)
Additions	127.169	5.136	133.116	6.270	38.104	1.519.727	2.533	1.832.055
Disposals	(15.973)	(38.985)	(960.347)	(124.747)	(100.002)	(63)	(31.200)	(1.271.317)
Transfers	17.074	(398.570)	323.510	16.963	26.541	(523.835)	29.834	(508.483)
Closing balance as at 31 December 2022	<u>6.931.844</u>	<u>5.385.410</u>	<u>21.857.292</u>	<u>547.768</u>	<u>1.507.027</u>	<u>1.802.291</u>	<u>2.213.419</u>	<u>40.245.051</u>
<u>Accumulated depreciation</u>								
Opening balance as at 1 January 2022	(2.887.196)	(3.215.891)	(16.979.023)	(619.019)	(1.290.219)	-	(1.449.578)	(26.440.926)
Currency translation effect	250.672	128.951	1.091.718	74.818	126.475	-	28.561	1.701.195
Charge for the year	(211.653)	(91.219)	(868.975)	(35.419)	(96.818)	-	(73.493)	(1.377.577)
Allowance for impairment (Note: 29)	(8.548)	60.801	-	-	-	-	-	52.253
Disposals	10.531	31.554	937.882	117.772	94.635	-	27.359	1.219.733
Transfers	29.036	178.006	(1.567)	(13.707)	12.752	-	-	204.520
Closing balance as at 31 December 2022	<u>(2.817.158)</u>	<u>(2.907.798)</u>	<u>(15.819.965)</u>	<u>(475.555)</u>	<u>(1.153.175)</u>	<u>-</u>	<u>(1.467.151)</u>	<u>(24.640.802)</u>
Carrying value as at 31 December 2022	<u>4.114.686</u>	<u>2.477.612</u>	<u>6.037.327</u>	<u>72.213</u>	<u>353.852</u>	<u>1.802.291</u>	<u>746.268</u>	<u>15.604.249</u>

Property, plant, and equipment are depreciated over the following useful lives:

	Useful life
Land and land improvements	1-50 years
Buildings	5-50 years
Machinery and equipment	2-50 years
Vehicles	2-30 years
Furniture and fixtures	2-50 years
Leasehold improvements	3-50 years

Depreciation expense of 1.326.102 (2022: 1.474.744) has been charged to cost of revenue, 42.982 (2022: 33.694) to marketing expenses, 126.215 (2022: 154.200) to general administrative expenses, 2.903 (2022: 3.910) to research and development expenses. The depreciation expense of 33.342 (2022: 77.362) has been removed from the cost of inventories.

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(Amounts expressed in thousands of Turkish Lira (TRY) in terms of purchasing power of the TRY at 31 December 2023 unless otherwise indicated.)

15. RIGHT-OF-USE ASSETS

	Land and land improvements	Buildings	Machinery and equipments	Vehicles	Furniture and fixtures and other	Total
Cost value						
Opening balance as at 1 January 2023	108.883	10.397	157.175	80.519	3.279	360.253
Currency translation effect	-	6.711	88.769	377	16	95.873
Additions	88.158	33.434	109.891	48.141	-	279.624
Disposals	(15.066)	(4.660)	(25.825)	(60.314)	(1.409)	(107.274)
Closing balance as at 31 December 2023	<u>181.975</u>	<u>45.882</u>	<u>330.010</u>	<u>68.723</u>	<u>1.886</u>	<u>628.476</u>
Accumulated depreciation						
Opening balance as at 1 January 2023	(18.945)	(5.763)	(35.686)	(55.818)	(1.963)	(118.175)
Currency translation effect	-	(1.310)	(23.054)	(179)	-	(24.543)
Charge for the year	(20.190)	(9.829)	(111.361)	(27.102)	(882)	(169.364)
Disposals	14.240	3.268	10.672	58.068	1.409	87.657
Closing balance as at 31 December 2023	<u>(24.895)</u>	<u>(13.634)</u>	<u>(159.429)</u>	<u>(25.031)</u>	<u>(1.436)</u>	<u>(224.425)</u>
Carrying value as at 31 December 2023	<u><u>157.080</u></u>	<u><u>32.248</u></u>	<u><u>170.581</u></u>	<u><u>43.692</u></u>	<u><u>450</u></u>	<u><u>404.051</u></u>

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15. RIGHT-OF-USE ASSETS (cont'd)

	Land and land improvements	Buildings	Machinery and equipments	Vehicles	Furniture and fixtures and other	Total
Cost value						
Opening balance as at 1 January 2022	106.757	87.031	24.161	180.852	10.340	409.141
Currency translation effect	-	(9.916)	20.460	(15.785)	(347)	(5.588)
Additions	14.459	3.620	122.862	12.017	1.887	154.845
Disposals	(12.333)	(70.338)	(10.308)	(96.565)	(8.601)	(198.145)
Closing balance as at 31 December 2022	<u>108.883</u>	<u>10.397</u>	<u>157.175</u>	<u>80.519</u>	<u>3.279</u>	<u>360.253</u>
Accumulated depreciation						
Opening balance as at 1 January 2022	(16.217)	(61.333)	(7.055)	(93.498)	(8.755)	(186.858)
Currency translation effect	-	6.810	(5.273)	6.927	714	9.178
Charge for the year	(11.349)	(18.136)	(33.666)	(62.872)	(1.897)	(127.920)
Disposals	8.621	66.896	10.308	93.625	7.975	187.425
Closing balance as at 31 December 2022	<u>(18.945)</u>	<u>(5.763)</u>	<u>(35.686)</u>	<u>(55.818)</u>	<u>(1.963)</u>	<u>(118.175)</u>
Carrying value as at 31 December 2022	<u>89.938</u>	<u>4.634</u>	<u>121.489</u>	<u>24.701</u>	<u>1.316</u>	<u>242.078</u>

Right-of-use assets are depreciated over the following useful lives:

	Useful life
Land and land improvements	2-50 years
Buildings	5-50 years
Machinery and equipment	2-25 years
Vehicles	2-15 years
Furniture and fixtures and other	2-50 years

Depreciation expense of 142.706 (2022: 90.413) has been charged to cost of revenue, 10.265 (2022: 9.545) to marketing expenses, 16.393 (2022: 27.453) to general administrative expenses. There is no expense added on the research and development expenses (2022: 509).

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16. OTHER INTANGIBLE ASSETS

<u>Cost Value</u>	<u>Rights</u>	<u>Other</u>	<u>Total</u>
Opening balance as at 1 January 2023	695.821	6.163	701.984
Currency translation effect	(16.406)	(90)	(16.496)
Additions	1.496	-	1.496
Disposals	(2.944)	(160)	(3.104)
Transfers	5.246	-	5.246
Closing balance as at 31 December 2023	<u>683.213</u>	<u>5.913</u>	<u>689.126</u>
<u>Accumulated amortization</u>			
Opening balance as at 1 January 2023	(521.707)	(5.530)	(527.237)
Currency translation effect	13.735	83	13.818
Charge for the year	(29.676)	(3)	(29.679)
Disposals	2.920	145	3.065
Closing balance as at 31 December 2023	<u>(534.728)</u>	<u>(5.305)</u>	<u>(540.033)</u>
Carrying value as at 31 December 2023	<u>148.485</u>	<u>608</u>	<u>149.093</u>
<u>Cost value</u>	<u>Rights</u>	<u>Other</u>	<u>Total</u>
Opening balance as at 1 January 2022	745.550	7.173	752.723
Currency translation effect	(53.847)	(1.010)	(54.857)
Additions	6.878	-	6.878
Disposals	(12.707)	-	(12.707)
Transfers	9.947	-	9.947
Closing balance as at 31 December 2022	<u>695.821</u>	<u>6.163</u>	<u>701.984</u>
<u>Accumulated amortization</u>			
Opening balance as at 1 January 2022	(539.913)	(6.495)	(546.408)
Currency translation effect	46.169	972	47.141
Charge for the year	(37.187)	(7)	(37.194)
Disposals	9.224	-	9.224
Closing balance as at 31 December 2022	<u>(521.707)</u>	<u>(5.530)</u>	<u>(527.237)</u>
Carrying value as at 31 December 2022	<u>174.114</u>	<u>633</u>	<u>174.747</u>

Intangible assets are amortized over useful lives of rights through 2 to 25 years and useful lives of other intangibles through 2 to 5 years.

Amortization expense of 928 (2022: 2.290) has been charged to general administrative expenses, 28.751 (2022: 34.851) to cost of revenue.

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17. GOODWILL

Subsidiaries Acquired	Nature of Business	Date of Acquisition	Ratio of Shares Acquired	Acquisition Price	Goodwill
Denkmal in Dahlem Otto-Hahn-Platz GmbH	Engineering & Contracting	30 July 2019	80%	170.431	-
Toros Gönen Yenilenebilir Enerji Üretim A.Ş.	Agricultural Industry	31 July 2019	70%	164.509	151.984
Toros Meram Yenilenebilir Enerji Üretim A.Ş.	Agricultural Industry	14 February 2020	99,9%	103.104	88.615
				438.044	240.599

Breakdown of the acquisition price is as follows:

	Denkmal Dahlem	Gönen Enerji	Meram Enerji	Total
Paid in cash	170.431	164.509	103.104	438.044
Acquisition price	170.431	164.509	103.104	438.044

The main items related to assets acquired and liabilities undertaken at the acquisition date are as follows:

	Denkmal Dahlem	Gönen Enerji	Meram Enerji	Total
Current assets	897.248	85.868	84.229	1.067.345
Cash and cash equivalents	3.844	53.807	12.629	70.280
Other current assets	893.404	32.061	71.600	997.065
Non-current assets	10.652	187.610	53.529	251.791
Tangible and intangible assets	10.652	178.811	53.056	242.519
Other non-current assets	-	8.799	473	9.272
Current liabilities	327.042	123.058	123.249	573.349
Non-current liabilities	458.575	132.527	-	591.102
Net assets	122.283	17.893	14.509	154.685

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17. GOODWILL (cont'd)

As a result of the acquisitions, the Group obtained control of the companies so that goodwill arisen. The goodwill arising from the acquisitions is as follows:

	Denkmal Dahlem	Gönen Enerji	Meram Enerji	Total
Acquisition price	170.431	164.509	103.104	438.044
Non-controlling interest	24.457	5.368	20	29.845
Less: Fair value of net assets of the acquired company	(122.283)	(17.893)	(14.509)	(154.685)
Impairment (-)	(72.605)	-	-	(72.605)
Goodwill	-	151.984	88.615	240.599

Net cash outflow concerning the acquisition is as follows:

	Denkmal Dahlem	Gönen Enerji	Meram Enerji	Total
Paid in cash	170.431	164.509	103.104	438.044
Less: Cash and cash equivalents of the acquired company	(3.844)	(53.807)	(12.629)	(70.280)
Net cash outflow	166.587	110.702	90.475	367.764

Movement of Goodwill is as follows:

	Denkmal Dahlem	Gönen Enerji	Meram Enerji	Total
Opening balance as at 1 January 2023	73.211	151.984	88.615	313.810
Impairment (Note: 29)	(57.184)	-	-	(57.184)
Currency translation effect	(16.027)	-	-	(16.027)
Closing balance as at 31 December 2023	-	151.984	88.615	240.599
Opening balance as at 1 January 2022	88.565	151.984	88.615	329.164
Currency translation effect	(15.354)	-	-	(15.354)
Closing balance as at 31 December 2022	73.211	151.984	88.615	313.810

As a result of the decrease in housing prices in Germany related to the renovation and planned sale of buildings, a provision for impairment of the entire Denkmal Dahlem goodwill has been allocated in the consolidated financial statements.

The Group has calculated the recoverable amount of goodwill arising from other acquisitions and has not determined any impairment in the year ended 31 December 2023. (31 December 2022: None). The discounted cash flow method has been used in calculating the recoverable amounts of the cash generating units to which the goodwill is distributed, and the cash flows expected to be obtained in the future are discounted to the present using appropriate discount factors. The weighted average cost of capital ratio as the discount factor used in the calculations for Gönen Enerji and Meram Enerji is 10,6%.

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18. PREPAID EXPENSES AND DEFERRED REVENUE

	31 December 2023	31 December 2022
<u>Short-term prepaid expenses</u>		
Advances paid for construction projects (Note: 11)	545.405	533.369
Prepaid expenses	494.318	454.796
Order advances given	35.149	36.106
Business advances given	5.020	6.609
	<u>1.079.892</u>	<u>1.030.880</u>
<u>Long-term prepaid expenses</u>		
Prepaid expenses	25.814	35.960
Advances given for fixed assets	37.391	42.005
	<u>63.205</u>	<u>77.965</u>
<u>Short-term deferred revenue</u>		
Advances received for construction projects (Note: 11)	1.999.384	2.728.962
Other advances received	1.112.017	645.919
Income relating to future months	34.257	106.196
	<u>3.145.658</u>	<u>3.481.077</u>
<u>Long-term deferred revenue</u>		
Income relating to future years	912	933
	<u>912</u>	<u>933</u>

19. GOVERNMENT GRANTS AND INCENTIVES

Tekfen Tarım benefits from the certified seed production support according to the support amounts determined in the Communiqué about “Supporting Payment to Crop Production” published in the Official Gazette for its production of certified wheat seeds. In addition, Tekfen Tarım benefits from certified seed production support, certified seed usage support, diesel fertilizer support, difference support according to turkey agricultural basins production and support model and sapling production support for its potato, seed wheat, fallow field and banana saplings product groups in the amount determined in “Commun. on Payment of Support to Plant Production”.

In the plant production section of Tekfen Tarım, the application made to the Ministry of Industry and Technology has been concluded as positive and as of 22 November 2018, Tekfen Tarım has been granted the Research and Development (“R&D”) Center Certificate for Adana-Agripark facilities. In this context, it can benefit from the discounts and supports specified in the Law No. 5746. Within the scope of the grant support programs of R&D projects, support is received at the rate of 60%-70% of the total project budgets requested according to the relevant regulations and financial principles. The amount and duration of the support varies according to the projects submitted and the institutions applied for and these supports are used.

Alanar Meyve, benefits from “Good Agricultural Practices” and “Diesel and Fertilizer” supports of Ministry of Agriculture and Forestry.

In order to meet the demands and requirements of the industry, improve the product range, domestically produce fertilizers that are not produced in Turkey and optimize the logistics factors, it's been deduced to establish a R&D center in Mersin factory plant of Toros Tarım. Permission application to the Ministry of Industry and Technology was made on 22 June 2017 and R&D center was approved on 1 August 2017.

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20. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

a) Provisions

	31 December 2023	31 December 2022	
Short-term other provisions			
Provision for litigation	43.654	45.195	
Other provisions	2.666.688	632.784	
	2.710.342	677.979	
Long-term other provisions			
Other provisions	-	31	
	-	31	
	Provision for litigation	Other liability provisions	Total Other Provisions
Opening balance as at 1 January 2023	45.195	632.815	678.010
Currency translation effect	(1.504)	389.786	388.282
Charge for the period	12.428	1.971.485	1.983.913
Provision paid	(2.586)	-	(2.586)
Provision released	(2.011)	(310.736)	(312.747)
Monetary (gain)/ loss	(7.868)	(16.662)	(24.530)
Closing balance as at 31 December 2023	43.654	2.666.688	2.710.342
Opening balance as at 1 January 2022	108.544	1.290.539	1.399.083
Currency translation effect	(28.693)	(199.326)	(228.019)
Charge for the period	12.308	131.870	144.178
Provision paid	(2.112)	-	(2.112)
Provision released	(40.672)	(572.934)	(613.606)
Monetary (gain)/ loss	(4.180)	(17.334)	(21.514)
Closing balance as at 31 December 2022	45.195	632.815	678.010

b) Contingent Assets and Liabilities

Contractual Assets and Obligations:

Defects Liabilities

Based on the agreements signed with customers, the Group's subsidiary Tekfen İnşaat ensures to maintain its contract operations until the end of guarantee period and undertake the construction, maintenance, and general maintenance of related assets for the periods and conditions stated on the agreements. In case the customer determines any defects after the provisional acceptance of the contract, Tekfen İnşaat can be obliged to remedy the defect.

Penalty of Default

Based on the agreements signed with the customers, if Tekfen İnşaat fails to complete in full or partially its contract operations within the determined period, it may pay penalty amount for such defaults to its customers.

Litigations:

As of 31 December 2023, except Libya counterclaim, lawsuit filed against the Group is totally 1.443.673 (31 December 2022: 1.817.237) and the management has decided to accrue 43.654 (31 December 2022: 45.195) of provision for lawsuits that might have high probability of potential outflow from the Group upon the consultation of legal advisors. Based on the legal advice of lawyers, no significant risks are foreseen regarding of lawsuits filed against the Group.

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20. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (cont'd)

b) Contingent Assets and Liabilities (cont'd):

Litigations (cont'd):

Libya Arbitration Claim

Within the context of the Group's decision taken on 30 January 2015 to apply for International Arbitration with the aim of claiming all of its rights, receivables and assets connected with The Great Man-Made River Project, which was undertaken in Libya by Tekfen-TML Joint Venture (Tekfen TML J.V.), a joint venture of the Group with 67% participation rate, – that having been halted on 21 February 2011 owing to events taking place in the aforesaid country and the instability thus caused – the Group applied to the International Court of Arbitration of the International Chamber of Commerce (ICC) for commercial arbitration against the Great ManMade River Authority (MMRA) as the 'employer', and against the State of Libya. A statement on this subject was duly made in the Announcement of 18 June 2015. In the subsequent announcement of 12 October 2015, the company further reported that a second arbitration case has been filed at the ICC against the Libyan State on the basis of the Agreement on the Mutual Promotion and Protection of Investments ("AMPPPI") signed between the Libyan and Turkish States. The partial award handed down in relation to the contractual arbitration case filed with the ICC on the basis of this Agreement has been notified to the Tekfen TML J.V.

In this partial award, the Arbitration Tribunal has ruled that the MMRA falls within its jurisdiction, but that the State of Libya does not; that the MMRA should pay the Tekfen TML J.V. the sum of 40.499 Thousand USD (of which the Group's share is 27.134 Thousand USD) as compensation; that the MMRA should pay the Tekfen TML J.V. the sum of 5.000 Thousand USD (of which the Group's share is 3.350 Thousand USD) in respect of the Tekfen TML J.V.'s legal expenses; that the parties should be asked to submit additional petitions for the determination of the rates of interest to be charged with respect to the aforementioned figures; that all counterclaims of the defendant (the MMRA) should be dismissed with the exception of a minor one for 365 Thousand USD and that only this amount should be deducted from the sum awarded to the Tekfen TML J.V.; that it was necessary for the agreement between the Tekfen TML J.V. and the MMRA to be readjusted in accordance with the changed conditions now in force; and that provision for matters such as the mechanical equipment needed in order for the Tekfen TML J.V. to continue its work should be evaluated within the framework of the revisions to be requested.

Based on the the decision of the Arbitral Tribunal, the parties started negotiations to redefine the terms of the contract for the remainder of the case. However, no agreement was reached.

In accordance with the Memorandum of Understanding (MoU), which took effect on 13 August 2020 and 24 September 2020, for the settlement of the issues arising from the contracts of Turkish companies with the employer administrations in Libya between the Republic of Turkey and the Government of National Accord of the Libyan State, it is foreseen that the contractors will apply by letter to the Administrations within 90 days and start negotiations for the future of the projects. In this context, the employer MMRA has started to be more actively involved in the negotiations with the entry into force of the MoU. In this process, the Employer MMRA formed a four-person commission to discuss the terms of termination and Tekfen TML J.V.'s demands. The parties have agreed in principle to terminate the construction contract, provided that it does not prejudice their rights and demands in the arbitration process and that the agreed matters remain confidential, and it has been agreed to hold a meeting for the signing of the final agreement text.

Consequently, an agreement has been reached with the Employer MMRA to pay Tekfen TML J.V. a net sum of 35.408 Thousand USD. From the first part of this price, 12.678 Thousand USD, in the second arbitration, the remaining 9.013 Thousand USD was collected after deducting the amount Tekfen TML J.V. was decided to pay to Libya. An agreement has been reached to pay the remaining unsecured receivable in the amount of 22.730 Thousand USD in four installments of different amounts until 31.12.2025.

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21. COMMITMENTS

Collateral, pledge, mortgage and bill of guarantee (CPMB) position of the Group as of 31 December 2023 and 2022 is as follows.

31 December 2023	Equivalent of Thousands TRY	<i>Thousands of US Dollars</i>	<i>Thousands of EUR</i>	<i>Other (Equivalent of Thousands TRY)</i>
A. CPMB given on behalf of its own legal entity	2.098	-	-	2.098
-Collateral	2.098	-	-	2.098
-Pledge	-	-	-	-
-Mortgage	-	-	-	-
-Bill of guarantee	-	-	-	-
B. CPMB given on behalf of subsidiaries that are included in full consolidation	38.614.389	864.005	64.438	11.080.640
-Collateral	13.709.155	260.948	64.438	3.928.316
-Pledge	-	-	-	-
-Mortgage	-	-	-	-
-Bill of guarantee	24.905.234	603.057	-	7.152.324
C. CPMB given in order to guarantee third parties' debts for the routine trade operations	2.290	-	-	2.290
-Collateral	-	-	-	-
-Pledge	-	-	-	-
-Mortgage	-	-	-	-
-Bill of guarantee	2.290	-	-	2.290
D. Total amounts of other CPMB given	-	-	-	-
i. Total amount of CPMB given on behalf of parent company	-	-	-	-
ii. Total amount of CPMB given on behalf of other group companies that are not included group B and C	-	-	-	-
iii. Total amount of CPMB given on behalf of third parties that are not included group C	-	-	-	-
Total as of 31 December 2023	38.618.777	864.005	64.438	11.085.028
31 December 2022	Equivalent of Thousands TRY	<i>Thousands of US Dollars</i>	<i>Thousands of EUR</i>	<i>Other (Equivalent of Thousands TRY)</i>
A. CPMB given on behalf of its own legal entity	3.457	-	-	3.457
-Collateral	3.457	-	-	3.457
-Pledge	-	-	-	-
-Mortgage	-	-	-	-
-Bill of guarantee	-	-	-	-
B. CPMB given on behalf of subsidiaries that are included in full consolidation	52.441.532	1.173.534	70.214	13.979.124
-Collateral	17.603.244	345.581	70.199	4.650.203
-Pledge	-	-	-	-
-Mortgage	-	-	-	-
-Bill of guarantee	34.838.288	827.953	15	9.328.921
C. CPMB given in order to guarantee third parties' debts for the routine trade operations	7.909	-	-	7.909
-Collateral	1.264	-	-	1.264
-Pledge	-	-	-	-
-Mortgage	-	-	-	-
-Bill of guarantee	6.645	-	-	6.645
D. Total amounts of other CPMB given	-	-	-	-
i. Total amount of CPMB given on behalf of parent company	-	-	-	-
ii. Total amount of CPMB given on behalf of other group companies that are not included group B and C	-	-	-	-
iii. Total amount of CPMB given on behalf of third parties that are not included group C	-	-	-	-
Total as of 31 December 2022	52.452.898	1.173.534	70.214	13.990.490

Since there are not any CPMBs mentioned in D item, the ratio to the total equity is not presented.

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22. EMPLOYEE BENEFITS

	31 December 2023	31 December 2022
<u>Employee benefit payables</u>		
Salary accruals	209.155	178.602
Social security withholding payables	188.610	103.961
	<u>397.765</u>	<u>282.563</u>
<u>Short-term provisions attributable to employee benefits</u>		
Retirement pay provision	56.594	110.243
Unused vacation pay liability provision	191.379	205.510
Premium provision	48.756	124.467
	<u>296.729</u>	<u>440.220</u>
<u>Long-term provisions attributable to employee benefits</u>		
Retirement pay provision	521.288	695.308
Premium provision	123.818	114.304
	<u>645.106</u>	<u>809.612</u>
Short-term retirement pay provision	56.594	110.243
Long-term retirement pay provision	521.288	695.308
	<u>577.882</u>	<u>805.551</u>

Retirement pay provision:

Retirement pay provision regarding Turkish employees located abroad:

The Group is liable to pay retirement benefit for each qualified personnel abroad according to the legislation of the relevant country. In addition to this, according to Group's retirement benefit policy, the Group pays retirement benefits to its retirees.

Retirement pay provision for Turkish personnel employed in Turkey:

The Group is obliged to pay severance payment to every employee who completed at least one year of service and whose employment contract has been terminated in accordance with the provisions of the Labor Law and other relevant legislation in force in Turkey is entitled to severance pay.

Group has calculated current year's amount by using the upper limit 35.058,58 TRY which is effective on or after 1 January 2024 (1 January 2023 : 32.926,11 TRY). The amount payable to the employee is limited to employee's one-month worth salary or to the upper limit of retirement pay provision for each period of service as of 31 December 2023.

There is no legal funding requirement for retirement pay liability.

The provision is calculated by estimating the present value of the future probable obligation of the Group arising from the retirement of employees (not applicable for employees who are working in construction projects). TAS 19 ("Employee Benefits") requires actuarial valuation methods to be developed to estimate the Group's obligation under defined benefit plans. Accordingly, the following actuarial assumptions are used in the calculation of the total liability.

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22. EMPLOYEE BENEFITS (cont'd)

Retirement pay provision (cont'd):

Retirement pay provision for Turkish personnel employed in Turkey (cont'd):

The principal assumption is that the maximum liability for each year of service will increase parallel with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. Consequently, in the consolidated financial statements as of 31 December 2023, the provision has been calculated by estimating the present value of the future probable obligation arising from the retirement of the employees. The provisions are calculated by taking the real discount rate as approximately 1,24% as of 31 December 2023 (31 December 2022: 0,14%). Approximately proportion of voluntarily terminations requiring no payments are also considered.

Retirement pay provision of foreign employees located abroad:

The Group and its consolidated subsidiaries are subject to regulations where they operate in. Provisional amounts for the subject matter laws have been provided in the consolidated financial statements.

Retirement pay provision for subcontractor employee:

The Group and the subcontractor companies are jointly responsible for the retirement pay provision of subcontractor employees at the construction projects. In order to guarantee subcontractors commitment, the Group provides deductions from subcontractor's progress billings and letter of guarantee. Retirement pay provision calculation for subcontractor's personnel is subject to regulations where they operate in and the agreements between the Group and the subcontractors.

	Retirement Pay Provision	Premium Provision	Unused vacation pay liability provision	Total provisions attributable to employee benefits
Opening balance as at 1 January 2023	805.551	238.771	205.510	1.249.832
Currency translation effect	(109.921)	(2.300)	(20.519)	(132.740)
Charge for the period	168.357	127.109	119.955	415.421
Interest expense	22.081	-	-	22.081
Provision paid	(236.892)	(65.627)	(100.527)	(403.046)
Provision released	(57.816)	(92.777)	(2.592)	(153.185)
Actuarial loss	12.188	-	-	12.188
Monetary (Loss) / Gain	(25.666)	(32.602)	(10.448)	(68.716)
Closing balance as at 31 December 2023	<u>577.882</u>	<u>172.574</u>	<u>191.379</u>	<u>941.835</u>
Opening balance as at 1 January 2022	826.678	351.276	307.353	1.485.307
Currency translation effect	(119.980)	(37.319)	(53.093)	(210.392)
Charge for the period	132.671	202.417	105.902	440.990
Interest expense	28.450	-	-	28.450
Provision paid	(225.953)	(65.642)	(136.789)	(428.384)
Provision released	(4.335)	(166.996)	(3.709)	(175.040)
Actuarial loss	247.211	-	-	247.211
Monetary (Loss) / Gain	(79.191)	(44.965)	(14.154)	(138.310)
Closing balance as at 31 December 2022	<u>805.551</u>	<u>238.771</u>	<u>205.510</u>	<u>1.249.832</u>

115.936 (2022: 128.791) of current year charge and released provisions for retirement pay has been included in cost of revenue, 14.560 (2022: 24.904) has been included in general administration expenses, 4.033 (2022: 2.526) has been included in marketing expenses and 1.907 (2022: 565 included) have been removed in research and development expenses.

3.476 (2022: 17.777) of current year charge and released provision for premiums have been included in cost of revenue, 6.634 (2022: 10.484) has been included in marketing expenses, and 24.379 (2022: 6.808) has been included in general administration expenses, and 157 (2022: 351 included) have been removed in research and development expenses.

82.890 (2022: 92.806) of current year charge and released provision for unused vacation pay liability has been included in cost of revenue, 32.661 (2022: 8.642) has been included in general administrative expenses and 1.812 (2022: 745) has been included in marketing expenses.

Translated into English from the report originally issued in Turkish.

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23. OTHER CURRENT/NON-CURRENT ASSETS AND OTHER SHORT-TERM LIABILITIES

	31 December 2023	31 December 2022
Other current assets		
VAT receivables	750.065	782.016
Withholding tax of ongoing construction contracts	7.443	6.991
Other current assets	118.511	34.107
	<u>876.019</u>	<u>823.114</u>
Other non-current assets		
Withholding tax of ongoing construction contracts	103.063	113.014
VAT receivables	19.299	29.422
	<u>122.362</u>	<u>142.436</u>
Other short-term liabilities		
VAT calculated	34.610	4.806
Other	77	423
	<u>34.687</u>	<u>5.229</u>

24. SHAREHOLDERS' EQUITY

a) Share Capital

After the changes in the shareholders' structure during the period, the structure of the paid in capital as of 31 December 2023 and 2022 is as follows:

Shareholders	(%)	31 December 2023	(%)	31 December 2022
Berker family	23,55%	87.122	23,55%	87.122
Gökyiğit family	19,86%	73.488	20,06%	74.233
Akçağlılar family	6,65%	24.611	6,65%	24.611
Publicly traded	49,94%	184.779	49,74%	184.034
Paid in capital	100,00%	370.000	100,00%	370.000
Capital structure adjustments		4.653.580		4.653.580
Restated capital		<u>5.023.580</u>		<u>5.023.580</u>

(*) Indicates the total of owners with shares less than 5%.

Registered and issued capital comprises 370.000.000 shares at 1 TRY par value (31 December 2022: 370.000.000). All these shares consist of bearer common shares.

According to the articles of association of the Company, 5% of the net profit is reserved as first order legal reserves up to 20% of the paid-up capital. At least 30% but not less than the rate and amount determined by the CMB of the amount that to be found by the addition of donations made within the year to the remaining part of the net profit is distributed as first dividend. Up to 3% of the remaining net profit is devoted to Tekfen Eğitim Sağlık Kültür Sanat ve Doğal Varlıkları Koruma Vakfı which holds preference shares.

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24. SHAREHOLDERS' EQUITY (cont'd)

b) Accumulated other comprehensive income or loss that will be not reclassified / reclassified in profit or loss.

	31 December 2023	31 December 2022
Accumulated other comprehensive income or loss that will not be reclassified in profit or loss		
- Loss on investments in equity instruments	(2.063.932)	(1.925.896)
- Loss on revaluation and remeasurement	(174.268)	(191.106)
	<u>(2.238.200)</u>	<u>(2.117.002)</u>
Accumulated other comprehensive income or loss that will be reclassified in profit or loss		
- Currency translation reserve	812.573	1.678.707
- Loss on hedging (Note: 35)	(9.408)	(454.894)
	<u>803.165</u>	<u>1.223.813</u>

Gain / (loss) on investments in equity instruments:

Gain (loss) on investments in equity instruments consists of changes in fair value of fair value through other comprehensive income financial investments.

Gain on revaluation and remeasurement:

Gain on revaluation and remeasurement consists of all actuarial gains and losses, which are calculated in accordance with revised TAS 19 and recognized in other comprehensive income.

Currency Translation Reserve:

Group's consolidated reporting currency is TRY. In accordance with TAS 21 (The Effects of Changes in Foreign Exchange Rates), balance sheet items of the companies, whose functional currencies are differed from TRY, are translated into TRY with the rates prevailing at the balance sheet date and revenue, expenses and cash flows are translated with the exchange rates at the transaction date (historical rates) or yearly average rate in the presentation of Group's consolidated financial statements. Gain or loss arising from the translation is recognized in the foreign currency translation reserve under equity which is 812.573 (31 December 2022: 1.678.707).

Gains on hedging:

The hedging reserve represents the cumulative effective portion of gains or losses arising on changes in fair value of hedging instruments entered for cash flow hedges under equity. The cumulative gain or loss arising on changes in fair value of the hedging instruments that are recognized and accumulated under the heading of cash flow hedging reserve will be reclassified to profit or loss only when the hedged transaction affects the profit or loss.

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24. SHAREHOLDERS' EQUITY (cont'd)

c) Legal Reserves

	31 December 2023	31 December 2022
Legal reserves	3.393.483	3.184.008

The legal reserves consist of first and second legal reserves, appropriated in accordance with the Turkish Commercial Code. The first legal reserve is appropriated out of historical statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the historical paid-in share capital. The second legal reserve is appropriated after the first legal reserve and dividends, at the rate of 10% per annum of all cash dividend distributions.

Profit Distribution:

Listed companies distribute profit in accordance with the Communiqué No. II-19.1 issued by CMB which is effective from 1 February 2014.

Companies distribute profit in accordance with their dividend payment policies settled and dividend payment decision taken in general assembly and in conformity with relevant legislations. The communiqué does not constitute a minimum dividend rate. Companies distribute profit in accordance with the method defined in their dividend policy or articles of incorporation. In addition, dividend can be distributed by fixed or variable installments and advance dividend can be paid in accordance with profit on interim financial statement of the Company.

In accordance with TCC, unless the required reserves and the dividend for shareholders as determined in the article of association or in the dividend distribution of the company are set aside, no decision may be made to set aside other reserves, to transfer profits to the subsequent year or to distribute dividends to the holders of usufruct right certificates, to the members of the board of directors or to the employees; and no dividend can be

Upon the resolution of the Ordinary General Assembly held on 7 April 2023, it is decided to distribute 4,03 TL (2021: 1,53 TL) gross cash dividends per share attributable to the operations of the year of 2022. It has been decided to pay a total of 1.595.451 (2021: 604.250) dividends, 1.491.153 (2021: 565.733) to the shareholders and 104.298 (2021: 38.517) to the Tekfen Eğitim Sağlık Kültür Sanat ve Doğal Varlıkları Koruma Vakfı, which owns the dividend shares, and it was paid in the current period.

d) Premiums in Capital Stock

Group has done public offering (22,50%) of issued 66.775 shares by increased capital on 23 November 2007. The income from this public offering is 4.865.686. After 164.130 expenses directly related to the public offering deducted, 3.847.647 is accounted as premium in capital stock in shareholder's equity.

e) Additional Information Regarding Inflation Adjustments

A comparison of the Group's equity items restated for inflation in the consolidated financial statements as of 31 December 2023 and the restated amounts in the financial statements prepared in accordance with legal legislation and TAS/IFRS are as follows:

31 December 2023	Inflation adjusted amounts in the financial statements prepared in accordance with legal legislation	Inflation adjusted amounts in the financial statements prepared in accordance with TAS/IFRS	Differences recognized in retained earnings
Adjustments to paid in capital	7.344.368	4.653.580	2.690.788
Premiums in capital stock	6.182.319	3.847.647	2.334.672
Legal reserves	4.725.929	3.393.483	1.332.446

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25. REVENUE AND COST OF REVENUE

Revenue	1 January - 31 December 2023	1 January - 31 December 2022
Engineering & Contracting Group Revenue	15.898.113	18.055.844
- <i>Contract revenue – abroad</i>	10.010.092	15.250.519
- <i>Contract revenue – domestic</i>	3.728.310	2.106.056
- <i>Joint operations – abroad</i>	2.000.240	501.353
- <i>Joint operations – domestic</i>	49.577	65.319
- <i>Other revenue</i>	109.894	132.597
Agricultural Industry Group Revenue	26.883.280	36.647.532
- <i>Fertilizer sales revenue</i>	25.356.575	34.663.949
- <i>Other revenue</i>	1.526.705	1.983.583
Investment Group Revenue	354.612	288.948
	<u>43.136.005</u>	<u>54.992.324</u>

The Group derives its revenue from the transfer of goods and services over time and at a point in time in the following major product lines. This is consistent with the revenue information that is disclosed for each reportable segment under TFRS 8. Performance obligations arising from the Engineering and Contracting segment are fulfilled over time. A significant portion of performance obligations arising from other reportable segments are fulfilled at a point in time.

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25. REVENUE AND COST OF REVENUE (cont'd)

	1 January - 31 December 2023	1 January - 31 December 2022
Cost of revenue (-)		
Cost of raw materials used	(25.251.681)	(32.485.864)
Personnel expenses	(4.728.233)	(5.814.509)
Subcontractor expenses	(3.075.964)	(5.610.569)
Project loss provisions (Note: 20)	(1.714.853)	467.934
Depreciation expenses (Note: 13,14,15,16)	(1.326.102)	(1.474.744)
Machinery, vehicle and other rent expenses	(1.248.654)	(1.368.657)
Construction site expenses	(1.136.877)	(1.210.839)
Energy and fuel expenses	(1.093.944)	(1.568.260)
Maintenance expenses	(435.803)	(547.742)
Consultancy expenses	(293.705)	(255.273)
Transportation expenses	(262.517)	(987.306)
Services obtained from third parties	(166.824)	(163.345)
Comission expenses	(132.161)	(137.796)
Insurance expenses	(104.833)	(92.913)
Traveling expenses	(92.360)	(148.249)
Cost of merchandises sold	(71.633)	(125.696)
Engineering expenses	(50.590)	(133.724)
Allowance for impairment on inventory (Note: 10)	(48.330)	13.763
Provision for doubtful receivables (Note: 8)	(47.846)	(5.525)
Custom expenses	(31.243)	(42.477)
Consumable and other material expenses	(5.861)	(7.428)
Other	(587.013)	(498.066)
	<u>(41.907.027)</u>	<u>(52.197.285)</u>

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

	1 January - 31 December 2023	1 January - 31 December 2022
General administrative expenses (-)	(1.664.650)	(1.611.988)
Marketing expenses (-)	(1.814.604)	(1.538.919)
Research and development expenses (-)	(56.280)	(49.516)
	<u>(3.535.534)</u>	<u>(3.200.423)</u>
<u>Details of general administrative expenses</u>		
Personnel expenses	(957.874)	(840.370)
Office and administration expenses	(157.910)	(149.880)
Consultancy expenses	(152.130)	(132.378)
Depreciation and amortization expenses (Note: 14,15,16)	(126.215)	(154.200)
Communication expenses	(40.905)	(27.370)
Duties, charges and other tax expenses	(26.612)	(22.765)
Services obtained from third parties	(25.866)	(12.763)
Traveling expenses	(14.688)	(14.113)
Insurance expenses	(10.413)	(15.517)
Energy and fuel expenses	(7.132)	(12.750)
Hospitality expenses	(6.548)	(3.501)
Provision for doubtful receivables (Note: 8)	(5.955)	(2.801)
Maintenance expenses	(4.514)	(9.753)
Tender preparation expenses	(3.502)	(37.659)
Bank and notary expenses	(3.314)	(10.242)
Transportation expenses	(974)	(2.435)
Reversal of doubtful receivable provision (Note: 8)	174	201
Other expenses	(120.272)	(163.692)
	<u>(1.664.650)</u>	<u>(1.611.988)</u>
<u>Details of marketing expenses</u>		
Transportation expenses	(1.165.371)	(892.189)
Services obtained from third parties	(320.186)	(208.000)
Personnel expenses	(127.760)	(104.126)
Depreciation and amortization expenses (Note: 14,15)	(42.982)	(33.704)
Custom expenses	(39.514)	(164.162)
Warehouse expenses	(22.435)	(19.336)
Energy and fuel expenses	(19.279)	(30.135)
Duties, charges and other tax expenses	(14.553)	(25.190)
Traveling expenses	(7.719)	(7.049)
Maintenance expenses	(7.060)	(8.075)
Advertisement expenses	(5.554)	(5.171)
Office and administration expenses	(2.602)	(1.801)
Insurance expenses	(1.938)	(2.887)
Hospitality expenses	(1.657)	(2.249)
Consultancy expenses	(469)	(5.894)
Other expenses	(35.525)	(28.951)
	<u>(1.814.604)</u>	<u>(1.538.919)</u>

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

	1 January - 31 December 2023	1 January - 31 December 2022
<u>Details of research and development expenses</u>		
Personnel expenses	(49.953)	(34.844)
Consultancy expenses	(4.963)	(4.610)
Depreciation and amortization expenses (Note: 14)	(2.903)	(3.192)
Traveling expenses	(1.609)	(493)
Services obtained from third parties	(949)	(451)
Energy and fuel expenses	(701)	(646)
Maintenance expenses	(512)	(91)
Office and administration expenses	(94)	(288)
Hospitality expenses	(36)	(12)
Communication expenses	(4)	(2)
Subcontractor expenses	-	(3.307)
Transportation expenses	-	(31)
Other expenses	5.444	(1.549)
	<u>(56.280)</u>	<u>(49.516)</u>

27. EXPENSES BY NATURE

	1 January - 31 December 2023	1 January - 31 December 2022
Personnel expenses	(1.135.587)	(979.341)
Transportation expenses	(1.166.345)	(894.656)
Services obtained from third parties	(347.001)	(221.215)
Depreciation and amortization expenses (Note: 14,15,16)	(172.101)	(190.996)
Office and administration expenses	(160.606)	(151.969)
Consultancy expenses	(157.562)	(142.882)
Duties, charges and other tax expenses	(41.165)	(47.955)
Communication expenses	(40.909)	(27.372)
Custom expenses	(39.514)	(164.162)
Energy and fuel expenses	(27.112)	(43.531)
Traveling expenses	(24.016)	(21.654)
Warehouse expenses	(22.435)	(19.336)
Insurance expenses	(12.351)	(18.403)
Maintenance expenses	(12.086)	(17.919)
Provision for doubtful receivables (Note: 8)	(5.955)	(2.801)
Hospitality expenses	(8.241)	(5.762)
Advertisement expenses	(5.554)	(5.171)
Tender preparation expenses	(3.502)	(37.659)
Bank and notary expenses	(3.314)	(10.242)
Reversal of doubtful receivable provision (Note: 8)	174	201
Subcontractor expenses	-	(3.307)
Other expenses	(150.352)	(194.291)
	<u>(3.535.534)</u>	<u>(3.200.423)</u>

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28. OTHER OPERATING INCOME AND EXPENSES

	1 January - 31 December 2023	1 January - 31 December 2022
Other operating income		
Foreign exchange gains	1.298.170	2.354.936
Hedging income (Note: 35)	583.280	1.465.825
Due date difference income	234.915	277.888
Discount income	101.099	170.776
Rent income	56.718	157.291
Refundment income of social benefit	32.171	16.299
Scrap sale income	44.131	24.116
Indemnity income	12.813	24.525
Government grants and incentives income (Note: 19)	6.998	8.321
Reversal of litigation provision (Note: 20)	2.011	10.428
Other income	351.121	104.079
	<u>2.723.427</u>	<u>4.614.484</u>
Other operating expenses (-)		
Foreign exchange losses	(3.365.959)	(5.127.871)
Hedging expenses (Note: 35)	(459.356)	(60.045)
Due date difference expenses	(115.219)	(84.091)
Discount expenses	(39.521)	(108.970)
Litigation provision (Note: 20)	(12.428)	(12.308)
Grants and contributions	(12.281)	(3.645)
Additional tax expenses	(4.362)	(9.329)
Penalty and damages expenses	(1.461)	(5.754)
Other expenses	(111.699)	(46.245)
	<u>(4.122.286)</u>	<u>(5.458.258)</u>

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29. INVESTMENT INCOME AND EXPENSES

	1 January - 31 December 2023	1 January - 31 December 2022
Investment income		
Gain on currency protected deposits	1.005.145	1.293.936
Gain on remeasurement of financial investments (Note: 6)	110.358	132.877
Gain on sale of fixed asset	355.785	100.770
Reversal of impairment of fixed asset (Note: 14)	34.612	60.801
Gain on investment funds	45.555	89.792
Gain on sale of assets classified as held for sale (Note: 31)	508.489	26.334
Dividend income	58.816	41.092
Gain on sale of investment property	-	24.916
Gain on sale of joint ventures	-	39.666
	<u>2.118.760</u>	<u>1.810.184</u>
Investment expense (-)		
Impairment of financial investments (Note: 6)	(21.448)	(467.847)
Impairment of assets classified as held for sale (Note: 31)	-	(9.237)
Loss on sale of fixed assets	(148.456)	(34.991)
Impairment of investment funds	-	(1.719)
Impairment of fixed assets (Note: 14)	-	(8.548)
Impairment of goodwill (Note: 17)	(57.184)	-
	<u>(227.088)</u>	<u>(522.342)</u>

30. FINANCIAL INCOME AND FINANCIAL EXPENSES

	1 January - 31 December 2023	1 January - 31 December 2022
Financial income		
Foreign exchange gains	1.054.873	2.537.159
Interest income	186.133	258.820
Currency translation reserve gains	256.777	111.341
Option premium income	11.322	-
Other finance income	48.226	863
	<u>1.557.331</u>	<u>2.908.183</u>
Financial expenses (-)		
Foreign exchange losses	(724.369)	(1.192.397)
Interest expenses	(1.036.290)	(706.931)
Swap expense accrual (Note: 35)	-	(235.799)
Bank commission expense	(189.481)	(112.905)
Losses from other derivatives (Note: 35)	(20.134)	-
Currency translation reserve losses	(7.901)	(17.929)
Other finance expenses	(60.139)	(199.478)
	<u>(2.038.314)</u>	<u>(2.465.439)</u>

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31. ASSETS CLASSIFIED AS HELD FOR SALE

Assets classified as held for sale consist of Group's assets which are being actively marketed at a price that is reasonable.

	31 December 2023	31 December 2022
Assets classified as held for sale	126.028	434.435
	<u>126.028</u>	<u>434.435</u>

The movement of assets classified as held for sale is as follows:

	2023	2022
Net book value as at 1 January	434.435	134.482
Currency translation effect	40.162	13.909
Allowance for impairment (Note: 29)	-	(9.237)
Disposals	(348.569)	(12.393)
Transfers	-	307.674
Net book value as at 31 December	<u>126.028</u>	<u>434.435</u>

Fair values of the Group's fixed assets classified as held for sale has been determined by an independent valuation firm, which is not a related party of the Group. The valuation work has been concluded based on fair value of similar properties.

In the current period, the sale of one piece of land, classified as held for sale for sales purposes, took place on 29 August 2023, for a total of 857.058 + VAT, with a profit of 508.489 related to the sale being accounted for in the investment income line of the consolidated statement of profit or loss (2022: 26.334).

32. TAX INCOME AND EXPENSES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES)

	31 December 2023	31 December 2022
Assets related to current tax	<u>468.306</u>	<u>705.867</u>
Prepaid corporate tax	468.306	705.867
	<u>468.306</u>	<u>705.867</u>
Current tax liability	<u>626.617</u>	<u>635.985</u>
Corporate tax provision	626.617	635.985
Less: Prepaid taxes and funds	(468.306)	(705.867)
	<u>158.311</u>	<u>(69.882)</u>

Tax expense in the statement of profit or loss:

	1 January - 31 December 2023	1 January - 31 December 2022
Tax expense comprises as follows:	<u>1.107.422</u>	<u>531.288</u>
Current tax provision	1.107.422	531.288
Deferred tax (income)	(1.730.660)	(252.101)
	<u>(623.238)</u>	<u>279.187</u>

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32. TAX INCOME AND EXPENSES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (cont'd)

Tax legislation in Turkey:

Corporate Tax:

The Group is subject to Turkish corporate taxes. Provision is made in the accompanying consolidated financial statements for the estimated charge based on the Group's results for the year.

Corporate tax is applied on taxable corporate income, which is calculated from the statutory accounting profit by adding back non-deductible expenses, and by deducting dividends received from resident companies, other exempt income and incentives utilized.

The general rate of tax in 2023 is 25% (2022: 23%). There are also Group companies subject to reduced corporate tax application under Article 32/A of the Corporate Tax Law. In Turkey, advance tax returns are calculated, accrued, and paid on a quarterly basis. The general advance corporate income tax rate in 2022 is 25% (2022: 23%). Losses can be carried forward for offset against future taxable income for up to 5 years. Losses cannot be carried back for offset against profits from previous periods.

The Group can use its fiscal losses occurred in 2023 until 2028.

As of the end of the 2021 calendar year, the conditions sought for inflation adjustment in the calculation of corporate tax have been fulfilled, within the framework of the repeated provision of Article 298/A of the Tax Procedure Law (TPL). However, with the regulation made with the Law No. 7352 dated 20 January 2022, the application of inflation adjustment in the calculation of corporate tax was postponed to 2023. According to this; TPL financial statements for the 2021 and 2022 accounting periods, including the provisional tax periods, not subject to inflation adjustment. As for the 2023 accounting period; during provisional tax periods inflation adjustment will not be applied but the TPL financial statements dated 31 December 2023 will be subject to inflation adjustment regardless of whether the inflation adjustment conditions are met or not. Profit/loss difference arising from inflation adjustment in TPL financial statements will be shown in previous years' profit/loss accounts and will not affect the corporate tax base.

According to temporary Article 33 of the Tax Procedure Law, the tax effects arising from the inflation adjustment of financial statements dated 31 December 2023, are included in deferred tax calculations as of 31 December 2023.

In Turkey, companies with regular accounting periods file their tax returns between 1-25 April following the close of the accounting year to which they relate. In accordance with the Tax Procedure Law Circular no. 115, published in 2019, the period for filing of tax returns was extended to the last day of April for companies with regular accounting period. Tax authorities may, however, examine such returns and the underlying accounting records and may revise assessments within five years.

Income/Corporate Withholding Tax:

In addition to corporate tax, profit distributions made by taxpayers to individuals and institutions specified in the Income Tax and Corporate Tax Law are subject to income/corporate tax deductions. In this context, except full responsible real persons and those who earn dividends through a business or permanent representative in Turkey, profit shares distributed to limited taxpayers are subject to 15% income/corporate tax withholding (With the Presidential Decree No. 4936, the withholding rate was reduced to 10%, effective as of 22 December 2021.). In accordance with the avoidance of double taxation treaties, withholding rates may be applied lower to some country residents.

Taxation of Foreign Subsidiaries and Operations:

Subsidiaries and operations included in consolidation in the accompanying consolidated financial statements are subject to corporate tax and withholding tax effective in the relevant country. Effective (official) tax rates in those countries in which the Group operates are summarized below:

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32. TAX INCOME AND EXPENSES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (cont'd)

Countries	Corporate Tax Rate %	Withholding Tax Rate %
Azerbaijan	20%	10% - 14%
Kazakhstan	20%-28%	15% - 20%
Germany	30% - 33%	0% - 25%
Saudi Arabia	20%	5% - 20%
Luxembourg	15% - 17%	0% - 15%
Morocco	10% - 31%	10%
United Arab Emirates	0%	0%
Qatar	10%	0% - 5%
Turkmenistan	0% - 20%	15%
Russia	20%	10% - 20%
Iraq	0% - 20%	3,3% - 15%
Romania	16%	5% - 16%

Exemption of Earnings from Construction, Repair, Installation Works and Technical Services Made Abroad:

In accordance with private judgment related with overseas construction earnings in Corporate Tax Law's Article 5/1-h: "Earnings, which are provided from overseas construction, maintenance, installation or technical services, are transferred to income statement in Turkey" are exempted from corporate tax. According to the judgment, the only requirement is transferring of these earnings to income statement in Turkey. It is not obligatory that the earnings to be brought in Turkey.

Reduced Taxation Under the Incentive Certificate:

Various supports can be provided to investors within the framework of Decision on State Aid in Investments numbered 2012/3305 and Communiqué on the Application of the Decision on State Aids in Investments No. 2012/1. The support elements that investors can use within the scope of the decision differ depending on whether the investment is within the scope of regional incentives, priority investment incentives, strategic investment incentives or general incentives. The incentives that can be benefited from are VAT Exemption, Customs Tax Exemption, Income or Corporate Tax Discount, Employer's Share of Social Security Premium Support, Income Tax Withholding Support, Employee's Share of Social Security Premium Support, Interest and Profit Share Support, Investment Location Allocation and VAT Refunds.

In addition to above mentioned incentive practices, there is a project-based incentive system in effect within the framework of Law on the Support of Investments on the Project Basis and the Amendment of Certain Laws and Decrees with Power of Law No. 6745 and the Decision No. 2016/9495 on Providing Project-Based State Aid to Investments. The incentives that can be benefited from this practice are Customs Tax Exemption, VAT Exemption, VAT Refund, Tax Discount or Exemption, Employer's Share of Social Security Premium Support, Income Tax Withholding Support, Qualified Employee Support, Interest and Profit Share Support, Capital Contribution, Energy Support, Public Procurement Guarantee, Investment Location Allocation, Infrastructure Support, Grant Support, and facilitating arrangements can be provided to investors in permits, allocations, licenses, licenses and registrations and other legal and administrative processes brought by law.

The investment contribution amount is calculated over the investment expenditures that can be benefited from Article 32/A of the Corporate Tax Law with an incentive certificate. Declared earnings can be subject to Corporate Tax at a reduced rate until the contribution to the calculated investment is reached. In other words, the investment is supported by the State by not taking the corporate tax from the investors much as the contribution to the investment. Discounted corporate tax can be applied to earnings from other activities during the investment period, provided that the amount of investment spending and the contribution to the investment to be calculated is not exceeding 80% of the total investment contribution amount. With the legal amendment made in 2016, it was made possible to increase the part of the contribution to the total investment within the scope of incentive certificate until the end of the accounting period that the investment is completed in the revaluation rate determined for these years in accordance with the provisions of the Tax Procedure Law.

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32. TAX INCOME AND EXPENSES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (cont'd)

Reduced Taxation Under the Incentive Certificate (cont'd):

The following additional advantages for investment expenditures between 1 January 2017 and 31 December 2017 within the scope of US-97 Code: 15-37: investment incentive certificates issued for the manufacturing industry with the Provisional Article 8 added to the Decree No. 2012/3305 on State Aids in Investments have been introduced:

- Within the scope of regional, large-scale, and strategic incentive practices increase of contribution rate by 15 points in all regions.
- Increase of corporate tax or income tax rate to 100% in all regions
- Investment contribution ratio is to be applied 100% to the investor's income from other activities in the investment period.

With the amendment made at the end of 2017, the phrase 31 December 2017 stated in the Provisional Article 8 of this Decision has been changed as 31 December 2018 and this advantageous incentive application has been enabled for the 2018 investment expenditures in the scope mentioned above. With the amendment made with the Article 43 of the Law No. 7161 to the Provisional Article 9 of the Corporate Tax Law, it has been authorized to the President to develop increased rates for the investment expenditures within the scope of the investment incentive certificate for the production in 2019. With Presidential Decision No. 798, the phrase 31 December 2018 stated in the Provisional Article 8 of this Decision has been changed as 31 December 2019 and this advantageous incentive application has been enabled for the 2019 investment expenditures in the scope mentioned above.

Additionally, in accordance with Article 43 of Law No.7161 and temporary Article 9 of the Corporate Tax Law and with the addition that entered into force on 18 January 2019, The President has been authorized to extend the end of the period specified in th first paragraph, together or seperately, up to five years as of each calender year following the end of the period, in other words, to extend it until the end of 2024.

With the President's Decree No.1950 published in the Legal Gazette No.30994 dated 30 December 2019, this authorization has been used collectively for 3 years. The above-mentioned advantageous incentive implementation will be valid for the years of 2020, 2021 and 2022 without any action in accordance with the Cabinet Decree numbered 2012/3305 based on previous decisions about investment expenditures to be made within the scope of investment incentive certificates issued for the manufacturing industry (US-97 Code: 15-37). Concerning the sulfuric acid, phosphoric acid and NPK investments undertaken relating to Samsun Facility, Toros Tarım has obtained Investment Incentive Certificate as of 3 April 2013 in the scheme of "Large Scale Investment" from the Ministry of Economy. The features of this incentive are employer's share of social security premium support, VAT exemption, and customs duty exemption and this incentive provides a tax exemption of 60% in the taxation of the income arising from the investment within the framework of 35% investment contribution ratio.

Additionally, Toros Tarım has obtained 5th Region Investment Incentive Certificate (investments priority subject) for electricity investment as of 7 July 2014 from Ministry of Economy. The features of this incentive are employer's share of social security premium support, VAT exemption, and customs duty exemption and this incentive provides a tax exemption of 80% in the taxation of the income arising from the investment within the framework of 40% investment contribution ratio.

3rd Region Investment Incentive Certificate for Dyke Enclosure and Insulation Drainage System for Tanks investment was obtained as of 25 April 2018 from Ministry of Economy. The features of this incentive are VAT exemption, and customs duty exemption and this incentive provides a tax exemption of 60% in the taxation of the income arising from the investment within the framework of 25% investment contribution ratio.

3rd Region Investment Incentive Certificate for Tank for Anti-Caking Material and Automation System for Dosing investment was obtained as of 21 May 2018 from Ministry of Economy. The feature of this incentive is VAT exemption and this incentive provides a tax exemption of 60% in the taxation of the income arising from the investment within the framework of 25% investment contribution ratio.

3rd Area Investment Incentive Certificate for Outdoor Silo, ERP, Roof Crane, and Guillotine Shear Investments was obtained as of 31 October 2019 from Ministry of Economy. The said incentive encompasses customs duty exemption and VAT exemption, within the framework of a 30% investment contribution rate, providing a 70% tax exemption for the taxation of income generated from the investment.

3rd Region Investment Incentive Certificate for Ammonia Tank Investment was obtained as of 10 December 2019 from Ministry of Economy. The mentioned incentive covers employer's share of insurance premium support, customs duty exemption, interest support, and VAT exemption, within the framework of a 30% investment contribution rate, providing a 70% tax exemption for the taxation of income generated from the investment.

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32. TAX INCOME AND EXPENSES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (cont'd)

Reduced Taxation Under the Incentive Certificate (cont'd):

Toros Tarım has obtained 2nd Region Investment Incentive Certificate as of 1 June 2015 from Ministry of Economy for its crane investment in Ceyhan. The features of this incentive are employer's share of social security premium support, VAT exemption, and customs duty exemption and this incentive provides a tax exemption of 55% in the taxation of the income arising from the investment within the framework of 20% investment contribution ratio.

In addition, as of 30 November 2020, 2nd Region Investment Incentive Certificate has received from the Ministry of Economy public for its VAP, Forklift, Weight bridge, Steam Generator System, Roof Crane, Supply Elevator, Dust Washing System, Ammonia Unit Regeneration, FA Water Exchanger and Air Compressor investments. The mentioned incentive includes insurance premium employer's share support, interest support, VAT exemption and customs tax exemption and provides a 70% tax exemption for the taxation of the income earned from the investment within the framework of 30% investment contribution rate.

Toros Tarım has obtained 3rd Area Investment Incentive Certificate as of 24 December 2015 from Ministry of Economy for its prilling tower chimney gas washing investment in Mersin. The features of this incentive are employer's share of social security premium support, VAT exemption, and customs duty exemption and this incentive provides a tax exemption of 60% in the taxation of the income arising from the investment within the framework of 25% investment contribution ratio.

4th Region Investment Incentive Certificate for Special Fertilizer Plant investment was obtained as of 8 May 2018 from Ministry of Economy. The feature of this incentive is VAT exemption and this incentive provides a tax exemption of 70% in the taxation of the income arising from the investment within the framework of 30% investment contribution ratio.

5th Region Investment Incentive Certificate for R&D center investment was obtained as of 22 June 2018 from Ministry of Economy. The mentioned incentive includes support for employer's share of insurance premiums, customs duty exemption, and VAT exemption, within the framework of a 40% investment contribution rate, providing an 80% tax exemption for the taxation of income generated from the investment.

As of 24 September 2021, the 3rd Region Investment Incentive Certificate has been obtained from the Ministry of Economy for the Western pier extension, crane investment and 60.000-ton Grain Depot at the Ceyhan Plant. Projected incentive includes employer's share of insurance premium support, interest support, VAT exemption and customs duty exemption, and provides 60% tax exemption for taxation of income from investment within the framework of 25% investment contribution rate.

As of 23 October 2021, the 3rd Region Investment Incentive Certificate was obtained from the Ministry of Economy for the fire system, SA Pumps, Control Valves and Electric Motors investments in Mersin Plant. Projected incentive includes employer's share of insurance premium support, interest support, VAT exemption and customs duty exemption, and provides 70% tax exemption in taxation of income from investment within the framework of 30% investment contribution rate.

Gönen Enerji and Meram Enerji have received General Investment Incentive Certificate for their power generation facility investments from Ministry of Economy on 30 April 2013 and 7 September 2017 respectively. Additionally, for Organomineral Fertilizer facility investments they have received 4th Region Investment Incentive Certificate from Ministry of Economy on 24 January 2019 and 8 June 2020 respectively. These incentives provide 70% tax exemption for the taxation of the income derived from the investment within the framework of VAT exemption, customs tax exemption, interest support, insurance premium employer support and 30% investment contribution rate.

CFS, established for the purpose of polypropylene production, was announced to be granted project-based investment support through Presidential Decree No. 385 dated November 26, 2018. As of the balance sheet date, there is no investment expenditure amount incurred in accordance with the Presidential Decree, and no support element has been utilized under the Presidential Decree.

In the scope of incentive, deferred tax asset has been created arising from timing differences in the amount of 630.217 on the basis of two years over Toros Tarım's profit projections. (2022: 791.405).

Deferred Tax:

The Group recognizes deferred tax assets and liabilities based upon temporary differences arising between its financial statements as reported for TFRS purposes and its statutory tax financial statements. These differences usually result in the recognition of revenue and expenses in different reporting periods for TFRS and tax purposes and shown below. Tax rate used in calculating deferred tax assets and liabilities is the effective tax rate in the relevant countries where the Group undertakes its operations. Since the entities in Turkey are not allowed to declare consolidated tax returns, subsidiaries titled to deferred assets may not be netted off with their subsidiaries titled to deferred tax liabilities; hence are required to declare separately.

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32. TAX INCOME AND EXPENSES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (cont'd)

Deferred Tax (cont'd):

	31 December 2023	31 December 2022
Components of deferred tax (assets) liabilities bases:		
Remeasurement and depreciation / amortization		
differences of tangible and intangible assets	(1.543.021)	6.486.998
Provision for retirement benefits and vacation liability	(401.281)	(559.632)
Investment incentive undertaken	(2.520.868)	(3.957.026)
Impairment provision for inventory	412.698	667
Contract costs and progress billings (net)	1.691.800	595.740
Lease liabilities	87.256	50.803
Provision for doubtful receivables	(33.462)	(23.941)
Effect of valuation	453.235	1.240.066
Effect of income accruals	85.408	(1.434)
Tax losses carried forward	(280.422)	(1.452.501)
Provision for litigation	(36.732)	(36.263)
Fair value differences of financial assets	98.746	493.588
Provision for premium payments	(46.119)	(122.169)
Derivative instruments	(12.546)	(568.725)
Other	162.378	135.739
Deferred tax liabilities / (assets)	(1.882.930)	2.281.910
	31 December	31 December
Components of deferred tax (assets) liabilities:	2023	2022
Remeasurement and depreciation / amortization		
differences of tangible and intangible assets	(349.287)	1.312.211
Provision for retirement benefits and vacation liability	(100.329)	(112.777)
Investment incentive undertaken	(630.217)	(791.405)
Impairment provision for inventory	101.878	135
Contract costs and progress billings (net)	(143.154)	204.581
Lease liabilities	21.817	10.536
Provision for doubtful receivables	(8.133)	(4.663)
Effect of valuation	137.064	295.130
Effect of income accruals	22.239	(298)
Tax losses carried forward	(64.640)	(185.163)
Provision for litigation	(9.154)	(7.299)
Fair value differences of financial assets	3.820	21.862
Provision for premium payments	(11.569)	(24.329)
Derivative instruments	(3.136)	(113.724)
Effect of discount	38.748	24.465
Other	(18.185)	1.836
Deferred tax liabilities / (assets)	(1.012.238)	631.098
Deferred tax assets	(1.321.147)	(524.476)
Deferred tax liabilities	308.909	1.155.574
	(1.012.238)	631.098

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32. TAX INCOME AND EXPENSES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (cont'd)

Deferred Tax (cont'd):

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

<u>Movement of deferred tax liabilities (assets)</u>	<u>2023</u>	<u>2022</u>
Opening balance as at 1 January	631.098	1.174.035
Deferred tax (income) expense	(1.794.460)	(252.101)
Effect of changes in fair value of financial assets	8.052	7.598
Effect of actuarial gain (loss) in comprehensive income	(4.650)	(51.648)
Hedge effect	110.588	(269.261)
Effect of tax rate change	63.800	-
Currency translation effect	(18.990)	51.552
Monetary (gain) / loss	(7.676)	(29.077)
Closing balance as at 31 December	<u>(1.012.238)</u>	<u>631.098</u>

Reconciliation of tax expense for the year with the profit for the year:

	<u>1 January - 31 December 2023</u>	<u>1 January - 31 December 2022</u>
<u>Reconciliation of taxation:</u>		
Profit before tax	(1.774.723)	1.687.175
Expected taxation (*)	798.155	1.456.873
<u>Reconciliation of expected tax to actual tax:</u>		
- Undeductable expenses	91.174	8.079
- Dividend and other non-taxable income	(501.749)	(875.145)
- Recognition of previously unrecognized tax losses	-	(66.645)
- Effects of unrealizable tax (losses) income (net)	(37.570)	(84.971)
- Investment incentive undertaken	(222.134)	(866.035)
- Effects of joint ventures	(1.022)	(48)
- Tax accrual for foreign subsidiaries	-	(39.669)
- Effects of valuation on fixed assets	(135.781)	(397.526)
- Earthquake additional tax	283.481	-
- The deferred tax effect of temporary differences arising from inflation adjustments according to the Tax Procedure Law	(933.777)	1.068.195
- Monetary (Loss) / Gain	29.757	314.574
- Effect of change in tax rates and consolidation adjustments	32.347	(180.158)
- Other	(26.119)	(58.337)
Income tax expense recognized in statement of profit or loss	<u>(623.238)</u>	<u>279.187</u>

(*) Different rates are applied for different countries where the foreign companies are located.

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33. EARNINGS PER SHARE

Calculation of earnings per share for the current year is made in accordance with TAS 33 considering the effects of shares and bonus shares issued.

As of 31 December 2023, and 2022, the Group's weighted average number of shares and computation of earnings per share (which corresponds to per share amounting to 1 TRY) set out here are as follows:

	1 January - 31 December 2023	1 January - 31 December 2022
Average number of ordinary shares outstanding during the period (in full)	370.000.000	370.000.000
Net profit (loss) for the period attributable to owners of the Parent (Thousands TRY)	(1.149.757)	1.388.942
Earnings (loss) per share from operations (TRY)	(3,107)	3,754

34. RELATED PARTY TRANSACTIONS

The Group has various transactions with related parties during its operations. Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated in consolidation and are not disclosed in this note.

Receivables and payables balances are unsecured and will be settled in cash. No bad debt provision is made for receivables from related parties in the current year.

Transactions with related parties are distinct and measurable.

	31 December 2023		31 December 2022	
	Receivables	Payables	Receivables	Payables
	Short-term	Short-term	Short-term	Short-term
Balances with related parties				
Trade				
Azfen ⁽¹⁾	41.331	-	92.523	-
Tekzen	1.476	735	2.918	1.018
Agromak	23	6	471	6
Üçgen Bakım	579	-	165	-
Other	100	753	283	324
Shareholders and key management	1.743	437	1.557	636
Joint operations ⁽²⁾	14.518	89.100	11.062	13.033
	<u>59.770</u>	<u>91.031</u>	<u>108.979</u>	<u>15.017</u>
Other				
Mersin Serbest Bölge İşl. A.Ş. ⁽³⁾	-	11.325	-	12.449
Other	-	402	-	285
	<u>-</u>	<u>11.727</u>	<u>-</u>	<u>12.734</u>
	<u>59.770</u>	<u>102.758</u>	<u>108.979</u>	<u>27.751</u>

⁽¹⁾ Includes the balances of goods and services purchases resulting from the commercial activities of the Group with the partnerships disclosed in Note 12.

⁽²⁾ Includes the balances from the Group's joint arrangement participants in various contracting works as explained in Note 2.1 "Interests in Joint Operations".

⁽³⁾ It consists of the dividend balance, which was accepted by the Mersin Free Zone Board of Directors but classified as other debt because it has not yet been accepted at the General Assembly.

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34. RELATED PARTY TRANSACTIONS (cont'd)

Transactions with related parties	1 January - 31 December 2023				
	Purchases	Sales	Dividend income	Rent income	Other income (expense), net
Agromak	-	18	-	-	-
Akmerkez Lokantacılık	4	-	5.407	-	104
Tekzen	-	1.928	-	-	-
Üçgen Bakım	-	905	626	358	(534)
Akmerkez Gayrimenkul	-	-	23.490	-	-
Galipoli Gıda	-	15	-	-	-
Tekfen Vakfi	-	30	-	-	-
Other	-	3.113	29.293	15	(555)
<i>Shareholders and key management</i>	10	3.113	-	-	-
	<u>14</u>	<u>9.122</u>	<u>58.816</u>	<u>373</u>	<u>(985)</u>
Transactions with related parties	1 January - 31 December 2022				
	Purchases	Sales	Dividend income	Rent income	Other income (expense), net
Azfen	-	51.981	-	-	-
Agromak	-	435	-	-	-
Akmerkez Lokantacılık	-	-	2.715	-	-
Tekzen	-	3.866	-	-	-
Üçgen Bakım	-	873	511	180	(405)
Akmerkez Gayrimenkul	-	-	25.194	-	-
Galipoli Gıda	-	84	-	-	-
Tekfen Vakfi	-	96	-	8	(857)
Other	-	432	12.672	-	-
<i>Shareholders and key management</i>	3	2.539	-	-	-
<i>Joint operations</i>	-	-	-	-	-
	<u>3</u>	<u>60.306</u>	<u>41.092</u>	<u>188</u>	<u>(1.262)</u>

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34. RELATED PARTY TRANSACTIONS (cont'd)

Compensation of key management personnel:

The remuneration of key management during the year is as follows:

	31 December 2023	31 December 2022
Salaries and other short-term benefits	87.995	72.092
	<u>87.995</u>	<u>72.092</u>

35. DERIVATIVE INSTRUMENTS

	31 December 2023		31 December 2022	
	Assets	Liabilities	Assets	Liabilities
Forward foreign exchange contracts	36.012	48.558	14.052	582.775
Option contracts	-	19.183	-	-
Current	36.012	67.741	14.052	582.775
	<u>36.012</u>	<u>67.741</u>	<u>14.052</u>	<u>582.775</u>

Currency derivatives:

The subsidiary of the Group, Toros Tarım utilizes currency derivatives to hedge significant future transactions and cash flows. Toros Tarım is party to a variety of foreign currency forward contracts in the management of its exchange rate exposures. The instruments purchased are primarily denominated in the currencies of the Toros Tarım's principal markets.

At the end of the reporting period, the total notional amount of outstanding forward foreign exchange contracts to which Toros Tarım is committed are as follows:

	31 December 2023	31 December 2022
Forward foreign exchange contracts	4.229.616	8.096.235
	<u>4.229.616</u>	<u>8.096.235</u>

As of 31 December 2023, the fair value of Toros Tarım's foreign currency derivatives is estimated to be negative 31.729, with 36.012 assets and 67.741 liability. (31 December 2022: assets 14.052, 111.617 liabilities, negative 568.723). These amounts are based on quoted market prices for equivalent instruments at the balance sheet date and fair value hierarchy classification of derivative instruments is Level 2 (31 December 2022: Level 2). There have been no changes in the purpose or use of derivative instruments.

The fair value of currency derivatives that are designated and effective as cash flow hedges amounting to negative 9.408 has been accounted for in equity, there is not any ineffective foreign currency derivative transactions during the period (31 December 2022: Effective positive 454.894, ineffective is none). Gains amounting to 583.280 and losses amounting to 459.356 concerning realized (transactions) derivative contracts during the period have been recognized in profit or loss (31 December 2022: 1.465.825 gain, 60.045 loss).

Option contracts:

Toros Tarım entered into three dual-currency option contracts on 20 October 2023, to take advantage of favorable market prices. Toros Tarım will continue to engage in such derivative transactions when deemed appropriate. As of the balance sheet date, the hierarchy classification used for measuring the fair value of the option contracts is Level 2 (as of 31 December 2022: None). As of 31 December 2023, an expense of 20.134 has been recognized in the profit or loss statement related to the option contracts (as of 31 December 2022: None).

Swap transactions:

Tekfen İnşaat performed currency swap transactions to hedge significant future transactions and cash flows from financial risk. As of 31 December 2023, Tekfen İnşaat has no cross currency swap transactions (31 December 2022: None). As of 31 December 2023, there is not any gain or loss recognized in profit or loss related to swap transactions (31 December 2022: 235.799 loss).

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36. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

a) Capital Risk Management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance.

The capital structure of the Group consists of financial debts as explained in Note 7 and equity items comprising paid in capital, premiums in capital stock, restricted profit reserves and retained earnings.

Within the framework of risk management activities, Group defines the undertaken risks, estimates the loss amounts caused by these risks and defines the capital base amount related to these loss amounts. Thus, Group aims to minimize its capital risk.

After the capital base is defined, the steadily management of funding structure is aimed by obtaining new debts, repayment of existing debts, and dividend payments.

Net cash position as of 31 December 2023 and 2022 are as follows:

	31 December 2023	31 December 2022
Cash and cash equivalents	6.596.621	6.843.011
Time deposits with maturity of longer than three months	2.061	2.320
Eurobonds	29.637	282.525
Currency protected deposit	1.054.195	2.612.551
Option contracts	10.674	-
Less: Borrowings	(8.884.574)	(7.597.632)
Net Cash Position (*)	(1.191.386)	2.142.775

(*) Lease obligations recognized in borrowings in accordance with TFRS 16 and expected credit losses in cash and cash equivalents and effect of fair value adjustment of currency protected deposits recognized in accordance with TFRS 9 are not included in net cash position calculation.

b) Financial Risk Factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Management provides services to the business, coordinates access to domestic and international markets, monitors the exposures and magnitude of financial risks relating to the operations of the. These risks include market risk (including currency risk, fair value interest rate risk, and price risk) credit risk, liquidity risk, and cash flow interest rate risk.

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36. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

b) Financial Risk Factors (cont'd)

b.1) Credit risk management

Credit risk exposure based on financial instrument categories	Receivables				Bank Deposit	Financial Investments	Derivative Instruments
	Trade Receivables		Other Receivables				
	Related Party	Third Party	Related Party	Third Party			
31 December 2023							
Minimum credit risk exposure at balance sheet date (*)	59.770	6.934.196	-	287.776	4.866.052	1.099.952	36.012
- Secured portion of minimum credit risk via guarantee or etc. (**)	-	525.297	-	-	-	-	-
A. Net book value of not due or not impaired financial assets	19.714	5.986.695	-	287.776	4.866.052	1.099.952	36.012
B. Net book value of assets that are due but not impaired	40.056	810.749	-	-	-	-	-
- Secured portion via guarantee or etc.	-	-	-	-	-	-	-
C. Net book value of impaired assets	-	136.752	-	-	-	-	-
- Over due (gross book value)	-	431.610	-	571	-	-	-
- Impairment (-)	-	(294.858)	-	(571)	-	-	-
- Secured net value via guarantee or etc.	-	-	-	-	-	-	-
- Not due (gross book value)	-	179	-	-	3.633	-	-
- Impairment (-)	-	(179)	-	-	(3.633)	-	-
- Secured net value via guarantee or etc.	-	-	-	-	-	-	-
31 December 2022							
Minimum credit risk exposure at balance sheet date (*)	108.979	7.314.766	-	287.044	4.386.030	2.914.871	14.052
- Secured portion of minimum credit risk via guarantee or etc. (**)	-	1.058.047	-	-	-	-	-
A. Net book value of not due or not impaired financial assets	108.949	5.304.846	-	287.044	4.386.030	2.914.871	14.052
B. Net book value of assets that are due but not impaired	30	2.004.909	-	-	-	-	-
- Secured portion via guarantee or etc.	-	5.920	-	-	-	-	-
C. Net book value of impaired assets	-	5.011	-	-	-	-	-
- Over due (gross book value)	-	263.316	-	941	-	-	-
- Impairment (-)	-	(258.305)	-	(941)	-	-	-
- Secured net value via guarantee or etc.	-	-	-	-	-	-	-
- Not due (gross book value)	-	432	-	-	2.450	-	-
- Impairment (-)	-	(432)	-	-	(2.450)	-	-
- Secured net value via guarantee or etc.	-	-	-	-	-	-	-

(*) In determining the amounts, elements providing increase in loan credibility such as warrants received are not considered.

(**) Warrants consist of collateral bills, letters of guarantees and mortgages.

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36. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

b) Financial Risk Factors (cont'd)

b.1) Credit risk management (cont'd)

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group's exposure and the credit ratings of its counterparties are continuously monitored. Credit exposure is controlled by counterparty limits that are reviewed and approved by the board of directors of the Group companies the risk management committee annually.

Trade receivables consist of many customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivables.

31 December 2023	Trade Receivables	Other Receivables	Total
Not due receivables	6.006.588	287.776	6.294.364
Overdue by 1-30 days	228.867	-	228.867
Overdue by 1-3 months	8.176	-	8.176
Overdue by 3-12 months	36.481	-	36.481
Overdue 1-5 years	442.839	-	442.839
Overdue by more than 5 years	566.052	571	566.623
Total receivables	<u>7.289.003</u>	<u>288.347</u>	<u>7.577.350</u>
Total overdue receivables	1.282.415	571	1.282.986
Secured portion via guarantee or etc.	-	-	-
Total provision provided for overdue receivables	(294.858)	(571)	(295.429)
Total provision provided for undue receivables	(179)	-	(179)
Secured portion of all impaired receivables via guarantee or etc.	-	-	-

31 December 2022	Trade Receivables	Other Receivables	Total
Not due receivables	5.414.226	287.044	5.701.270
Overdue by 1-30 days	32.665	-	32.665
Overdue by 1-3 months	28.372	-	28.372
Overdue by 3-12 months	90.595	-	90.595
Overdue 1-5 years	428.488	-	428.488
Overdue by more than 5 years	1.688.135	941	1.689.076
Total receivables	<u>7.682.481</u>	<u>287.985</u>	<u>7.970.466</u>
Total overdue receivables	2.268.255	941	2.269.196
Secured portion via guarantee or etc.	5.920	-	5.920
Total provision provided for overdue receivables	(258.305)	(941)	(259.246)
Total provision provided for undue receivables	(431)	-	(431)
Secured portion of all impaired receivables via guarantee or etc.	-	-	-

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36. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

b) Financial Risk Factors (cont'd)

b.1) Credit risk management (cont'd)

As at balance sheet date, there are no collaterals held for the past due trade receivables which are not impaired (2022: None). There are no collaterals held for the past due trade receivables which are impaired (2022: None).

Credit risk from balances with banks and financial institutions is managed by the Group's treasury department in accordance with the Group's policy. Counterparty credit limits are reviewed by the Group's. The limits are set to minimize the concentration of risks and to be determined to minimize financial losses due to potential non-payment by the counterparty.

b.2) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The following tables detail the Group's remaining contractual maturity for its derivative financial instruments and its non-derivative financial liabilities. The tables below have been drawn up based on the undiscounted cash flows of non-derivative financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. The liquidity analysis for its derivative financial instruments has been drawn up based on the undiscounted net cash inflows and outflows on the derivative instrument that settle on a net basis and the undiscounted gross inflows and outflows on those derivatives that require gross settlement. When the amount payable or receivable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves existing at the reporting date.

Liquidity risk table:

31 December 2023

Due date on agreement	Carrying Value	Cash outflows according to agreements (I+II+III+IV)	Less than 3 months (I)	Between 3-12 months (II)	Between 1-5 years (III)	More than 5 years (IV)
Financial liabilities						
Bank loans	8.883.063	10.042.014	2.663.056	3.850.690	3.528.268	-
Lease liabilities	297.682	470.264	29.492	205.577	60.906	174.289
Trade payables (due to related parties included)	11.107.478	11.267.577	9.049.652	2.140.346	77.579	-
Employee benefit payables	397.765	397.765	397.765	-	-	-
Other payables (due to related parties included)	668.695	668.695	266.590	240.571	148.942	12.592
Total liabilities	21.354.683	22.846.315	12.406.555	6.437.184	3.815.695	186.881

Due date on agreement	Carrying Value	Cash outflows according to agreements (I+II+III+IV)	Less than 3 months (I)	Between 3-12 months (II)	Between 1-5 years (III)	More than 5 years (IV)
Derivative instruments						
Cash inflows	31.729	(3.908.363)	(2.092.762)	(1.815.601)	-	-
Cash outflows	-	4.229.616	2.166.726	2.062.890	-	-

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36. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

b) Financial Risk Factors (cont'd)

b.2) Liquidity risk management (cont'd)

31 December 2022

Due date on agreement	Carrying Value	Cash outflows according to agreements (I+II+III+IV)	Less than 3 months (I)	Between 3-12 months (II)	Between 1-5 years (III)	More than 5 years (IV)
Financial liabilities						
Bank loans	7.592.525	8.027.431	2.138.701	1.705.059	4.183.671	-
Lease liabilities	187.238	885.203	214.611	381.499	200.750	88.343
Trade payables (due to related parties included)	18.002.226	18.141.060	11.922.543	5.626.845	591.672	-
Employee benefit payables	282.563	282.563	282.563	-	-	-
Other payables (due to related parties included)	722.853	722.853	369.968	19.751	319.519	13.615
Total liabilities	26.787.405	28.059.110	14.928.386	7.733.154	5.295.612	101.958

Due date on agreement	Carrying Value	Cash outflows according to agreements (I+II+III+IV)	Less than 3 months (I)	Between 3-12 months (II)	Between 1-5 years (III)	More than 5 years (IV)
Derivative instruments						
Cash inflows	568.723	(7.438.475)	(4.409.641)	(3.028.834)	-	-
Cash outflows	-	8.096.235	4.794.176	3.302.059	-	-

b.3) Market risk management

The Group's activities expose it primarily to the financial risks of changes in foreign exchange rates (refer to section b.3.1) and interest rates (refer to section b.3.2).

There has been no change to the Group's exposure to market risks or the manner which it manages and measures the risks.

b.3.1) Foreign currency risk management

The Group undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise.

The details of the Group's foreign currency denominated monetary and non-monetary assets and liabilities as of balance sheet date are shown below:

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36. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

b) Financial Risk Factors (cont'd)

b.3) Market risk management (cont'd)

b.3.1) Foreign currency risk management (cont'd)

31 December 2023	Equivalent of Thousands of TRY	Thousands of USD	Thousands of EUR	Thousands of GBP	Other (Equivalent of Thousands of TRY)
1. Trade Receivables	2.363.502	54.218	4.646	-	616.083
2. Monetary Financial Assets	2.816.902	89.384	2.968	13	88.432
3. Other	1.417.121	34.689	10.992	22	37.063
4. CURRENT ASSETS	6.597.525	178.291	18.606	35	741.578
5. Trade Receivables	387.565	1	5.968	-	193.135
6. Monetary Financial Assets	1.416	1	1	-	1.354
7. Other	23.063	197	530	-	-
8. NON-CURRENT ASSETS	412.044	199	6.499	-	194.489
9. TOTAL ASSETS	7.009.569	178.490	25.105	35	936.067
10. Trade Payables	7.086.125	209.396	15.622	57	410.880
11. Financial Liabilities	2.207.564	65.910	5.903	-	75.009
12. Monetary Other Liabilities	1.618.580	17.996	23.398	-	326.646
12b. Non-Monetary Other Liabilities	313.471	4.039	314	-	184.342
13. CURRENT LIABILITIES	11.225.740	297.341	45.237	57	996.877
14. Trade Payables	14.307	136	-	-	10.303
15. Financial Liabilities	339.485	-	10.422	-	-
16. Monetary Other Liabilities	100.473	413	-	-	88.315
17. NON-CURRENT LIABILITIES	454.265	549	10.422	-	98.618
18. TOTAL LIABILITIES	11.680.005	297.890	55.659	57	1.095.495
19. Off-balance sheet derivative instruments net position (19a-19b)	4.358.973	148.072	-	-	-
19a. Derivative assets	4.358.973	148.072	-	-	-
19b. Derivative liabilities	-	-	-	-	-
20. Net foreign currency assets / liabilities position	(311.463)	28.672	(30.554)	(22)	(159.428)
21. Monetary items net foreign currency assets / liabilities position (1+2+5+6-10-11-12-14-15-16)	(5.797.149)	(150.247)	(41.762)	(44)	(12.149)
22. Fair value of derivative instruments held for hedging	(31.729)	(1.078)	-	-	-

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36. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

b) Financial Risk Factors (cont'd)

b.3) Market risk management (cont'd)

b.3.1) Foreign currency risk management (cont'd)

31 December 2022	Equivalent of Thousands of TRY	Thousands of USD	Thousands of EUR	Thousands of GBP	Other (Equivalent of Thousands of TRY)
1. Trade Receivables	3.388.574	75.142	6.131	-	872.095
2. Monetary Financial Assets	5.509.432	167.562	3.058	12	246.029
3. Other	480.132	5.245	6.825	-	94.355
4. CURRENT ASSETS	9.378.138	247.949	16.014	12	1.212.479
5. Trade Receivables	376.507	47	3.712	-	253.131
6. Monetary Financial Assets	1.516	-	-	-	1.516
7. Other	54.432	1.335	404	-	31
8. NON-CURRENT ASSETS	432.455	1.382	4.116	-	254.678
9. TOTAL ASSETS	9.810.593	249.331	20.130	12	1.467.157
10. Trade Payables	11.735.490	347.570	8.273	37	753.895
11. Financial Liabilities	345.158	-	4.112	-	210.091
12. Monetary Other Liabilities	2.170.762	27.267	25.878	-	480.660
12b. Non-Monetary Other Liabilities	20.961	498	171	-	-
13. CURRENT LIABILITIES	14.272.371	375.335	38.434	37	1.444.646
14. Trade Payables	5.508	84	12	-	2.526
15. Financial Liabilities	461.404	-	14.047	-	-
16. Monetary Other Liabilities	137.873	223	-	-	131.002
17. NON-CURRENT LIABILITIES	604.785	307	14.059	-	133.528
18. TOTAL LIABILITIES	14.877.156	375.642	52.493	37	1.578.174
19. Off-balance sheet derivative instruments net position (19a-19b)	7.438.475	241.434	-	-	-
19a. Derivative assets	7.438.475	241.434	-	-	-
19b. Derivative liabilities	-	-	-	-	-
20. Net foreign currency assets / liabilities position	2.371.912	115.123	(32.363)	(25)	(111.017)
21. Monetary items net foreign currency assets / liabilities position (1+2+5+6-10-11-12-14-15-16)	(5.580.166)	(132.393)	(39.421)	(25)	(205.403)
22. Fair value of derivative instruments held for hedging	(568.723)	(18.459)	-	-	-

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36. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

b) Financial Risk Factors (cont'd)

b.3) Market risk management (cont'd)

b.3.1) Foreign currency risk management (cont'd)

Foreign currency sensitivity

The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US Dollars and Euro.

The following table details the Group's sensitivity to a 5% increase and decrease in the US Dollars and Euro. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated items and adjusts their translation at the period end for a 5% change in foreign currency rates. A positive number indicates an increase in profit or loss.

	31 December 2023	
	Profit / Loss	
	Appreciation of foreign currencies	Depreciation of foreign currencies
	If US Dollars changes 5% against TL	
US Dollars net assets / liabilities	42.203	(42.203)
	If Euro changes 5% against TL	
Euro net assets / liabilities	(49.763)	49.763
	If other foreign currencies changes 5% against TL	
Other foreign currency net assets / liabilities	(8.013)	8.013
TOTAL	(15.573)	15.573
	31 December 2022	
	Profit / Loss	
	Appreciation of foreign currencies	Depreciation of foreign currencies
	If US Dollars change 5% against TL	
US Dollars net assets / liabilities	177.344	(177.344)
	If Euro changes 5% against TL	
Euro net assets / liabilities	(53.152)	53.152
	If other foreign currencies change 5% against TL	
Other foreign currency net assets / liabilities	(5.596)	5.596
TOTAL	118.596	(118.596)

Forward foreign exchange and option contracts

The Group enters forward foreign exchange contracts to manage the risk associated with anticipated sales and purchase transactions and to take advantage of favorable market price. The following table details the forward foreign currency and option contracts outstanding as at reporting date:

Outstanding contracts	Average rate		Foreign currency		Contract value		Fair value	
	2023	2022	2023	2022	2023	2022	2023	2022
<i>Buy USD (Thousand USD / Thousand TRY)</i>								
Less than 3 months	30,48	20,33	71.090	235.832	2.166.726	4.794.176	(884)	(350.570)
3 to 12 months	33,45	20,39	61.675	161.984	2.062.890	3.302.059	(30.845)	(218.153)
							(31.729)	(568.723)

As of 31 December 2023, 9.408 of unrealized loss arising from changes in fair values of forward foreign exchange contracts is classified as hedging reserve under shareholders' equity (2022: Unrealized gain 454.894).

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36. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

b) Financial Risk Factors (cont'd)

b.3) Market risk management (cont'd)

b.3.1) Interest rate risk management

Interest rate sensitivity

Detail of the Group's financial instruments exposed to interest rate sensitivity is as follows:

	31 December 2023	31 December 2022
Financial liabilities - Fixed Interest Rate Instruments	5.666.560	4.076.494
Financial liabilities - Floating Interest Rate Instruments	3.514.185	3.703.269

As of 31 December 2023 if the interest rates had been 50 basis points higher/lower and all other variables held constant, profit before tax and non-controlling interests would decrease/increase by 17.571 (31 December 2022: 18.516).

b.3.3) Other price risks

Equity pricing sensitivity

The sensitivity analyses below have been determined based on the exposure to price risks for listed stocks.

At reporting date, if variables used in valuation methods had been 10% higher/lower and all other variables held constant:

- There will be an increase/decrease of 48.034 (31 December 2022: 79.145 increase/decrease) in gain on revaluation and reclassification. This is mainly caused because of changes in fair values of fair value through other comprehensive income listed stocks.
- There will be an increase/decrease of 774 (31 December 2022: 1.555 increase/decrease) in profit or loss. This is mainly caused because of changes in fair values of fair value through profit or loss.

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37. FINANCIAL INSTRUMENTS

	Financial assets at amortized cost	Financial investments measured at fair value	Financial liabilities at amortized cost	Fair value of derivative instruments	Carrying value (*)	Note
31 December 2023						
Financial assets						
Cash and cash equivalents	6.592.988	-	-	-	6.592.988	5
Trade receivables (due from related parties included)	6.993.966	-	-	-	6.993.966	8, 36
Financial investments	42.372	4.183.663	-	-	4.226.035	6
Other current and non-current assets (due from related parties included)	287.776	-	-	-	287.776	9, 36
Derivative instruments	-	-	-	36.012	36.012	35
Financial liabilities						
Borrowings	-	-	9.180.745	-	9.180.745	7, 36
Trade payables (due to related parties included)	-	-	11.107.478	-	11.107.478	8, 36
Employee benefit payables	-	-	397.765	-	397.765	22, 36
Other short and long-term liabilities	-	-	668.695	-	668.695	9, 36
Derivative instruments	-	-	-	67.741	67.741	35
31 December 2022						
Financial assets						
Cash and cash equivalents	6.840.561	-	-	-	6.840.561	5
Trade receivables (due from related parties included)	7.423.745	-	-	-	7.423.745	8, 36
Financial investments	284.845	6.058.549	-	-	6.343.394	6
Other current and non-current assets (due from related parties included)	287.044	-	-	-	287.044	9, 36
Derivative instruments	-	-	-	14.052	14.052	35
Financial liabilities						
Borrowings	-	-	7.779.763	-	7.779.763	7, 36
Trade payables (due to related parties included)	-	-	18.002.226	-	18.002.226	8, 36
Employee benefit payables	-	-	282.563	-	282.563	22, 36
Other short and long-term liabilities	-	-	722.853	-	722.853	9, 36
Derivative instruments	-	-	-	582.775	582.775	35

(*) The Group believes that the carrying values of its financial instruments reflect their fair values.

Translated into English from the report originally issued in Turkish.

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37. FINANCIAL INSTRUMENTS (cont'd)

Fair Value of Financial Instruments

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

- Level 1: The fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices.
- Level 2: The fair value of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on using prices from direct or indirect observable current market transactions.
- Level 3: The fair value of the financial assets and financial liabilities are determined where there is no observable market data.

Long-term financial investments and derivative instruments of the Group are measured at their fair values. Book values of other financial assets and liabilities approximate their fair values.

There is 1.057.580 KKM in short-term financial investments. The relevant amount is presented at fair value (31 December 2022: 2.630.026 KKM). The fair value hierarchy is shown as Level 2.

Except for the financial investments mentioned above, Eurobonds amounting to 29.637 shown in short-term financial investments, are classified as financial assets and measured at amortized cost (31 December 2022: 282.525). The fair value of the related financial assets is 29.754 and the fair value hierarchy is Level 2 as of 31 December 2023 (31 December 2022: 284.403).

Excluding KKM and long-term funds, the fair values of financial assets and liabilities are as follows:

	31 December 2023	Fair value level as of reporting date		
		Level 1	Level 2	Level 3
<u>Financial assets</u>				
Fair value through other comprehensive income financial investments	1.346.863	512.358	-	834.505
Fair value through profit or loss financial investments	1.778.362	13.828	-	1.764.534
Derivative instruments	36.012	-	36.012	-
Total	3.161.237	526.186	36.012	2.599.039

Financial liabilities

	31 December 2023	Level 1	Level 2	Level 3
Derivative instruments	67.741	-	67.741	-
Total	67.741	-	67.741	-

	31 December 2022	Fair value level as of reporting date		
		Level 1	Level 2	Level 3
<u>Financial assets</u>				
Fair value through other comprehensive income financial investments	1.739.776	535.387	-	1.204.389
Fair value through profit or loss financial investments	1.687.966	17.580	-	1.670.386
Derivative instruments	14.052	-	14.052	-
Total	3.441.794	552.967	14.052	2.874.775

Financial liabilities

	31 December 2022	Level 1	Level 2	Level 3
Derivative instruments	582.775	-	582.775	-
Total	582.775	-	582.775	-

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37. FINANCIAL INSTRUMENTS (cont'd)

Fair Value of Financial Instruments (cont'd)

Changes of financial investments measured at their fair values during the period are as follows:

	Fair value through profit or loss financial investments		Fair value through other comprehensive income financial investments		Total
	Level 1	Level 3	Level 1	Level 3	
Opening balance as at 1 January 2023	17.580	1.670.386	535.387	1.204.389	3.427.742
Additions	-	46.131	-	-	46.131
Fair value change	(122)	89.032	187.432	(236.717)	39.625
Disposals	(2.262)	-	-	-	(2.262)
Currency translation effect	(1.368)	(41.015)	(210.461)	(133.167)	(386.011)
Closing balance as at 31 December 2023	<u>13.828</u>	<u>1.764.534</u>	<u>512.358</u>	<u>834.505</u>	<u>3.125.225</u>

	Fair value through profit or loss financial investments		Fair value through other comprehensive income financial investments		Total
	Level 1	Level 3	Level 1	Level 3	
Opening balance as at 1 January 2022	213.518	1.930.699	462.461	2.464.836	5.071.514
Transfers	20.509	(20.509)	-	-	-
Additions	-	164.349	-	20.430	184.779
Fair value change	(176.367)	(158.603)	253.863	(749.846)	(830.953)
Disposals	-	-	-	(108.133)	(108.133)
Currency translation effect	(40.080)	(245.550)	(180.937)	(422.898)	(889.465)
Closing balance as at 31 December 2022	<u>17.580</u>	<u>1.670.386</u>	<u>535.387</u>	<u>1.204.389</u>	<u>3.427.742</u>

The following methods have been used in measuring the fair values of the significant financial investment of the Group, those fair value level are determined to be Level 3:

Non-traded fair value through other comprehensive income financial investments

SOCAR Polymer Investments LLC

<i>Valuation Method</i>	<i>31 December 2023 Fair Value</i>	<i>Unobservable Inputs</i>	<i>Relation Between Unobservable Inputs and Fair Value Measurement</i>
Income Approach, Discounted Cash Flow	763.592	Weighted average cost of capital ratio: 12,9%	If the weighted average cost of capital ratio is increased to 13,9%, the estimated fair value decreases by 89.904; If it is decreased to 11,9%, the estimated fair value increases by 109.481.

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37. FINANCIAL INSTRUMENTS (cont'd)

Fair Value of Financial Instruments (cont'd)

Non-traded fair value through other comprehensive income financial investments (cont'd)

<i>Valuation Method</i>	<i>31 December 2022 Fair Value</i>	<i>Unobservable Inputs</i>	<i>Relation Between Unobservable Inputs and Fair Value Measurement</i>
Income Approach, Discounted Cash Flow	962.654	Weighted average cost of capital ratio: 13,2%	If the weighted average cost of capital ratio is increased to 14,2%, the estimated fair value decreases by 116.334; If it is decreased to 12,2%, the estimated fair value increases by 138.557.

Berlin Light JV S.a.r.l

Discounted cash flow and adjusted equity methods have been used in the fair value measurement of the related financial investment, and the cash flows expected to be obtained in the future are discounted to the present by using appropriate discount factors and the shareholders' equity is adjusted according to the discounted amounts. The discount rate used in calculations are 6,65% respectively.

Non-traded fair value through profit or loss financial investments

<i>Industry</i>	<i>Valuation Method</i>	<i>31 December 2023 Fair Value</i>	<i>Unobservable Inputs</i>	<i>Relation Between Unobservable Inputs and Fair Value Measurement</i>
<i>Contracting</i>	Equivalent value	255.686	Valuation multiplier: 1 - 1,45	If the average valuation multiplier is increased by 10%, the estimated fair value increases by 25.569, in case of a 10% decrease, the estimated fair value decreases by 25.569.
<i>Agriculture</i>	Equivalent value	1.332.191	Valuation multiplier: 2,21 - 2,46	If the average valuation multiplier is increased by 10%, the estimated fair value increases by 133.219, in case of a 10% decrease, the estimated fair value decreases by 133.219.
<i>Other</i>	Equivalent value	176.657	Valuation multiplier: 0,22 - 2,94	If the average valuation multiplier is increased by 10%, the estimated fair value increases by 17.666, in case of a 10% decrease, the estimated fair value decreases by 17.666.
<i>Industry</i>	<i>Valuation Method</i>	<i>31 December 2022 Fair Value</i>	<i>Unobservable Inputs</i>	<i>Relation Between Unobservable Inputs and Fair Value Measurement</i>
<i>Contracting</i>	Equivalent value	151.610	Valuation multiplier: 1,16 - 3,51	If the average valuation multiplier is increased by 10%, the estimated fair value increases by 27.485, in case of a 10% decrease, the estimated fair value decreases by 27.485.
	Held at cost	123.238	Valuation multiplier: 1,00	
<i>Agriculture</i>	Equivalent value	1.141.147	Valuation multiplier: 1,11 - 2,25	If the average valuation multiplier is increased by 10%, the estimated fair value increases by 114.115, in case of a 10% decrease, the estimated fair value decreases by 114.115.
<i>Other</i>	Equivalent value	254.391	Valuation multiplier: 0,48 - 2,94	If the average valuation multiplier is increased by 10%, the estimated fair value increases by 25.439, in case of a 10% decrease, the estimated fair value decreases by 25.439.

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37. FINANCIAL INSTRUMENTS (cont'd)

Fair Value of Financial Instruments (cont'd)

Non-traded fair value through profit or loss financial investments (cont'd)

Industrial distribution of the fair value movement of non-traded fair value through profit or loss financial investments is as follows:

	Fair value through profit or loss financial investments (Level 3)			
	Contracting	Agriculture	Other	Total
Opening balance as at 1 January 2023	274.848	1.141.147	254.391	1.670.386
Additions	4.572	35.622	5.937	46.131
Fair value change	(10.153)	159.460	(60.275)	89.032
Currency translation effect	(13.581)	(4.038)	(23.396)	(41.015)
Closing balance as at 31 December 2023	<u>255.686</u>	<u>1.332.191</u>	<u>176.657</u>	<u>1.764.534</u>
	Contracting	Agriculture	Other	Total
Opening balance as at 1 January 2022	281.015	1.089.034	560.650	1.930.699
Transfers (Level 1)	-	-	(20.509)	(20.509)
Additions	61.361	63.633	39.355	164.349
Fair value change	(36.247)	100.971	(223.327)	(158.603)
Currency translation effect	(31.281)	(112.491)	(101.778)	(245.550)
Closing balance as at 31 December 2022	<u>274.848</u>	<u>1.141.147</u>	<u>254.391</u>	<u>1.670.386</u>

38. OTHER MATTERS MATERIALLY AFFECTING FINANCIAL STATEMENTS

Construction Projects

In order to compensate for the losses caused by the negativities in various construction projects in the past years, the processes envisaged in the contracts with the Employer administrations have been initiated and the negotiations with the administrations are continue as of the report date.

The compensation and claim files prepared by the contract department together with international expert consulting firms have been submitted to the employer administrations. The Engineering and Contracting segment, which continues to work within the framework of contractual obligations during the extraordinary period, by taking every possible and reasonable precautions, will continue to negotiate diligently for these justified demands to be concluded positively.

Current information about related projects is as follows;

Qatar - Al-Thumama Stadium Project:

A contract was signed on 10 December 2017, between Tekfen-Al Jaber J.V., in which Tekfen İnşaat holds a 50% share, and the Employer administration Qatar Supreme Committee for Delivery and Legacy. The engineering and construction works of the Al Thumama stadium complex, which hosted the 2022 FIFA World Cup finals with a capacity of 44.400 spectators, were undertaken.

During the construction period, changes were made in the project's design to comply with FIFA Standards at the request of the Employer administration, resulting in an increase in the project's end-of-project costs. The entire increase, proportional to the Group's share, has been included in the consolidated financial statements in previous years. As of the balance sheet date, an agreement has been reached with the Employer administration to compensate for losses with partners, amounting to 365.960.087 Qatari Riyals. The entire agreed amount has been transferred to the partnership account on 11 January 2024. Activities under the warranty period responsibilities for the project are ongoing.

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38. OTHER MATTERS MATERIALLY AFFECTING FINANCIAL STATEMENTS (cont'd)

Construction Projects (cont'd)

Russia - Gas Transmission Pipeline between Kharampur Gas Field and Gazprom Main Pipeline:

A contract was signed on 27 December 2019, between Rusfen, a subsidiary of the Group, and Kharampurneftgaz LLC for the construction and assembly of a 90 km long 48" diameter gas pipeline.

Various adversities were experienced during the construction process of the project undertaken in the Yamalo-Nenets Autonomous Region of Russia. As a result of measures taken to reduce costs and the development of different business methods, some of the effects of the financial results reflected in the consolidated financial statements at the beginning of the project, the end-of-project costs have been slightly reduced. As of the reporting date, the entire expected loss at the end of the project has been included in the attached consolidated financial statements.

Upon realizing that consensus could not be reached in negotiations with the Employer administration for the compensation of our losses, legal action has been taken against the Employer administration, OOO Kharampurneftgaz, by Tekfen İnşaat and OOO Rusfen Consortium to assert our rights, claims, and assets related to this project.

Saudi Arabia - Haradh Satellite Compressor Stations Pipelines Project:

In accordance with the contract signed between Tekfen İnşaat and the Saudi Arabian Oil Company on 30 July 2018, the Haradh Field Gas Increment Program - Satellite Gas Compression Stations Pipeline Construction Works project has been undertaken.

Delays have occurred in the project due to material supply delays provided by the Employer administration and extensions of time issued by the Employer administration. As of the reporting date, the entire expected loss in the estimated costs of the project has been included in the consolidated financial statements. Discussions regarding additional works, resulting cost increases, and claims arising from time extensions are ongoing. Activities are continuing within the scope of warranty period responsibilities in the project.

North Field East Onshore Common Offsites 2 Project:

Under the contract signed between Tekfen İnşaat and Chiyoda Technip Joint Venture (CTJV) on 31 January 2022, the "General Works for Offsites 2 and South Interconnecting Piperack for North Field East Onshore Project EPC-1" project has been undertaken in Qatar. As of the balance sheet date, the financial completion rate of the relevant project is 39%.

As of the reporting date, an increase in the estimated cost of the project has been anticipated due to delays experienced in the installation of temporary camps, workshops, warehouses, office facilities, and mobilization phase. Negative changes in the income/expense difference resulting from this cost increase and the inclusion of additional revenues have been included into the consolidated financial statements in accordance with Turkish Financial Reporting Standards. As a result of these losses, changes have been made to the project management organization, negotiations have been conducted with the administration, and efforts are underway to reduce the projected losses through increased project efficiencies and savings.

Competition Authority Review

The Competition Authority, with its decision dated 12 August 2021 and numbered 21-38/543-M, started an investigation to seven companies operating in the fertilizer production sector, including Toros Tarım, whether Article 4 of the Law on the Protection of Competition No. 4054 is violated.

Investigation notification numbered E-13183850-110.01.04-30821 indicating that an investigation has been initiated reached the Company on 26 August 2021. Within the scope of the investigation, written defenses dated 29 September 2021, 11 October 2022 and 16 January 2023 and oral defense dated 25 July 2023 were submitted to the Competition Authority by Toros Tarım.

With the Competition Board's decision dated 3 August 2023 and numbered 23-36/670-226, it has been reported that Article 4 of the Law No. 4054 on the Protection of Competition was not violated and it is not necessary to impose administrative fines on the enterprises that are subject to the investigation.

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39. FEES FOR SERVICES RECEIVED FROM INDEPENDENT AUDIT FIRM

Type of Service	31 December 2023	31 December 2022
Independent audit fee for the reporting period	15.451	10.679
Fees for tax advisory services	1.690	1.389
Fees for other assurance services	38	71
Fees for services other than independent audit	381	-
	<u>17.560</u>	<u>12.139</u>

40. SUBSEQUENT EVENTS

The company initiated a buyback program for up to 18.500 TL nominal value shares, representing 5% of the company's capital, through a Board of Directors resolution dated 31 January 2024, for a duration of one year. The total amount allocated for the buyback program is 925.000 TL. As of the reporting date, buyback transactions amounting to a nominal value of 223 TL have been executed, ratio of buyback shares to total capital is 0,06%.

Through a Board of Directors resolution dated 21 March 2024, the company decided to issue financing bonds or debentures denominated in TL, up to a nominal value of 1.000.000 TL, within one year, through private placement and/or sales to qualified investors in different maturities, without public offering domestically, and submitted the necessary documentation for approval to the Capital Markets Board for this purpose. The proceeds from the issuance are planned to be used for financing group activities.

A purchase and sale agreement has been signed for the acquisition of all shares of Babadağ Elektrik Üretim Sanayi ve Ticaret A.Ş., with a total consideration of 17.000.000 USD, located in Balıkesir, which has a installed capacity of 9,6 MW and a production license of 14,4 MW. The acquisition and payment transactions are planned to be completed with 100% project finance. Final closing will be completed after the approval of the Competition Authority.

After the balance sheet date, a positive difference of 680.032 was realized in the fair value of two of the Group's publicly traded financial investments whose fair value difference was reflected in other comprehensive income.

After the balance sheet date, there was a positive difference of 1.989 in the fair value of one of the Group's financial investments whose fair value difference is reflected in profit or loss.