

**TEKFEN HOLDİNG ANONİM ŐİRKETİ
AND ITS SUBSIDIARIES**

CONSOLIDATED FINANCIAL
STATEMENTS WITH THE
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR
ENDED 31 DECEMBER 2022

(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 2022**

(Amounts are expressed in Thousands of Turkish Lira (“TRY”) unless otherwise stated.)

ASSETS	Notes	Audited 31 December 2022	Audited 31 December 2021
Current Assets		22.403.234	15.407.337
Cash and cash equivalents	5	4.151.531	5.064.108
Financial investments	6	1.769.033	51.845
Trade receivables	8	4.152.329	2.814.220
- <i>Related party receivables</i>		66.136	50.462
- <i>Trade receivables</i>		4.086.193	2.763.758
Other receivables	9	109.294	101.659
- <i>Other receivables</i>		109.294	101.659
Contract assets arising from ongoing construction works	11	2.355.436	1.863.471
Derivative instruments	35	8.528	249.886
Inventories	10	7.930.873	3.952.236
Prepaid expenses	18	624.229	349.216
- <i>Prepaid expenses</i>		624.229	349.216
Assets related with current tax	32	428.389	434.363
Other current assets	23	500.317	476.648
- <i>Other current assets</i>		500.317	476.648
		<u>22.029.959</u>	<u>15.357.652</u>
Assets classified as held for sale	31	373.275	49.685
Non-Current Assets		9.784.131	6.506.236
Financial investments	6	2.063.412	1.866.285
Trade receivables	8	353.134	184.737
- <i>Trade receivables</i>		353.134	184.737
Other receivables	9	59.399	14.025
- <i>Other receivables</i>		59.399	14.025
Investments valued by equity method	12	1.054.172	95.625
Investment property	13	230.733	168.024
Property, plant and equipment	14	4.455.013	3.441.525
Right-of-use assets	15	106.019	62.194
Intangible assets		165.607	150.699
- <i>Goodwill</i>	17	107.395	95.687
- <i>Other intangible assets</i>	16	58.212	55.012
Prepaid expenses	18	46.948	52.255
- <i>Prepaid expenses</i>		46.948	52.255
Deferred tax assets	32	1.163.260	436.525
Other non-current assets	23	86.434	34.342
- <i>Other non-current assets</i>		86.434	34.342
TOTAL ASSETS		<u>32.187.365</u>	<u>21.913.573</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 2022

(Amounts are expressed in Thousands of Turkish Lira ("TRY") unless otherwise stated.)

LIABILITIES	Notes	Audited 31 December 2022	Audited 31 December 2021
Current Liabilities		18.287.702	13.073.283
Short-term borrowings	7	2.533.011	3.088.485
Short-term portion of long-term borrowings	7	191.296	88.282
Trade payables	8	10.566.301	6.832.598
- Related party payables		8.963	10.174
- Trade payables		10.557.338	6.822.424
Payables related to employee benefits	22	171.487	126.891
Other payables	9	236.511	117.262
- Related party payables		7.728	-
- Other payables		228.783	117.262
Contract liabilities arising from ongoing construction works	11	1.057.846	457.701
Derivative instruments	35	353.686	198.465
Deferred revenue	18	2.109.775	880.956
- Deferred revenue		2.109.775	880.956
Current tax liability	32	385.978	499.325
Short-term provisions		678.634	777.228
- Short-term provisions attributable to employee benefits	22	267.169	260.389
- Other short-term provisions	20	411.465	516.839
Other short-term liabilities	23	3.177	6.090
- Other short-term liabilities		3.177	6.090
Non-Current Liabilities		3.309.463	1.114.830
Long-term borrowings	7	1.997.225	324.786
Trade payables	8	359.085	218.075
- Trade payables		359.085	218.075
Other payables	9	202.179	86.305
- Other payables		202.179	86.305
Deferred revenue	18	226	231
- Deferred revenue		226	231
Long-term provisions		491.372	288.417
- Long-term provisions attributable to employee benefits	22	491.353	288.362
- Other long-term provisions	20	19	55
Deferred tax liabilities	32	259.376	197.016
TOTAL LIABILITIES		21.597.165	14.188.113
EQUITY		10.590.200	7.725.460
Equity Attributable To Owners Of The Parent	24	10.428.977	7.595.637
Paid in capital		370.000	370.000
Capital structure adjustment		3.475	3.475
Premiums in capital stock		300.984	300.984
Accumulated other comprehensive income			
(loss) that will not be reclassified in profit or loss		(1.085.526)	(359.392)
- Gain (loss) on investments in equity instruments		(967.393)	(362.986)
- Gain on revaluation and remeasurement		(118.133)	3.594
Accumulated other comprehensive income			
(loss) that will be reclassified in profit or loss		3.130.480	2.770.245
- Currency translation reserve		3.406.555	2.577.869
- Hedging reserve	35	(276.075)	192.376
Legal reserves		571.038	397.716
Prior years' income		3.665.188	3.273.381
Net profit (loss) for the period		3.473.338	839.228
Non-controlling Interests		161.223	129.823
TOTAL LIABILITIES AND EQUITY		32.187.365	21.913.573

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 2022

(Amounts are expressed in Thousands of Turkish Lira ("TRY") unless otherwise stated.)

	<u>Notes</u>	<u>Audited 1 January - 31 December 2022</u>	<u>Audited 1 January - 31 December 2021</u>
Revenue	25	30.668.492	16.222.968
Cost of revenue (-)	25	(27.058.651)	(14.942.903)
GROSS PROFIT		<u>3.609.841</u>	<u>1.280.065</u>
General administrative expenses (-)	26	(893.221)	(695.374)
Marketing expenses (-)	26	(803.810)	(340.386)
Research and development expenses (-)	26	(27.326)	(28.233)
Other operating income	28	2.446.880	997.276
Other operating expenses (-)	28	(2.904.859)	(1.772.377)
Share on profit of investments valued by equity method	12	922.910	80.808
OPERATING PROFIT (LOSS)		<u>2.350.415</u>	<u>(478.221)</u>
Investment income	29	956.676	475.507
Investment expense (-)	29	(300.020)	(86.539)
PROFIT (LOSS) BEFORE FINANCIAL INCOME (EXPENSES)		<u>3.007.071</u>	<u>(89.253)</u>
Financial income	30	1.493.661	2.918.301
Financial expense (-)	30	(1.269.171)	(1.700.004)
PROFIT FROM CONTINUING OPERATIONS BEFORE TAXATION		<u>3.231.561</u>	<u>1.129.044</u>
Tax Expense from Continuing Operations (-)	32	216.831	(299.654)
Tax expense for the period (-)		(337.842)	(581.185)
Deferred tax (expense) income for the period		554.673	281.531
PROFIT FROM CONTINUING OPERATIONS FOR THE PERIOD		<u>3.448.392</u>	<u>829.390</u>
Distribution of Profit for the Period			
Non-controlling interests		(24.946)	(9.838)
Owners of the parent		3.473.338	839.228
Earnings Per Share	33	9,387	2,268

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TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

AUDITED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2022

(Amounts are expressed in Thousands of Turkish Lira ("TRY") unless otherwise stated.)

	<u>Notes</u>	<u>Audited 1 January- 31 December 2022</u>	<u>Audited 1 January- 31 December 2021</u>
PROFIT FOR THE PERIOD		3.448.392	829.390
OTHER COMPREHENSIVE INCOME:			
<u>Items that will not be reclassified to profit or loss</u>			
Gain (loss) on investments in equity instruments (-)		(726.070)	(651.921)
Gain (loss) on revaluation of defined benefit plans	24	(596.653)	(660.225)
Taxes based on other comprehensive income that will not be reclassified to profit or loss		(152.078)	4.476
- <i>Deferred tax (expense) income</i>		22.661	3.828
		22.661	3.828
<u>Items that will be reclassified to profit or loss</u>			
Currency translation reserve differences	24	416.582	1.766.295
Other comprehensive income related to cash flow hedging		885.032	1.581.155
Taxes based on other comprehensive income that will be reclassified to profit or loss		(594.932)	240.794
- <i>Deferred tax expense (-)</i>		126.482	(55.654)
		126.482	(55.654)
OTHER COMPREHENSIVE INCOME		(309.488)	1.114.374
TOTAL COMPREHENSIVE INCOME		3.138.904	1.943.764
Distribution of Total Comprehensive Income for The Period			
Non-controlling interests		31.400	49.395
Owners of the parent		3.107.504	1.894.369

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TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

AUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2022

(Amounts are expressed in Thousands of Turkish Lira (“TRY”) unless otherwise stated.)

	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 2021	370.000	3.475	300.984	292.516	13	1.055.947	7.236	382.727	3.377.366	(60.125)	5.730.139	80.761	5.810.900
Transfers	-	-	-	-	-	-	-	14.989	(75.114)	60.125	-	-	-
Total comprehensive income	-	-	-	(655.502)	3.581	1.521.922	185.140	-	-	839.228	1.894.369	49.395	1.943.764
- Profit (loss) for the period	-	-	-	-	-	-	-	-	-	839.228	839.228	(9.838)	829.390
- Other comprehensive income (loss)	-	-	-	(655.502)	3.581	1.521.922	185.140	-	-	-	1.055.141	59.233	1.114.374
Other changes	-	-	-	-	-	-	-	-	(14.180)	-	(14.180)	-	(14.180)
Closing balance as of 31 December 2021	370.000	3.475	300.984	(362.986)	3.594	2.577.869	192.376	397.716	3.273.381	839.228	7.595.637	129.823	7.725.460
Audited													
Opening balance as of 1 January 2022	370.000	3.475	300.984	(362.986)	3.594	2.577.869	192.376	397.716	3.273.381	839.228	7.595.637	129.823	7.725.460
Transfers	-	-	-	-	-	-	-	173.322	665.906	(839.228)	-	-	-
Total comprehensive income (loss)	-	-	-	(604.407)	(121.662)	828.686	(468.451)	-	-	3.473.338	3.107.504	31.400	3.138.904
- Profit (loss) for the period	-	-	-	-	-	-	-	-	-	3.473.338	3.473.338	(24.946)	3.448.392
- Other comprehensive income (loss)	-	-	-	(604.407)	(121.662)	828.686	(468.451)	-	-	-	(365.834)	56.346	(309.488)
Other changes	-	-	-	-	(65)	-	-	-	65	-	-	-	-
Closing balance as of 31 December 2022	370.000	3.475	300.984	(967.393)	(118.133)	3.406.555	(276.075)	571.038	3.665.188	3.473.338	10.428.977	161.223	10.590.200

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TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

AUDITED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2022

(Amounts are expressed in Thousands of Turkish Lira ("TRY") unless otherwise stated.)

	Notes	Audited 1 January - 31 December 2022	Audited 1 January - 31 December 2021
A. CASH FLOWS FROM OPERATING ACTIVITIES		(355.258)	533.849
Profit for the Period		3.448.392	829.390
Adjustments to Reconcile Net Profit		(200.345)	399.252
- Depreciation and Amortization	13,14,15,16	601.390	431.230
- Impairment/Reversed Provision	25,29	(26.071)	35.599
- Provision Adjustments	8,20,22	(106.872)	97.951
- Dividend Income and Expenses	29	(22.299)	(8.787)
- Interest Income and Expense Adjustments	30	393.703	29.275
- Gain/Loss on Fair Valuation	6,29,37	203.299	(225.080)
- Group's Share on Profit of Investments Valued by Equity Method	12	(922.910)	(80.808)
- Allowance for Taxation	32	(216.831)	299.654
- Adjustments for Gain/Loss on Sale of Fixed Assets	29	(72.812)	(38.910)
- Adjustments for Gain/Loss on Sales of Assets Held for Sale	29	(15.982)	(16.278)
- Adjustments for Gain/Loss on Sales of Joint Ventures and Financial Investments	29	(14.960)	(124.594)
Movements in Working Capital		(2.511.666)	(54.474)
- Changes in Financial Investments	6	(1.717.188)	30.273
- Changes in Trade Receivables	8	(1.552.371)	(722.990)
- Changes in Other Assets	9	(194.396)	(252.954)
- Changes in Contract Assets Arising from Ongoing Construction Works	11	(491.965)	(1.231.789)
- Changes in Inventories	10	(4.244.958)	(1.925.399)
- Changes in Prepaid Expenses	18	(291.314)	58.130
- Changes in Trade Payables	8	3.882.441	3.564.886
- Changes in Payables Related to Employee Benefits	22	44.596	62.289
- Changes in Contract Liabilities Arising from Ongoing Construction Works	11	600.145	22.579
- Changes in Other Liabilities	9	224.530	49.665
- Changes in Deferred Revenue	18	1.228.814	290.836
Cash Generated by Operating Activities		736.381	1.174.168
Interest Paid		(525.739)	(150.731)
Interest Received		130.571	138.271
Provision Paid Related to Employee Benefits	22	(249.974)	(127.207)
Other Provision Paid	20	(1.282)	(1.674)
Tax Paid/Return	32	(445.215)	(498.978)
B. CASH FLOWS FROM INVESTING ACTIVITIES		(750.685)	(136.551)
Cash Inflows from Sales of Shares or Capital Decrease of Associates or Joint Ventures	38	29.268	216.048
Payments due to Share Acquisition or Capital Increase of Associates or Joint Ventures	12	-	(444)
Cash Inflows for Sales of Shares in Other Entities or Shares in Funds or Borrowing Instruments	37	65.626	216.431
Cash Outflows for Acquisition of Shares in Other Entities or Shares in Funds or Borrowing Instruments	6,37	(112.141)	(182.970)
Proceeds from Sales of Tangible and Intangible Assets	14,16	84.788	20.604
Acquisition of Tangible and Intangible Assets	14,16	(890.336)	(556.115)
Proceeds from Sales of Investment Properties	13	19.852	46.021
Acquisition of Investment Properties	13	(15.152)	-
Proceeds from Sales of Assets Held for Sale	31	23.503	83.190
Advances and Debts Given	18	21.608	(31.703)
Dividend Received	12,29	22.299	52.387
C. CASH FLOWS FROM FINANCING ACTIVITIES		(233.395)	(43.152)
Proceeds from Borrowings	7	7.813.907	2.551.172
Repayments of Borrowings	7	(7.706.235)	(2.481.203)
Payments of Lease Obligations	7	(66.903)	(42.039)
Dividend paid	24	(274.164)	(71.082)
CHANGE IN CASH AND CASH EQUIVALENTS BEFORE CURRENCY TRANSLATION RESERVE EFFECT		(1.339.338)	354.146
D. CURRENCY TRANSLATION RESERVE EFFECT ON CASH AND CASH EQUIVALENTS		426.761	1.450.846
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C+D)		(912.577)	1.804.992
E. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		5.064.108	3.259.116
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (A+B+C+D+E)	5	4.151.531	5.064.108

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TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

(Amounts are expressed in Thousands of Turkish Lira (“TRY”) unless otherwise stated.)

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 2022, the Group has employees 11.950 (31 December 2021: 16.543) 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
			2022	2021	
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	Engineering	United Kingdom	100	-	Engineering & Contracting
Cenub Tikinti Servis ASC “Cenub Tikinti”	Construction	Azerbaijan	51	51	Investment
HMB Hallesche Mitteldeutsche Bau- Aktiengesellschaft “HMB”	Trading	Germany	100	100	Engineering & Contracting
Gate İnşaat Taahhüt San. ve Tic. A.Ş. “Gate ”	Construction	Turkey	100	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	Chemical Industry and Service
Toros Adana Yumurtalık Serbest Bölgesi Kur. ve İşleticisi A.Ş. “Tayseb”	Service	Turkey	100	100	Service
Toros Terminal Servisleri ve Denizcilik A.Ş. “Toros Terminal”	Service	Turkey	100	100	Chemical Industry
Toros Gemi Acenteliği ve Ticaret A.Ş. “Toros Gemi”	Shipping Agent	Turkey	100	100	Service
Tekfen Tarımsal Araştırma Üretim ve Pazarlama A.Ş. “Tekfen Tarım”	Manufacturing	Turkey	100	100	Agricultural Production
Alanar Meyve ve Gıda Üretim Pazarlama Sanayi ve Tic. A.Ş. “Alanar Meyve”	Fruit Manufacturing	Turkey	100	100	Agricultural Production
Toros Gönen Yenilenebilir Enerji Üretim A.Ş. “Gönen Enerji”	Agriculture – Electricity	Turkey	70	70	Chemical Industry
Toros Meram Yenilenebilir Enerji Üretim A.Ş. “Meram Enerji”	Agriculture – Electricity	Turkey	70	70	Chemical Industry

TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

(Amounts are expressed in Thousands of Turkish Lira (“TRY”) unless otherwise stated.)

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

Subsidiaries	Nature of Business	Country of Origin	Direct/Effective Share Participation		Business Segment
			2022	2021	
Toros Agroport Romania S.A “Toros Agroport”	Fertilizer Trade	Romania	100	100	Chemical Industry
Tekfen Turizm ve İşletmecilik A.Ş. “Tekfen Turizm”	Service	Turkey	100	100	Service
Tekfen Gayrimenkul Yatırım A.Ş. “Tekfen Gayrimenkul”	Investment	Turkey	100	100	Investment
Tekfen Sigorta Aracılık Hizmetleri A.Ş. “Tekfen Sigorta”	Insurance Service	Turkey	100	100	Service
Tekfen Endüstri ve Ticaret A.Ş. “Tekfen Endüstri” ⁽¹⁾	Trading	Turkey	-	100	Engineering & Contracting
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	Chemical 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

(1) Tekfen Industry, with all its assets and liabilities, was transferred to Tekfen Construction on December 21, 2022.

Joint Ventures	Nature of Business	Country of Origin	Direct/Effective Share Participation		Business Segment
			2022	2021	
Azfen Birge Müessesisi “Azfen”	Construction	Azerbaijan	40	40	Engineering & Contracting
Hishtil Toros Fidecilik San. ve Tic. A.Ş. “H-T Fidecilik”	Agriculture	Turkey	-	50	Agricultural Production
Florya Gayrimenkul Yatırım İnş. Tur. San. Tic. A.Ş. “Florya Gayrimenkul” (*)	Real Estate	Turkey	-	-	Investment

(*) Shares of H-T Fidecilik were sold on 19 April 2022 (Note: 38).

Branches	Nature of Business	Country of Origin	Business Segment
Tekfen İnşaat – Bakı Branch	Construction	Azerbaijan	Engineering & Contracting
Tekfen İnşaat – Saudi Arabia Branch	Construction	Saudi Arabia	Engineering & Contracting
Tekfen İnşaat – Morocco Branch	Construction	Morocco	Engineering & Contracting
Tekfen İnşaat – Qatar Branch	Construction	Qatar	Engineering & Contracting
Tekfen İnşaat – Iraq Branch	Construction	Iraq	Engineering & Contracting
Tekfen İnşaat – Dubai Branch	Construction	United Arab Emirates	Engineering & Contracting
Tekfen İnşaat – Turkmenistan Branch	Construction	Turkmenistan	Engineering & Contracting
Tekfen İnşaat – Mozambique Branch	Construction	Mozambique	Engineering & Contracting
Tekfen İnşaat – Algeria Branch	Construction	Algeria	Engineering & Contracting
Tekfen İnşaat – Philippines Branch	Construction	Philippines	Engineering & Contracting
Tekfen Mühendislik – Kenya Branch	Engineering	Kenya	Engineering & Contracting

TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

(Amounts are expressed in Thousands of Turkish Lira ("TRY") unless otherwise stated.)

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

Group's management conducts its operations within five principal business segments: Engineering and Contracting, Chemical Industry, Agricultural Production, Service, and Investment. Each segment company has liability to prepare financial statements according to Group's accounting policies. Natures of businesses of the Group companies are summarized below:

Engineering and Contracting Segment

Engineering and Contracting segment undertake infrastructure and industrial construction projects in Turkey, Azerbaijan, Kazakhstan, Saudi Arabia, Qatar, Iraq and Russia. Petroleum, gas and petrochemical facilities, pipelines, land and marine terminals, offshore 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.

Chemical Industry Segment

The Chemical Industry segment, which is mainly focuses on fertilizer production, continues its activities in the fields 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.

Agricultural Production Segment

Agricultural Production segment has operations in ground and vegetable grain, production, distribution and trade of seedling and sapling. In the field of agricultural production, plant tissue, banana sapling cultivation, high quality potato seed, sesame, certified wheat germ production and sale activities are carried out. Also production, packaging and export operations of cherry, apricot, pomegranate, plum, persimmon and figs are made. Income provided from the consolidation of H-T Fidecilik by equity method is disclosed in this group.

Service Segment

Service Segment has operations in terminal management, guidance, towage, agency business, free zone operations, insurance services, building and facility management services.

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.

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 07 March 2023. The General Assembly and other regulatory organs reserve their right to modify and change these consolidated financial statements.

TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

(Amounts are expressed in Thousands of Turkish Lira (“TRY”) unless otherwise stated.)

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 accounting principles in the Turkish Commercial Code (“TCC”) and Tax Legislation. Subsidiaries those are registered in foreign countries maintain their books of account and prepare their statutory statements in the currency of their registered countries and in accordance with the prevailing accounting principles in their registered countries.

The accompanying 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 and additions and interpretations regarding these standards (“TFRS”) as adopted by the Public Oversight Accounting and Auditing Standards Authority (“POA”) are predicated on in accordance with article 5th of the Communiqué.

Additionally, the 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 04 October 2022.

According to the announcement made by POA on 20 January 2022, it has been stated that the companies applying TFRS, will not need to make any adjustment under TAS 29 Financial Reporting Standard in High Inflationary Economies in 2021. Therefore, while preparing the consolidated financial statements as of 31 December 2022, no inflation adjustment was made according to TAS 29.

The consolidated financial statements, have been prepared on the historical cost basis except for the following items those measured at fair value:

- 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.

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 the Group, is US Dollars. Due to the depreciation of the TL against foreign currencies in the current year because of the economic conditions in Turkey, Tekfen Construction's income and expenses in each quarter of the current year have been converted to TL at the average exchange rate of this period.

The exchange rates used in the consolidation process as of 31 December 2022 are 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 (As of 31 December 2021; 1 USD= 12,9775 TRY, 1 EUR= 14,6823 TRY, 1 AZN= 7,6338 TRY, 1 SAR= 3,4607 TRY, 1 QAR= 3,5555 TRY, 1 RON= 2,9498).

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NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

(Amounts are expressed in Thousands of Turkish Lira (“TRY”) unless otherwise stated.)

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

2.1 The Basis of Presentation (cont’d)

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.

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.

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NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

(Amounts are expressed in Thousands of Turkish Lira ("TRY") unless otherwise stated.)

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

2.1 The Basis of Presentation (cont'd)

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:

<u>Joint Operations</u>	<u>Nature of Business</u>	<u>Country of Origin</u>	<u>Direct/Effective</u>		<u>Business Segment</u>
			<u>2022</u>	<u>2021</u>	
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

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.

TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

(Amounts are expressed in Thousands of Turkish Lira (“TRY”) unless otherwise stated.)

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

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 condensed consolidated financial statements:

- Annual Improvements to TFRS 2018-2020 Cycle (TFRS 1, TFRS 9, TAS 41, TFRS 16), effective for annual periods beginning after 1 January 2022.
- TFRS 3 (amendments), “Reference to the Conceptual Framework”, effective for annual periods beginning after 1 January 2022.
- TAS 16 (amendments), “Property, Plant and Equipment - Proceeds before Intended Use”, effective for annual periods beginning after 1 January 2022.
- TAS 37 (amendments), “Onerous Contracts - Cost of Fulfilling a Contract”, effective for annual periods beginning after 1 January 2022.

(b) Standards, amendments and interpretations to existing standards that are effective as of the year 2022, but not affecting the condensed consolidated financial statements of the Group:

- None.

(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:

- TFRS 17 and TFRS 4 (amendments), postponement of the application of TFRS 9; effective for annual periods beginning after 1 January 2023.
- TFRS 17 “Insurance Contracts”, effective for annual periods beginning after 1 January 2023.
- TAS 1 (amendments), “Classification of Liabilities”, effective for annual periods beginning after 1 January 2024.
- TAS 12 (amendments), “Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction”, effective for annual periods beginning after 1 January 2023.
- TFRS 16 (amendments), “Sale and Leaseback Transactions” effective for annual periods beginning after 1 January 2024.
- 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.

The Group evaluates the effects of the standards issued but not yet effective as of 31 December 2022 on its consolidated financial position and performance.

TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

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(Amounts are expressed in Thousands of Turkish Lira ("TRY") unless otherwise stated.)

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

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 concerning the goods or services to be transferred,
- Group can define payment conditions concerning the goods or services to be transferred,
- The agreement is commercial in essence.
- It is possible that the Group will collect money in return for goods and services to be transferred to the client.

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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(Amounts are expressed in Thousands of Turkish Lira (“TRY”) unless otherwise stated.)

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 presented to 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 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 claims 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 claim 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.

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(Amounts are expressed in Thousands of Turkish Lira (“TRY”) unless otherwise stated.)

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 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:

- a) The contract involved the use of an identified asset – this may be specified explicitly or implicitly,
- b) 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,
- c) 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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(Amounts are expressed in Thousands of Turkish Lira ("TRY") unless otherwise stated.)

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.

TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

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(Amounts are expressed in Thousands of Turkish Lira (“TRY”) unless otherwise stated.)

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:

- a) Increasing the carrying amount to reflect interest on the lease liability,
- b) Reducing the carrying amount to reflect the lease payments made, and
- c) 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:

- a) There is a change in the lease term. The Group determines the revised lease payments on the basis of the revised lease term; or
- b) 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 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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(Amounts are expressed in Thousands of Turkish Lira (“TRY”) unless otherwise stated.)

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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(Amounts are expressed in Thousands of Turkish Lira (“TRY”) unless otherwise stated.)

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.

If, at the reporting date, the credit risk on a financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses except for purchased or originated credit impaired financial assets. For purchased or originated credit-impaired financial assets, the Group only recognizes the cumulative changes in lifetime expected credit losses since initial recognition as a loss allowance at the reporting date.

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.

TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

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(Amounts are expressed in Thousands of Turkish Lira (“TRY”) unless otherwise stated.)

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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(Amounts are expressed in Thousands of Turkish Lira (“TRY”) unless otherwise stated.)

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.

Reporting of Financial Information According to Segments

The Group has five operating segments which are Engineering and Contracting, Chemical Industry, Agricultural Production, Service, and Investment including information in order to monitor performance and to allocate resources. These segments are managed separately because of the risk and benefits attributable to these segments are influenced from different economical environments and different geographical locations.

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 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.

Redeemed Shares

As determined in the articles of association of Tekfen Holding A.Ş., 30 of the registered redeemed shares belong to Tekfen Eğitim Sağlık Kültür Sanat ve Doğal Varlıkları Koruma Vakfı (“Tekfen Vakfı”). The constitutive redeemed 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 redeemed 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.

Redeemed 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 redeemed 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 2022	31 December 2021
Current assets	21.890	19.102
Non-current assets	7.788	7.996
Current liabilities	2.504.767	1.776.170
Non-current liabilities	5.662	2.264
Shareholders' equity	(2.480.751)	(1.751.336)
	1 January- 31 December 2022	1 January- 31 December 2021
Revenue	343.914	249.619
Cost of revenue (-)	(296.615)	(392.767)
Loss for the period	53.043	(139.002)

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4. SEGMENTAL REPORTING

a) Segmental results

	1 January - 31 December 2022					Total
	Engineering & Contracting	Chemical Industry	Agricultural Production	Service	Investment	
Revenue	10.915.940	17.874.260	265.462	1.500.545	112.285	30.668.492
Cost of revenue (-)	(11.081.576)	(14.632.110)	(201.596)	(1.115.958)	(27.411)	(27.058.651)
GROSS PROFIT (LOSS)	(165.636)	3.242.150	63.866	384.587	84.874	3.609.841
General administrative expenses (-)	(532.588)	(155.267)	(10.840)	(34.528)	(159.998)	(893.221)
Marketing expenses (-)	(21.249)	(727.259)	(38.522)	(16.780)	-	(803.810)
Research and development expenses (-)	(14.861)	(7.311)	(5.154)	-	-	(27.326)
Other operating income	1.077.156	1.269.078	14.856	80.962	4.828	2.446.880
Other operating expenses (-)	(998.960)	(1.865.501)	(9.756)	(24.817)	(5.825)	(2.904.859)
Share on profit of investments valued by equity method	922.749	-	161	-	-	922.910
OPERATING PROFIT (LOSS)	266.611	1.755.890	14.611	389.424	(76.121)	2.350.415
Investment income	122.043	59.842	21.949	26.512	726.330	956.676
Investment expense (-)	(10.997)	(4.120)	-	-	(284.903)	(300.020)
PROFIT (LOSS) BEFORE FINANCIAL INCOME (EXPENSES)	377.657	1.811.612	36.560	415.936	365.306	3.007.071
Financial income	263.050	432.289	13.732	21.397	763.193	1.493.661
Financial expenses (-)	(438.582)	(229.454)	(66.350)	(14.635)	(520.150)	(1.269.171)
PROFIT (LOSS) FROM CONTINUING OPERATIONS BEFORE TAXATION	202.125	2.014.447	(16.058)	422.698	608.349	3.231.561
Tax (expense) income from continuing operations	(148.520)	331.603	59	(59.549)	93.238	216.831
PROFIT FROM CONTINUING OPERATIONS FOR THE PERIOD	53.605	2.346.050	(15.999)	363.149	701.587	3.448.392

For the year ended 31 December 2022, revenue amounting 4.100.179 was obtained from a non-related client of Engineering and Contracting segment which constitute 13,4% of the Group’s revenue.

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4. SEGMENTAL REPORTING (cont’d)

a) Segmental results (cont’d)

	1 January - 31 December 2021					Total
	Engineering & Contracting	Chemical Industry	Agricultural Production	Service	Investment	
Revenue	8.197.426	7.199.933	183.764	562.395	79.450	16.222.968
Cost of revenue (-)	(9.247.712)	(5.098.910)	(198.707)	(379.402)	(18.172)	(14.942.903)
GROSS PROFIT (LOSS)	(1.050.286)	2.101.023	(14.943)	182.993	61.278	1.280.065
General administrative expenses (-)	(377.612)	(83.912)	(17.466)	(20.615)	(195.769)	(695.374)
Marketing expenses (-)	(12.488)	(287.829)	(30.786)	(9.283)	-	(340.386)
Research and development expenses (-)	(13.178)	(8.276)	(6.779)	-	-	(28.233)
Other operating income	301.388	611.654	21.598	51.024	11.612	997.276
Other operating expenses (-)	(403.378)	(1.316.304)	(10.898)	(33.242)	(8.555)	(1.772.377)
Share on profit (loss) of investments valued by equity method	79.973	-	840	-	(5)	80.808
OPERATING PROFIT (LOSS)	(1.475.581)	1.016.356	(58.434)	170.877	(131.439)	(478.221)
Investment income	40.986	1.073	85	342	433.021	475.507
Investment expense (-)	(3.782)	(22.010)	(6.526)	-	(54.221)	(86.539)
PROFIT (LOSS) BEFORE FINANCIAL INCOME (EXPENSES)	(1.438.377)	995.419	(64.875)	171.219	247.361	(89.253)
Financial income	234.792	796.865	9.855	22.506	1.854.283	2.918.301
Financial expenses (-)	(274.752)	(310.928)	(65.169)	(9.507)	(1.039.648)	(1.700.004)
PROFIT (LOSS) FROM CONTINUING OPERATIONS BEFORE TAXATION	(1.478.337)	1.481.356	(120.189)	184.218	1.061.996	1.129.044
Tax expense from continuing operations (-)	(200.742)	184.094	6.716	(51.345)	(238.377)	(299.654)
PROFIT (LOSS) FROM CONTINUING OPERATIONS FOR THE PERIOD	(1.679.079)	1.665.450	(113.473)	132.873	823.619	829.390

For the year ended 31 December 2021, revenue amounting revenues amounting 2.394.063 and 1.646.746 were obtained from two non-related client of Engineering and Contracting segment which constitute 14,8% and 10,2% of the Group’s revenue respectively.

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4. SEGMENTAL REPORTING (cont’d)

b) Segmental assets and liabilities

Balance sheet	31 December 2022					
	Engineering & Contracting	Chemical Industry	Agricultural Production	Service	Investment	Total
Total assets	13.423.202	12.814.440	611.508	646.882	4.691.333	32.187.365
Current and non-current liabilities	12.324.405	8.193.913	404.200	232.411	442.236	21.597.165
Equity attributable to owners of the parents	(856.928)	6.122.920	(217.731)	724.069	4.656.647	10.428.977
Non-controlling interests	25.828	(37.814)	-	119	173.090	161.223

Balance sheet	31 December 2021					
	Engineering & Contracting	Chemical Industry	Agricultural Production	Service	Investment	Total
Total assets	9.253.027	7.381.836	380.058	600.514	4.298.138	21.913.573
Current and non-current liabilities	9.281.903	3.924.136	331.776	159.625	490.673	14.188.113
Equity attributable to owners of the parents	(1.246.800)	4.178.736	(183.291)	451.791	4.395.201	7.595.637
Non-controlling interests	18.478	(821)	-	72	112.094	129.823

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

	1 January - 31 December 2022					
	Engineering & Contracting	Chemical Industry	Agricultural Production	Service	Investment	Total
Capital expenditures	192.872	134.498	23.460	527.918	26.740	905.488
Depreciation and amortization expense for the period (*)	444.977	105.975	21.189	16.863	12.386	601.390
Intra-segment revenue	285.409	160.526	1.026	316	20.747	468.024
Inter-segment revenue	16	10.814	-	34.724	101.006	146.560

	1 January - 31 December 2021					
	Engineering & Contracting	Chemical Industry	Agricultural Production	Service	Investment	Total
Capital expenditures	170.281	180.399	18.210	185.291	1.934	556.115
Depreciation and amortization expense for the period (*)	301.052	81.159	21.414	15.494	12.111	431.230
Intra-segment revenue	258.751	93.718	2.250	255	11.121	366.095
Inter-segment revenue	396	1.896	-	18.275	18.723	39.290

(*) The depreciation expense of 33 is added to the cost of inventories. (2021: 4.209 added to the cost of inventory).

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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 2022)	20.157.735	5.802.566	3.799.371	1.523.404	(614.584)	30.668.492
Total assets (31 December 2022)	40.454.370	12.598.332	7.086.867	5.633.752	(33.585.956)	32.187.365
Capital expenditures (1 January - 31 December 2022)	783.902	48.180	73.126	280	-	905.488

	Turkey	CIS	Middle Eastern Countries	Other	Eliminations	Total
Revenue (1 January - 31 December 2021)	9.128.868	3.838.719	3.215.327	445.439	(405.385)	16.222.968
Total assets (31 December 2021)	25.570.999	8.859.817	5.641.229	3.635.527	(21.793.999)	21.913.573
Capital expenditures (1 January - 31 December 2021)	408.078	144.924	2.741	372	-	556.115

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5. CASH AND CASH EQUIVALENTS

	31 December 2022	31 December 2021
Cash on hand	6.562	3.488
Cash at banks		
Demand deposits	525.236	445.437
Time deposits with maturity of three months or less	2.135.768	4.104.613
Liquid funds	481.265	-
Other cash equivalents	1.002.700	510.570
	<u>4.151.531</u>	<u>5.064.108</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 2022	31 December 2021
<u>Short-term financial investments</u>		
Financial assets at amortised cost - eurobonds	171.464	51.845
Time deposits with maturity of longer than three months	1.408	-
Currency protected deposits	1.596.161	-
	<u>1.769.033</u>	<u>51.845</u>
<u>Long-term financial investments</u>		
Fair value through other comprehensive income financial investments	1.038.530	1.074.099
Fair value through profit or loss financial investments	1.024.408	792.186
Long term funds	474	-
	<u>2.063.412</u>	<u>1.866.285</u>
Financial investments total	<u>3.832.445</u>	<u>1.918.130</u>

Financial assets measured by their amortized cost included in short-term financial investments are consisted of Eurobonds with a nominal value of 9.138.000 USD with coupon rates varying between 5,25% and 7,25% (31 December 2021: Short-term financial investments are consisted of Eurobonds with a nominal value of 4.000.000 USD with coupon rates varying between 5,5% and 6%).

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6. FINANCIAL INVESTMENTS (cont'd)

Long-term financial investments are as follows:

Details	Share %	31 December 2022	Share %	31 December 2021
<u>Fair value through other comprehensive income financial investments</u>				
<u>Traded</u>				
Akmerkez Gayrimenkul Yatırım Ortaklığı A.Ş.	10,47	318.734	10,47	168.847
Türkiye Sınai Kalkınma Bankası A.Ş.	<1	5.741	<1	1.892
Akçansa Çimento Sanayi ve Ticareti A.Ş.	<1	344	<1	100
Turcas Petrol A.Ş.	<1	107	<1	18
		<u>324.926</u>		<u>170.857</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	584.234	10,00	753.993
Cording Dortmund Hiltropwall SCSp	12,58	4.207	12,58	59.041
Berlin Light JV S.a.r.l	11,44	111.180	11,44	88.623
Mersin Serbest Bölge İşleticisi A.Ş.	9,56	13.296	9,56	898
Akmerkez Lokantacılık Gıda San. ve Tic. A.Ş. ⁽²⁾	30,50	441	30,50	441
Üçgen Bakım ve Yönetim Hizmetleri A.Ş. ⁽²⁾	27,45	109	27,45	109
Antalya Serbest Bölge Kurucu ve İşleticisi A.Ş.	10,00	124	10,00	124
Other		13		13
		<u>713.604</u>		<u>903.242</u>
Fair value through profit or loss financial investments		1.024.408		792.186
<u>Long term funds</u>		<u>474</u>		<u>-</u>
<u>Long-term financial investments total</u>		<u>2.063.412</u>		<u>1.866.285</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. (2021: 44.948 recognized under the consolidated statement of profit or loss, 9.288 has been recognized under the consolidated statement of other comprehensive income).

⁽²⁾ As of 31 December 2022, and 2021, 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 80.637 and negative change of 283.936 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 2021: 279.247 positive, 9.219 negative). Since one of the fair values through profit or loss financial investments has started to be traded in the local stock exchange in the current period, it has been transferred to Level 1 fair value hierarchy, which was Level 3 in the previous period. Additionally, was sold during the period. (Note 37)

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 2022	31 December 2021
Short-term bank loans	2.533.011	3.088.485
Short-term portion of long-term bank loans and interest payments	99.950	52.065
Short-term portion of long-term lease payables	91.346	36.217
Total short-term borrowings	2.724.307	3.176.767
Long-term bank loans	1.974.936	294.782
Long-term lease payables	22.289	30.004
Total long-term borrowings	1.997.225	324.786
Total borrowings	4.721.532	3.501.553

The details of bank loans are as follows:

Original currency	Weighted average interest rate %		31 December 2022		
	Short-term	Long-term	Short-term	Long-term	Total
US Dollars	5,65	6,65	1.496.663	1.682.847	3.179.510
EUR	2,77	2,65	443.244	279.089	722.333
TRY	15,03	10,19	545.806	13.000	558.806
QAR	6,50	-	147.248	-	147.248
			2.632.961	1.974.936	4.607.897

Original currency	Weighted average interest rate %		31 December 2021		
	Short-term	Long-term	Short-term	Long-term	Total
US Dollars	3,12	-	1.871.070	-	1.871.070
EUR	1,49	2,65	320.019	264.281	584.300
TRY	18,11	11,21	853.104	30.501	883.605
QAR	4,50	-	96.357	-	96.357
			3.140.550	294.782	3.435.332

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

Repayment schedule of bank loans is as follows:

	31 December 2022	31 December 2021
To be paid within 1 year	2.632.961	3.140.550
To be paid within 1-2 year	513.452	76.230
To be paid within 2-3 year	500.451	71.729
To be paid within 3-4 year	500.451	58.729
To be paid within 4-5 year	460.582	58.729
Within 5 or more years	-	29.365
	<u>4.607.897</u>	<u>3.435.332</u>

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

	2022	2021
Opening balance as at 1 January	3.501.553	2.358.274
Currency translation effect	1.079.772	1.087.984
Loans used during the period	7.813.907	2.551.172
Additions from lease obligations during the period	92.725	19.388
Paid during the period	(7.773.138)	(2.523.242)
Interest effect	6.713	7.977
Closing balance as at 31 December	<u>4.721.532</u>	<u>3.501.553</u>

Group’s bank loans in the amounts of 69.176 thousand USD (1.293.468), 18.102 thousand EUR (360.863), 28.743 thousand QAR (147.248) and 558.806 are subject to fixed interest rates (31 December 2021: 144.178 thousand USD (1.871.070), 19.649 thousand EUR (288.493), 27.101 thousand QAR (96.357) and 852.263). Bank loan in the amounts of 100.867 USD (1.886.042) and 18.133 EUR (361.470) is borrowed at floating interest rates thus exposing the Group’s cash flow to interest rate risk (31 December 2021: 20.147 thousand EUR (295.807) and 31.342).

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 2022, 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 2022	31 December 2021
<u>Short-term trade receivables</u>		
Receivables from Contracting & Engineering segment operations	2.578.439	1.602.398
Receivables from Chemical Industry segment operations	899.535	445.425
Receivables from Agricultural Production segment operations	67.395	45.141
Receivables from Service segment operations	37.534	15.637
Receivables from Investment segment operations	380	3.649
Provision for doubtful receivables	(157.027)	(157.370)
Retention receivables (Note: 11)	601.921	783.259
Due from related parties (Note: 34)	66.136	50.462
Other	58.016	25.619
	<u>4.152.329</u>	<u>2.814.220</u>
<u>Long-term trade receivables</u>		
Retention receivables (Note: 11)	353.134	184.737
	<u>353.134</u>	<u>184.737</u>

Postdated cheques amounting to 746.184 (31 December 2021: 299.645), notes receivables amounting to 26.932 (31 December 2020: 25.769), positive foreign currency differences amounting to 12.689 (31 December 2021: Positive 28.703) 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 2021: None).

Average maturity date for trade receivables varies between the segments. Average maturity date for Engineering and Contracting segment, for projects in abroad is 103 days (31 December 2021: 89 days), for domestic projects is 72 days (31 December 2021: 75 days), for Chemical Industry segment is 38 days (31 December 2021: 36 days), for Agricultural Production segment is 84 days (31 December 2021: 88 days), for Service segment is 21 days (31 December 2021: 17 days), and for Investment segment is 30 days (31 December 2021: 30 days).

As of 31 December 2022, receivables amounting 1.097.386 was obtained from a non-related client which constitute 24,7% of the Group’s receivables (31 December 2021: 782.908, 26,8%).

As of 31 December 2022, 157.027 of provision for doubtful receivables was determined based on past uncollectible receivable cases encountered and future expectations (31 December 2021: 157.370).

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

	2022	2021
Provision as at 1 January	(157.370)	(101.291)
Charge for the year	(2.364)	(7.322)
Collected	108	986
Write off of bad debt	46.208	-
Currency translation effect	(43.609)	(49.743)
Provision as at 31 December	<u>(157.027)</u>	<u>(157.370)</u>

690 and 1.674 of doubtful receivable expense has been charged to cost of revenue and general administrative expenses respectively (2021: 6.169 and 1.153 of doubtful receivable expense has been charged to cost of revenue and general administrative expenses 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 2022	31 December 2021
Short-term trade payables		
Payables from Contracting & Engineering segment operations	2.746.951	2.878.960
Payables from Chemical Industry segment operations	6.548.184	2.881.685
Payables from Agricultural Production segment operations	19.692	7.810
Payables from Service segment operations	109.911	59.380
Payables from Investment segment operations	12.014	8.900
Due to related parties (Note: 34)	8.963	10.174
Retention payables (Note: 11)	1.116.912	938.814
Other trade payables	3.674	46.875
	<u>10.566.301</u>	<u>6.832.598</u>
Long-term trade payables		
Retention payables (Note: 11)	343.850	207.079
Payables from Contracting & Engineering segment operations	15.235	10.996
	<u>359.085</u>	<u>218.075</u>

Foreign currency differences amounting to 348.211 (31 December 2021: 847.574) are included in short and long-term trade payables. There are not any notes payable and postdated cheques in the current year (31 December 2021: None).

For Chemical Industry segment, payables attributable to inventory supplied through imports constitute 94% (31 December 2021: 98%) of trade payables as at balance sheet date and average payable period for these import purchases is 92 days (31 December 2021: 149 days) whereas average payable period for domestic purchases is 29 days (31 December 2021: 13 days). For Engineering and Contracting segment, average payable period for purchases is 194 days (31 December 2021: 157 days). The average payable period for Agricultural Production segment is 29 days (31 December 2021: 29 days), for Service segment is 40 days (31 December 2021: 51 days), and for Investment segment is 41 days (31 December 2021: 58 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 2022	31 December 2021
Other short-term receivables		
Deposits and guarantees given	47.722	28.448
VAT receivables	46.792	11.460
Receivables related to business combinations	2.823	39.284
Receivables related to sale of financial investment	-	11.602
Other doubtful receivables	571	571
Other doubtful receivable provision (-)	(571)	(571)
Other receivables	11.957	10.865
	<u>109.294</u>	<u>101.659</u>
Other long-term receivables		
Deposits and guarantees given	59.399	14.025
	<u>59.399</u>	<u>14.025</u>

b) Other Payables:

	31 December 2022	31 December 2021
Other short-term payables		
Taxes and funds payable	165.185	84.400
Deposits and guarantees received	4.924	7.510
Related party payables (Note: 34)	7.728	-
Other payables	58.674	25.352
	<u>236.511</u>	<u>117.262</u>
Other long-term payables		
Fair value of redeemed shares	191.375	78.632
Deposits and guarantees received	10.804	7.673
	<u>202.179</u>	<u>86.305</u>

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

10. INVENTORIES

	31 December 2022	31 December 2021
Raw materials	1.646.871	635.195
Work in progress	1.901.283	828.928
Finished goods	499.969	98.752
Trading goods	1.046.002	246.376
Goods in transit	833.941	328.509
Inventory at construction sites	1.810.050	1.684.089
Other inventories	203.859	141.460
Allowance for impairment on inventory (-)	(11.102)	(11.073)
	<u>7.930.873</u>	<u>3.952.236</u>

During the year ended 31 December 2022, there are no borrowing costs added to inventory (31 December 2021: None).

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10. INVENTORIES (cont'd)

<u>Movement of allowance for impairment on inventory</u>	<u>2022</u>	<u>2021</u>
Provision as at 1 January	(11.073)	(155)
Charge for the period (Note: 25)	(7.599)	(10.918)
Provision released	7.570	-
Provision as at 31 December	<u>(11.102)</u>	<u>(11.073)</u>

All of impairment expense on inventory has been charged to cost of revenue (2021: 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 2022</u>	<u>31 December 2021</u>
Cost incurred on uncompleted contracts	99.855.438	75.348.872
Recognised gain less losses (net)	1.072.351	624.608
	<u>100.927.789</u>	<u>75.973.480</u>
Less: Billings to date (-)	(99.630.199)	(74.567.710)
	<u>1.297.590</u>	<u>1.405.770</u>

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

	<u>31 December 2022</u>	<u>31 December 2021</u>
Contract assets arising from ongoing construction works	2.355.436	1.863.471
Contract liabilities arising from ongoing construction works	(1.057.846)	(457.701)
	<u>1.297.590</u>	<u>1.405.770</u>
	<u>31 December 2022</u>	<u>31 December 2021</u>
<u>Contract assets arising from ongoing construction works</u>		
Contracts undersigned abroad	2.182.356	1.698.489
Contracts undersigned in Turkey	173.080	164.982
	<u>2.355.436</u>	<u>1.863.471</u>
<u>Contract liabilities arising from ongoing construction works</u>		
Contracts undersigned abroad	(914.906)	(348.085)
Contracts undersigned in Turkey	(142.940)	(109.616)
	<u>(1.057.846)</u>	<u>(457.701)</u>
	<u>1.297.590</u>	<u>1.405.770</u>

The Group has 323.679 of advances given to subcontractors and other suppliers for construction projects classified in short-term prepaid expenses (31 December 2021: 182.630). Also, the Group has 1.656.205 of advances received for contracting projects classified in deferred revenue (31 December 2021: 619.984) (Note:18).

As of 31 December 2022, the Group has 1.460.762 of retention payables to subcontractors (31 December 2021: 1.145.893). Also, the amount of retention receivables is 955.055. (31 December 2021: 967.996) (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 2022		31 December 2021		Power to appoint	Industry
		Participation Rate	Amount	Participation Rate	Amount		
Azfen	Azerbaijan	40 %	1.054.172	%40	81.413	%40	Agriculture
H-T Fidecilik (*)	Turkey	-	-	%50	14.212	%50	Construction
			<u>1.054.172</u>		<u>95.625</u>		

(*) Shares of H-T Fidecilik were sold on 19 April 2022. (Note: 38)

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

	2022	2021
Opening balance as at 1 January	95.625	115.818
Group's share on profit	922.910	80.808
Capital increases	-	444
Currency translation effect	50.010	31.684
Dividends	-	(41.675)
Effect of the joint ventures sold	(14.373)	(91.454)
Closing balance as at 31 December	<u>1.054.172</u>	<u>95.625</u>

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

H-T Fidecilik (*)	161	840
Azfen	922.749	79.973
Florya Gayrimenkul (**)	-	(5)
Share on profit of investments valued by equity method	<u>922.910</u>	<u>80.808</u>

(**) Shares of Florya Gayrimenkul were sold on 8 July 2021.

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

Information related to financial position:

31 December 2022	H-T Fidecilik	Azfen	Total
Cash and cash equivalents	-	1.780.287	1.780.287
Other current assets	-	1.463.307	1.463.307
Other non-current assets	-	285.963	285.963
Total Assets	-	3.529.557	3.529.557
Other short-term liabilities	-	894.120	894.120
Other long-term liabilities	-	7	7
Total Liabilities	-	894.127	894.127
Net Assets	-	2.635.430	2.635.430
Group's Ownership Rate	-	%40	
Group's share on Net Assets	-	1.054.172	1.054.172
31 December 2021	H-T Fidecilik	Azfen	Total
Cash and cash equivalents	1.660	1.781.757	1.783.417
Other current assets	90.050	726.679	816.729
Other non-current assets	18.524	544.246	562.770
Total Assets	110.234	3.052.682	3.162.916
Short-term financial debts	44.345	-	44.345
Other short-term liabilities	28.884	2.849.149	2.878.033
Long-term financial debts	3.430	-	3.430
Other long-term liabilities	5.152	-	5.152
Total Liabilities	81.811	2.849.149	2.930.960
Net Assets	28.423	203.533	231.956
Group's Ownership Rate	50%	40%	
Group's share on Net Assets	14.212	81.413	95.625

Translated into English from the report originally issued in Turkish.

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

Information related to statement of profit or loss :

1 January - 31 December 2022	H-T Fidecilik	Azfen	Florya Gayrimenkul	Total
Revenue	22.430	7.056.379	-	7.078.809
Depreciation and amortization expense (-)	(782)	(240.960)	-	(241.742)
Operating profit	2.461	2.991.051	-	2.993.512
Financial income	87	-	-	87
Financial expense (-)	(2.195)	-	-	(2.195)
Tax expense (-)	(30)	(684.180)	-	(684.210)
Profit for the Period	322	2.306.873	-	2.307.195
Group's Ownership Rate	50%	40%	50%	
Group's Share on Profit for the Period	161	922.749	-	922.910

1 January - 31 December 2021	H-T Fidecilik	Azfen	Florya Gayrimenkul	Total
Revenue	121.154	3.958.918	-	4.080.072
Depreciation and amortization expense (-)	(3.249)	(27.093)	-	(30.342)
Operating profit (loss)	9.493	338.940	-	348.433
Financial income	303	-	-	303
Financial expense (-)	(6.707)	-	-	(6.707)
Tax (expense) income	(1.410)	(139.007)	(10)	(140.427)
Profit (Loss) for the Period	1.679	199.933	(10)	201.602
Group's Ownership Rate	50%	40%	50%	
Group's Share on Profit (Loss) for the Period	840	79.973	(5)	80.808

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13. INVESTMENT PROPERTY

<u>Cost value</u>	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
Opening balance as at 1 January 2022	106.772	102.634	209.406
Currency translation effect	39.981	3.827	43.808
Additions	-	15.152	15.152
Disposals	-	(4.860)	(4.860)
Transfers from property, plant and equipment	-	18.489	18.489
Closing balance as at 31 December 2022	<u>146.753</u>	<u>135.242</u>	<u>281.995</u>
<u>Accumulated depreciation</u>			
Opening balance as at 1 January 2022	-	(41.382)	(41.382)
Currency translation effect	-	(127)	(127)
Charge for the year	-	(2.102)	(2.102)
Disposals	-	129	129
Transfers from property, plant and equipment	-	(7.780)	(7.780)
Closing balance as at 31 December 2022	<u>-</u>	<u>(51.262)</u>	<u>(51.262)</u>
Carrying value as at 31 December 2022	<u>146.753</u>	<u>83.980</u>	<u>230.733</u>
<u>Cost value</u>			
Opening balance as at 1 January 2021	76.062	99.685	175.747
Currency translation effect	41.028	4.606	45.634
Disposals	(10.318)	(1.657)	(11.975)
Closing balance as at 31 December 2021	<u>106.772</u>	<u>102.634</u>	<u>209.406</u>
<u>Accumulated depreciation</u>			
Opening balance as at 1 January 2021	-	(38.728)	(38.728)
Currency translation effect	-	(117)	(117)
Charge for the year	-	(2.582)	(2.582)
Disposals	-	45	45
Closing balance as at 31 December 2021	<u>-</u>	<u>(41.382)</u>	<u>(41.382)</u>
Carrying value as at 31 December 2021	<u>106.772</u>	<u>61.252</u>	<u>168.024</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 (2021: Depreciation expense has been charged to cost of revenue).

For the year ended 31 December 2022 total rental income earned from investment properties is 72.165 (31 December 2021: 49.428). Direct operating and depreciation expenses arising on the investment properties in the year amounted to 21.787 (31 December 2021: 14.295).

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 2022 are 1.930.579 in total (31 December 2021: 911.362). 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 2022	1.894.856	969.244	5.158.372	248.969	532.235	262.831	286.552	9.353.059
Currency translation effect	654.527	225.906	1.546.402	91.864	190.362	3.369	27.675	2.740.105
Additions	95.374	3.090	88.906	4.932	44.139	648.223	1.537	886.201
Disposals	(9.694)	(17.079)	(554.119)	(74.238)	(57.232)	(12)	(19.120)	(731.494)
Transfers	(10.100)	19.623	159.181	10.295	(10.289)	(224.943)	15.230	(41.003)
Closing balance as at 31 December 2022	<u>2.624.963</u>	<u>1.200.784</u>	<u>6.398.742</u>	<u>281.822</u>	<u>699.215</u>	<u>689.468</u>	<u>311.874</u>	<u>12.206.868</u>
Accumulated depreciation								
Opening balance as at 1 January 2022	(861.811)	(489.445)	(3.792.264)	(209.146)	(397.804)	-	(161.064)	(5.911.534)
Currency translation effect	(347.679)	(136.940)	(1.322.947)	(80.546)	(152.532)	-	(24.150)	(2.064.794)
Charge for the year	(98.046)	(20.352)	(322.524)	(18.959)	(44.116)	-	(17.189)	(521.186)
Cancellation of allowance for impairment (Note: 29)	(5.188)	36.894	-	-	-	-	-	31.706
Disposals	6.391	15.883	541.425	70.619	53.989	-	16.717	705.024
Transfers	17.622	(7.149)	(951)	(8.319)	7.726	-	-	8.929
Closing balance as at 31 December 2022	<u>(1.288.711)</u>	<u>(601.109)</u>	<u>(4.897.261)</u>	<u>(246.351)</u>	<u>(532.737)</u>	<u>-</u>	<u>(185.686)</u>	<u>(7.751.855)</u>
Carrying value as at 31 December 2022	<u>1.336.252</u>	<u>599.675</u>	<u>1.501.481</u>	<u>35.471</u>	<u>166.478</u>	<u>689.468</u>	<u>126.188</u>	<u>4.455.013</u>

For the part of the book value of tangible expenditure that exceeds the recoverable value, the low value of 5.188 is discussed. In the current period, the impairment recorded in previous periods amounting to 36.894 has been cancelled. (31 December 2021: Provision for impairment 15.882, impairment reversal: None) (Note: 29).

For the year ended 31 December 2022, no additional capitalized borrowing costs are included in property, plant, and equipment (31 December 2021: 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
Cost value								
Opening balance as at 1 January 2021	1.181.411	702.432	3.581.114	159.088	296.527	177.563	221.524	6.319.659
Currency translation effect	636.157	227.591	1.615.974	101.323	188.481	1.326	29.919	2.800.771
Additions	64.024	6.696	109.990	11.525	29.101	331.659	300	553.295
Allowance for impairment (Note: 29)	-	-	-	-	-	(11.671)	-	(11.671)
Disposals	(2.560)	-	(226.877)	(10.944)	(6.947)	(577)	(24.913)	(272.818)
Transfers	15.824	32.525	78.171	(12.023)	25.073	(235.469)	59.722	(36.177)
Closing balance as at 31 December 2021	<u>1.894.856</u>	<u>969.244</u>	<u>5.158.372</u>	<u>248.969</u>	<u>532.235</u>	<u>262.831</u>	<u>286.552</u>	<u>9.353.059</u>
Accumulated depreciation								
Opening balance as at 1 January 2021	(472.124)	(335.476)	(2.467.112)	(121.930)	(216.239)	-	(129.803)	(3.742.684)
Currency translation effect	(325.925)	(136.786)	(1.342.434)	(85.367)	(150.554)	-	(23.132)	(2.064.198)
Charge for the year	(63.333)	(14.698)	(238.421)	(18.695)	(29.436)	-	(17.623)	(382.206)
Allowance for impairment (Note: 29)	-	(3.371)	-	-	-	-	(840)	(4.211)
Disposals	457	-	224.219	10.353	6.660	-	16.632	258.321
Transfers	(886)	886	31.484	6.493	(8.235)	-	(6.298)	23.444
Closing balance as at 31 December 2021	<u>(861.811)</u>	<u>(489.445)</u>	<u>(3.792.264)</u>	<u>(209.146)</u>	<u>(397.804)</u>	<u>-</u>	<u>(161.064)</u>	<u>(5.911.534)</u>
Carrying value as at 31 December 2021	<u>1.033.045</u>	<u>479.799</u>	<u>1.366.108</u>	<u>39.823</u>	<u>134.431</u>	<u>262.831</u>	<u>125.488</u>	<u>3.441.525</u>

Property, plant, and equipment 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	2-50 years
Leasehold improvements	3-50 years

Depreciation expense of 525.365 (2021: 344.396) has been charged to cost of revenue, 8.451 (2021: 5.042) to marketing expenses, 66.479 (2021: 26.497) to general administrative expenses, 1.096 (2021: 2.062) to research and development expenses. There is no expense added on the cost of inventories. (2021: 4.209 deducted from the cost of inventory).

Translated into English from the report originally issued in Turkish.

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15. RIGHT-OF-USE ASSETS

	Land and land improvements	Buildings	Machinery and equipments	Vehicles	Furniture and fixtures and other	Total
<u>Cost value</u>						
Opening balance as at 1 January 2022	24.492	31.316	7.112	58.824	2.684	124.428
Currency translation effect	-	11.201	13.118	15.258	131	39.708
Additions	11.611	2.105	74.565	6.331	774	95.386
Disposals	(5.007)	(40.153)	(6.256)	(53.415)	(2.494)	(107.325)
Closing balance as at 31 December 2022	<u>31.096</u>	<u>4.469</u>	<u>88.539</u>	<u>26.998</u>	<u>1.095</u>	<u>152.197</u>
<u>Accumulated depreciation</u>						
Opening balance as at 1 January 2022	(4.380)	(22.245)	(2.131)	(31.424)	(2.054)	(62.234)
Currency translation effect	-	(8.185)	(3.546)	(10.100)	(75)	(21.906)
Charge for the year	(6.381)	(10.549)	(19.999)	(28.045)	(562)	(65.536)
Disposals	4.657	38.498	6.256	51.973	2.114	103.498
Closing balance as at 31 December 2022	<u>(6.104)</u>	<u>(2.481)</u>	<u>(19.420)</u>	<u>(17.596)</u>	<u>(577)</u>	<u>(46.178)</u>
Carrying value as at 31 December 2022	<u><u>24.992</u></u>	<u><u>1.988</u></u>	<u><u>69.119</u></u>	<u><u>9.402</u></u>	<u><u>518</u></u>	<u><u>106.019</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
<u>Cost value</u>						
Opening balance as at 1 January 2021	26.109	19.479	4.276	43.705	1.475	95.044
Currency translation effect	-	11.519	(153)	12.751	1.643	25.760
Additions	3.261	1.620	4.415	13.936	363	23.595
Disposals	(4.878)	(1.302)	(1.426)	(11.568)	(797)	(19.971)
Closing balance as at 31 December 2021	<u>24.492</u>	<u>31.316</u>	<u>7.112</u>	<u>58.824</u>	<u>2.684</u>	<u>124.428</u>
<u>Accumulated depreciation</u>						
Opening balance as at 1 January 2021	(3.548)	(9.078)	(1.557)	(17.167)	(953)	(32.303)
Currency translation effect	-	(7.587)	1.993	(6.098)	(654)	(12.346)
Charge for the year	(5.710)	(6.762)	(3.984)	(19.727)	(1.200)	(37.383)
Disposals	4.878	1.182	1.417	11.568	753	19.798
Closing balance as at 31 December 2021	<u>(4.380)</u>	<u>(22.245)</u>	<u>(2.131)</u>	<u>(31.424)</u>	<u>(2.054)</u>	<u>(62.234)</u>
Carrying value as at 31 December 2021	<u>20.112</u>	<u>9.071</u>	<u>4.981</u>	<u>27.400</u>	<u>630</u>	<u>62.194</u>

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

	<u>Useful life</u>
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 50.133 (2021: 23.489) has been charged to cost of revenue, 3.170 (2021: 3.371) to marketing expenses, 11.924 (2021: 10.523) to general administrative expenses and 309 (2021: None) to research and development expenses.

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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 2022	217.178	2.159	219.337
Currency translation effect	71.352	723	72.075
Additions	4.111	24	4.135
Disposals	(3.313)	-	(3.313)
Transfers	3.868	-	3.868
Closing balance as at 31 December 2022	<u>293.196</u>	<u>2.906</u>	<u>296.102</u>
<u>Accumulated amortization</u>			
Opening balance as at 1 January 2022	(162.166)	(2.159)	(164.325)
Currency translation effect	(62.989)	(729)	(63.718)
Charge for the year	(12.515)	(18)	(12.533)
Disposals	2.686	-	2.686
Closing balance as at 31 December 2022	<u>(234.984)</u>	<u>(2.906)</u>	<u>(237.890)</u>
Carrying value as at 31 December 2022	<u>58.212</u>	<u>-</u>	<u>58.212</u>
<u>Cost value</u>	<u>Rights</u>	<u>Other</u>	<u>Total</u>
Opening balance as at 1 January 2021	125.380	2.508	127.888
Currency translation effect	68.464	777	69.241
Additions	2.820	-	2.820
Disposals	(16.719)	(29)	(16.748)
Transfers	37.233	(1.097)	36.136
Closing balance as at 31 December 2021	<u>217.178</u>	<u>2.159</u>	<u>219.337</u>
<u>Accumulated amortization</u>			
Opening balance as at 1 January 2021	(82.220)	(1.411)	(83.631)
Currency translation effect	(58.708)	(773)	(59.481)
Charge for the year	(13.264)	(4)	(13.268)
Disposals	15.429	29	15.458
Transfers	(23.403)	-	(23.403)
Closing balance as at 31 December 2021	<u>(162.166)</u>	<u>(2.159)</u>	<u>(164.325)</u>
Carrying value as at 31 December 2021	<u>55.012</u>	<u>-</u>	<u>55.012</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 1.598 (2021: 6.731) has been charged to general administrative expenses, 10.935 (2021: 6.537) 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
CFS Petrokimya Sanayi A.Ş.	Chemical Industry	31 May 2019	100%	8.518	-
Denkmal in Dahlem Otto-Hahn-Platz GmbH	Engineering & Contracting	30 July 2019	80%	104.304	44.435
Toros Gönen Yenilenebilir Enerji Üretim A.Ş.	Chemical Industry	31 July 2019	70%	42.946	41.608
Toros Meram Yenilenebilir Enerji Üretim A.Ş.	Chemical Industry	14 February 2020	99,9%	24.814	21.352
				180.582	107.395

Breakdown of the acquisition price is as follows:

	CFS	Denkmal Dahlem	Gönen Enerji	Meram Enerji	Total
Paid in cash	8.518	104.304	42.946	24.814	180.582
Acquisition price	8.518	104.304	42.946	24.814	180.582

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

	CFS	Denkmal Dahlem	Gönen Enerji	Meram Enerji	Total
Current assets	113	549.107	19.361	20.264	588.845
Cash and cash equivalents	13	2.352	12.132	3.043	17.540
Other current assets	100	546.755	7.229	17.221	571.305
Non-current assets	538	6.519	42.252	12.898	62.207
Tangible and intangible assets	538	6.519	40.268	12.784	60.109
Other non-current assets	-	-	1.984	114	2.098
Current liabilities	932	200.146	27.746	29.697	258.521
Non-current liabilities	-	280.644	31.956	-	312.600
Net assets	(281)	74.836	1.911	3.465	79.931

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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:

	<u>CFS</u>	<u>Denkmal Dahlem</u>	<u>Gönen Enerji</u>	<u>Meram Enerji</u>	<u>Total</u>
Acquisition price	8.518	104.304	42.946	24.814	180.582
Non-controlling interest	-	14.967	573	3	15.543
Less: Fair value of net assets of the acquired company	281	(74.836)	(1.911)	(3.465)	(79.931)
Impairment (-)	(8.799)	-	-	-	(8.799)
Goodwill	-	44.435	41.608	21.352	107.395

Net cash outflow concerning the acquisition is as follows:

	<u>CFS</u>	<u>Denkmal Dahlem</u>	<u>Gönen Enerji</u>	<u>Meram Enerji</u>	<u>Total</u>
Paid in cash	8.518	104.304	42.946	24.814	180.582
Less: Cash and cash equivalents of the acquired company	(13)	(2.352)	(12.132)	(3.043)	(17.540)
Net cash outflow	8.505	101.952	30.814	21.771	163.042

Movement of Goodwill is as follows:

	<u>CFS</u>	<u>Denkmal Dahlem</u>	<u>Gönen Enerji</u>	<u>Meram Enerji</u>	<u>Total</u>
Opening balance as at 1 January 2022	-	32.727	41.608	21.352	95.687
Currency translation effect	-	11.708	-	-	11.708
Closing balance as at 31 December 2022	-	44.435	41.608	21.352	107.395
Opening balance as at 1 January 2021	8.799	20.079	41.608	21.352	91.838
Impairment (Note: 29)	(8.799)	-	-	-	(8.799)
Currency translation effect	-	12.648	-	-	12.648
Closing balance as at 31 December 2021	-	32.727	41.608	21.352	95.687

The decision of the Mersin 2nd Administrative Court to annul the positive Environmental Impact Assessment (EIA) report taken regarding the polypropylene production facility project planned by CFS on Toros Tarım's land in Mersin was appealed to the Council of State. The appeal was rejected by the Council of State and the decision of the first instance court was approved. Therefore, it has been decided not to continue the works within the scope of the project, and a provision for impairment has been recognized for the entire goodwill arising from CFS.

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 2022 (31 December 2021: 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 11,4%; where capitalization rate and discount factor used in calculations for Denkmal Dahlem are 1,79% and 16,26% respectively.

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18. PREPAID EXPENSES AND DEFERRED REVENUE

	31 December 2022	31 December 2021
Short-term prepaid expenses		
Advances paid for construction projects (Note: 11)	323.679	182.630
Prepaid expenses	274.604	149.348
Order advances given	21.935	15.518
Business advances given	4.011	1.720
	<u>624.229</u>	<u>349.216</u>
Long-term prepaid expenses		
Prepaid expenses	21.455	5.154
Advances given for fixed assets	25.493	47.101
	<u>46.948</u>	<u>52.255</u>
Short-term deferred revenue		
Advances received for construction projects (Note: 11)	1.656.205	619.984
Other advances received	391.387	242.641
Income relating to future months	62.183	18.331
	<u>2.109.775</u>	<u>880.956</u>
Long-term deferred revenue		
Income relating to future years	226	231
	<u>226</u>	<u>231</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.

In order to meet the demand of the industry by creating new designs for the products in its scope of operation and especially products that are suitable for petroleum refineries, Timaş decided to establish a Design Center in its İstanbul headquarter. Permission application to the Ministry of Industry and Technology was made on 9 May 2017 and Design Center was approved on 3 August 2017.

Within the scope of Law numbered 5746, various tax (design discount) advantages are provided to the firms which provide innovative approaches with R&D and Design Center activities and develop new products and technologies to the industry. Accordingly, the R&D and Design Centers are covered by income tax withholding tax and insurance premium support. In addition, the innovation and design expenditures determined in the law are subject for deduction from the corporate tax base.

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20. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

a) Provisions

	31 December 2022	31 December 2021	
<u>Short-term other provisions</u>			
Provision for litigation	27.429	40.102	
Other provisions	384.036	476.737	
	<u>411.465</u>	<u>516.839</u>	
<u>Long-term other provisions</u>			
Other provisions	19	55	
	<u>19</u>	<u>55</u>	
	<u>Provision for litigation</u>	<u>Other liability provisions</u>	<u>Total Other Provisions</u>
Opening balance as at 1 January 2022	40.102	476.792	516.894
Currency translation effect	2.479	174.879	177.358
Charge for the period	6.794	80.097	86.891
Provision paid	(1.282)	-	(1.282)
Provision released	(20.664)	(347.713)	(368.377)
Closing balance as at 31 December 2022	<u>27.429</u>	<u>384.055</u>	<u>411.484</u>
Opening balance as at 1 January 2021	14.651	438.515	453.166
Currency translation effect	10.971	242.828	253.799
Charge for the period	19.588	61.653	81.241
Provision paid	(1.642)	(32)	(1.674)
Provision released	(3.466)	(266.172)	(269.638)
Closing balance as at 31 December 2021	<u>40.102</u>	<u>476.792</u>	<u>516.894</u>

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 2022, except Libya counterclaim, lawsuit filed against the Group is totally 1.102.880 (31 December 2021: 137.016) and the management has decided to accrue 27.429 (31 December 2021: 40.862) 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)

Contractual Assets and Obligations (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 September 2015. In the subsequent announcement of 12 October 2015, we have 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 (“AMPPI”) 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.

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, and the approval of the Libyan authorities is awaited for the finalization of the liquidation and payment terms.

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21. COMMITMENTS

Collateral, pledge, mortgage and bill of guarantee (CPMB) position of the Group as of 31 December 2022 and 2021 is as follows:

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	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	31.826.725	1.173.534	70.214	8.483.925
-Collateral	10.683.395	345.581	70.199	2.822.204
-Pledge	-	-	-	-
-Mortgage	-	-	-	-
-Bill of guarantee	21.143.330	827.953	15	5.661.721
C. CPMB given in order to guarantee third parties' debts for the routine trade operations	4.800	-	-	4.800
-Collateral	767	-	-	767
-Pledge	-	-	-	-
-Mortgage	-	-	-	-
-Bill of guarantee	4.033	-	-	4.033
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	31.833.623	1.173.534	70.214	8.490.823

31 December 2021	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	615	-	-	615
-Collateral	615	-	-	615
-Pledge	-	-	-	-
-Mortgage	-	-	-	-
-Bill of guarantee	-	-	-	-
B. CPMB given on behalf of subsidiaries that are included in full consolidation	22.284.476	1.148.801	87.130	6.096.642
-Collateral	6.598.976	299.737	87.008	1.431.671
-Pledge	-	-	-	-
-Mortgage	6.000	-	-	6.000
-Bill of guarantee	15.679.500	849.064	122	4.658.972
C. CPMB given in order to guarantee third parties' debts for the routine trade operations	10.139	-	-	10.139
-Collateral	-	-	-	-
-Pledge	-	-	-	-
-Mortgage	-	-	-	-
-Bill of guarantee	10.139	-	-	10.139
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 2021	22.295.230	1.148.801	87.130	6.107.396

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 2022	31 December 2021
<u>Employee benefit payables</u>		
Salary accruals	108.393	93.090
Social security withholding payables	63.094	32.088
Other employee benefit payables	-	1.713
	<u>171.487</u>	<u>126.891</u>
<u>Short-term provisions attributable to employee benefits</u>		
Retirement pay provision	66.906	99.710
Unused vacation pay liability provision	124.724	113.553
Premium provision	75.539	47.126
	<u>267.169</u>	<u>260.389</u>
<u>Long-term provisions attributable to employee benefits</u>		
Retirement pay provision	421.982	205.708
Premium provision	69.371	82.654
	<u>491.353</u>	<u>288.362</u>
Short-term retirement pay provision	66.906	99.710
Long-term retirement pay provision	421.982	205.708
	<u>488.888</u>	<u>305.418</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 19.982,83 TRY which is effective on or after 1 January 2023 (31 December 2022: 10.848,59 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 2022.

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 2022, 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 0,14% as of 31 December 2022 (31 December 2021: 3,42%). 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 conjointly 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 2022	305.418	129.780	113.553	548.751
Currency translation effect	74.627	31.109	32.743	138.479
Charge for the period	80.543	101.116	63.593	245.252
Interest expense	17.266	-	-	17.266
Provision paid	(135.590)	(31.475)	(82.909)	(249.974)
Provision released	(2.284)	(85.620)	(2.256)	(90.160)
Actuarial loss	148.908	-	-	148.908
Closing balance as at 31 December 2022	<u>488.888</u>	<u>144.910</u>	<u>124.724</u>	<u>758.522</u>
Opening balance as at 1 January 2021	170.019	26.620	66.325	262.964
Currency translation effect	76.558	26.531	31.857	134.946
Charge for the period	129.601	105.910	57.043	292.554
Interest expense	3.540	-	-	3.540
Provision paid	(71.256)	(16.328)	(39.623)	(127.207)
Provision released	(1.080)	(12.953)	(2.049)	(16.082)
Actuarial gain	(1.964)	-	-	(1.964)
Closing balance as at 31 December 2021	<u>305.418</u>	<u>129.780</u>	<u>113.553</u>	<u>548.751</u>

79.519 (2021: 112.147) of current year charge and released provision for retirement pay has been included in cost of revenue, 14.342 (2021: 17.579) has been included in general administrative expenses, 294 (2021: 724) has been included in research and development expenses and 1.370 (2021: 1.611) has been included in marketing expenses.

657 (2021: 80.309 included) of current year charge and released provision for premiums have been removed in general administrative expenses. 10.303 (2021: 7.633), 281 (2021: 295) and 5.569 (2021: 4.720) of current year charge and released provision for premiums have been included in cost of revenue, in research and development expenses and in marketing expenses respectively.

55.985 (2021: 47.221) of current year charge and released provision for unused vacation pay liability has been included in cost of revenue, 4.965 (2021: 7.304) has been included in general administrative expenses and 387 (2021: 469) 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 2022	31 December 2021
Other current assets		
VAT receivables	474.663	452.368
Withholding tax of ongoing construction contracts	4.243	603
Other current assets	21.411	23.677
	<u>500.317</u>	<u>476.648</u>
Other non-current assets		
Withholding tax of ongoing construction contracts	68.588	18.625
VAT receivables	17.846	15.717
	<u>86.434</u>	<u>34.342</u>
Other short-term liabilities		
VAT calculated	2.917	4.993
Other	260	1.097
	<u>3.177</u>	<u>6.090</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 2022 and 2021 is as follows:

Shareholders	(%)	31 December 2022	(%)	31 December 2021
Berker family	23,55%	87.122	22,55%	83.422
Gökyiğit family	20,06%	74.233	22,32%	82.595
Akçağlılar family	6,65%	24.611	6,65%	24.611
Other (*)	0,00%	-	0,49%	1.799
Publicly traded	49,74%	184.034	47,99%	177.573
Paid in capital	100,00%	370.000	100,00%	370.000
Capital structure adjustments		3.475		3.475
Restated capital		<u>373.475</u>		<u>373.475</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 2021: 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 redeemed 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 2022	31 December 2021
Accumulated other comprehensive income or loss that will not be reclassified in profit or loss		
- Gain (loss) on investments in equity instruments	(967.393)	(362.986)
- Gain on revaluation and remeasurement	(118.133)	3.594
	<u>(1.085.526)</u>	<u>(359.392)</u>
Accumulated other comprehensive income or loss that will be reclassified in profit or loss		
- Currency translation reserve	3.406.555	2.577.869
- Gain on hedging (Note: 35)	(276.075)	192.376
	<u>3.130.480</u>	<u>2.770.245</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 3.406.555 (31 December 2021: 2.577.869).

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 2022	31 December 2021
Legal reserves	571.038	397.716

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

Resources That Can Be Subject to Profit Distribution:

Total amount of other resources that may be subject to profit distribution in the statutory records of Tekfen Holding A.Ş. is 5.325.122 (31 December 2021: 3.739.524) 4.976.896 portion of this amount belongs to shares issued and 348.226 portion of this amount belongs to bonus shares issued (31 December 2021: shares issued 3.391.298, bonus shares issued 348.226).

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 380.618. After 12.859 expenses directly related to the public offering deducted, 300.984 is accounted as premium in capital stock in shareholder’s equity.

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25. REVENUE AND COST OF REVENUE

Revenue	1 January - 31 December 2022	1 January - 31 December 2021
Engineering & Contracting Group Revenue	10.915.940	8.197.426
- <i>Contract revenue – abroad</i>	9.255.528	6.801.249
- <i>Contract revenue – domestic</i>	1.278.163	1.135.726
- <i>Joint operations – abroad</i>	304.271	216.913
- <i>Joint operations – domestic</i>	39.643	32.706
- <i>Other revenue</i>	38.335	10.832
Chemical Industry Group Revenue	17.874.260	7.199.933
- <i>Fertilizer sales revenue</i>	17.775.652	7.155.008
- <i>Other revenue</i>	98.608	44.925
Services Group Revenue	1.500.545	562.395
- <i>Terminal services</i>	334.135	163.812
- <i>Free zone operations</i>	648.244	179.767
- <i>Motel, dock and fuel revenue</i>	393.602	150.379
- <i>Other revenue</i>	124.564	68.437
Agricultural Production Group Revenue	265.462	183.764
Investment Group Revenue	112.285	79.450
	<u>30.668.492</u>	<u>16.222.968</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)

Cost of revenue (-)	1 January - 31 December 2022	1 January - 31 December 2021
Cost of raw materials used	(16.078.198)	(6.897.147)
Personnel expenses	(3.476.903)	(2.612.728)
Subcontractor expenses	(3.402.210)	(2.978.643)
Energy and fuel expenses	(865.877)	(303.641)
Machinery, vehicle and other rent expenses	(826.108)	(546.681)
Construction site expenses	(732.294)	(217.858)
Depreciation expenses (Note: 13,14,15,16)	(525.365)	(377.003)
Maintenance expenses	(315.734)	(292.192)
Transportation expenses	(180.000)	(109.492)
Consultancy expenses	(152.517)	(121.866)
Services obtained from third parties	(90.288)	(61.180)
Traveling expenses	(89.764)	(86.057)
Comission expenses	(83.510)	(37.571)
Engineering expenses	(81.157)	(63.318)
Insurance expenses	(53.348)	(56.763)
Cost of merchandises sold	(62.615)	(79.816)
Custom expenses	(25.776)	(18.605)
Consumable and other material expenses	(5.020)	(3.380)
Provision for doubtful receivables (Note: 8)	(690)	(6.169)
Allowance for impairment on inventory (Note: 10)	(29)	(10.918)
Reversal of doubtful receivable provision (Note: 8)	-	361
Project loss provisions (Note: 20)	283.989	185.285
Other	(295.237)	(247.521)
	<u>(27.058.651)</u>	<u>(14.942.903)</u>

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

	1 January - 31 December 2022	1 January - 31 December 2021
General administrative expenses (-)	(893.221)	(695.374)
Marketing expenses (-)	(803.810)	(340.386)
Research and development expenses (-)	(27.326)	(28.233)
	<u>(1.724.357)</u>	<u>(1.063.993)</u>
<u>Details of general administrative expenses</u>		
Personnel expenses	(473.405)	(444.396)
Office and administration expenses	(86.204)	(45.545)
Depreciation and amortization expenses (Note: 14,15,16)	(66.479)	(43.752)
Consultancy expenses	(74.709)	(47.466)
Tender preparation expenses	(22.855)	(4.651)
Communication expenses	(16.361)	(17.671)
Duties, charges and other tax expenses	(11.918)	(7.665)
Insurance expenses	(8.988)	(5.124)
Traveling expenses	(8.115)	(3.533)
Services obtained from third parties	(7.344)	(5.360)
Energy and fuel expenses	(7.164)	(2.595)
Bank and notary expenses	(6.134)	(6.256)
Maintenance expenses	(4.973)	(2.112)
Hospitality expenses	(2.002)	(1.217)
Provision for doubtful receivables (Note: 8)	(1.674)	(1.153)
Transportation expenses	(1.478)	(2.112)
Reversal of doubtful receivable provision (Note: 8)	108	625
Other expenses	(93.526)	(55.391)
	<u>(893.221)</u>	<u>(695.374)</u>
<u>Details of marketing expenses</u>		
Transportation expenses	(466.981)	(170.389)
Services obtained from third parties	(114.894)	(63.010)
Custom expenses	(87.938)	(29.734)
Personnel expenses	(55.504)	(38.737)
Energy and fuel expenses	(15.258)	(4.198)
Duties, charges and other tax expenses	(11.949)	(790)
Warehouse expenses	(10.109)	(5.425)
Depreciation and amortization expenses (Note: 14,15)	(8.451)	(8.413)
Maintenance expenses	(4.042)	(1.686)
Traveling expenses	(3.865)	(1.865)
Consultancy expenses	(3.524)	(1.297)
Advertisement expenses	(2.780)	(2.302)
Insurance expenses	(1.253)	(1.222)
Office and administration expenses	(936)	(482)
Hospitality expenses	(916)	(406)
Other expenses	(15.410)	(10.430)
	<u>(803.810)</u>	<u>(340.386)</u>

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

	1 January - 31 December 2022	1 January - 31 December 2021
<u>Details of research and development expenses</u>		
Personnel expenses	(19.518)	(17.476)
Consultancy expenses	(2.688)	(1.374)
Subcontractor expenses	(2.007)	(2.780)
Depreciation and amortization expenses (Note: 14)	(1.096)	(2.062)
Energy and fuel expenses	(350)	(622)
Traveling expenses	(297)	(489)
Services obtained from third parties	(241)	(1.466)
Office and administration expenses	(170)	(364)
Maintenance expenses	(42)	(12)
Transportation expenses	(19)	(29)
Hospitality expenses	(7)	(48)
Communication expenses	(1)	(35)
Other expenses	(890)	(1.476)
	<u>(27.326)</u>	<u>(28.233)</u>

27. EXPENSES BY NATURE

	1 January - 31 December 2022	1 January - 31 December 2021
Personnel expenses	(548.427)	(500.609)
Transportation expenses	(468.478)	(170.389)
Services obtained from third parties	(122.479)	(69.836)
Office and administration expenses	(87.310)	(46.391)
Custom expenses	(87.938)	(29.734)
Depreciation and amortization expenses (Note: 14,15,16)	(76.026)	(54.227)
Consultancy expenses	(80.921)	(50.137)
Duties, charges and other tax expenses	(23.867)	(8.455)
Tender preparation expenses	(22.855)	(4.651)
Energy and fuel expenses	(22.772)	(7.415)
Communication expenses	(16.362)	(17.706)
Traveling expenses	(12.277)	(5.887)
Warehouse expenses	(10.109)	(5.425)
Insurance expenses	(10.241)	(6.346)
Maintenance expenses	(9.057)	(3.810)
Bank and notary expenses	(6.134)	(6.256)
Hospitality expenses	(2.925)	(1.671)
Advertisement expenses	(2.780)	(2.302)
Subcontractor expenses	(2.007)	(2.780)
Provision for doubtful receivables (Note: 8)	(1.674)	(1.153)
Reversal of doubtful receivable provision (Note: 8)	108	625
Other expenses	(109.826)	(69.438)
	<u>(1.724.357)</u>	<u>(1.063.993)</u>

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28. OTHER OPERATING INCOME AND EXPENSES

	1 January - 31 December 2022	1 January - 31 December 2021
Other operating income		
Foreign exchange gains	1.268.275	712.319
Hedging income (Note: 35)	754.823	58.994
Due date difference income	133.262	133.184
Rent income	101.433	8.989
Discount income	89.368	29.672
Scrap sale income	14.136	3.489
Indemnity income	12.920	5.372
Refundment income of social benefit	8.817	6.482
Government grants and incentives income (Note: 19)	4.862	5.501
Reversal of litigation provision (Note: 20)	2.309	3.466
Other income	56.675	29.808
	2.446.880	997.276
Other operating expenses (-)		
Foreign exchange losses	(2.726.025)	(1.636.244)
Discount expenses	(57.024)	(11.937)
Due date difference expenses	(43.523)	(62.099)
Hedging expenses (Note: 35)	(35.855)	(7.645)
Litigation provision (Note: 20)	(6.794)	(5.649)
Additional tax expenses	(5.249)	(1.997)
Grants and contributions	(1.931)	(16.386)
Penalty and damages expenses	(3.133)	(3.165)
Other provision expenses	(446)	(1.528)
Compensation expenses	(83)	(169)
Written off VAT receivables	(7)	(6.728)
Other expenses	(24.789)	(18.830)
	(2.904.859)	(1.772.377)

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29. INVESTMENT INCOME AND EXPENSES

	1 January - 31 December 2022	1 January - 31 December 2021
Investment income		
Gain on currency protected deposits	676.924	-
Gain on remeasurement of financial investments (Note: 6)	80.637	279.247
Gain on sale of fixed asset	62.042	8.974
Reversal of impairment of fixed asset (Note: 14)	36.894	-
Gain on investment funds	31.817	-
Gain on sale of assets classified as held for sale (Note: 31)	15.982	16.278
Dividend income	22.299	8.787
Gain on sale of investment property	15.121	37.627
Gain on sale of joint ventures (Note: 38)	14.960	124.594
	<u>956.676</u>	<u>475.507</u>
Investment expense (-)		
Impairment of financial investments (Note: 6)	(283.936)	(54.167)
Impairment of assets classified as held for sale (Note: 31)	(5.606)	-
Loss on sale of fixed assets	(4.351)	(7.691)
Impairment of investment funds	(939)	-
Impairment of fixed assets (Note: 14)	(5.188)	(15.882)
Impairment of goodwill (Note: 17)	-	(8.799)
	<u>(300.020)</u>	<u>(86.539)</u>

30. FINANCIAL INCOME AND FINANCIAL EXPENSES

	1 January - 31 December 2022	1 January - 31 December 2021
Financial income		
Foreign exchange gains	1.293.896	2.722.692
Interest income	131.697	141.015
Currency translation reserve gains	67.573	53.759
Other finance income	495	835
	<u>1.493.661</u>	<u>2.918.301</u>
Financial expenses (-)		
Foreign exchange losses	(528.053)	(1.325.588)
Interest expenses	(407.494)	(159.577)
Swap expense accrual	(143.106)	(167.389)
Bank commission expense	(62.478)	(7.421)
Currency translation reserve losses	(10.881)	(31.453)
Other finance expenses	(117.159)	(8.576)
	<u>(1.269.171)</u>	<u>(1.700.004)</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 2022	31 December 2021
Assets classified as held for sale	373.275	49.685
	<u>373.275</u>	<u>49.685</u>

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

	2022	2021
Net book value as at 1 January	49.685	67.523
Currency translation effect	52.961	25.236
Allowance for impairment (Note: 29)	(5.606)	-
Disposals	(7.521)	(43.074)
Transfers	283.756	-
Net book value as at 31 December	<u>373.275</u>	<u>49.685</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.

One of the assets classified as held for sale in the Group's assets is sold during the current year, the gain on sale amounting to 15.982 is included in the investment income line of consolidated statement of profit or loss (2021: 16.278).

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

	31 December 2022	31 December 2021
Assets related to current tax	428.389	434.363
Prepaid corporate tax	428.389	434.363
Current tax liability	385.978	499.325
Corporate tax provision	(428.389)	(434.363)
Less: Prepaid taxes and funds	(42.411)	64.962

Tax expense in the statement of profit or loss:

	1 January - 31 December 2022	1 January - 31 December 2021
Tax expense comprises as follows:	337.842	581.185
Current tax provision	(554.673)	(281.531)
Deferred tax (income)	(216.831)	299.654

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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 2022 is 23% (2021: 25%). 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 23% (2021: 25%). 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 2022 until 2027.

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.

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.

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 features of this incentive are employer's share of social security premium support and VAT exemption and this incentive provides a tax exemption of 30% in the taxation of the income arising from the investment within the framework of 70% investment contribution ratio. 3rd Region Investment Incentive Certificate for Ammonia Tank Investment was obtained as of 10 December 2019 from Ministry of Economy. The features of this incentive are employer's share of social security premium support, interest support and VAT exemption and this incentive provides a tax exemption of 30% in the taxation of the income arising from the investment within the framework of 60% investment contribution ratio.

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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 features of this incentive are employer’s share of social security premium support and VAT 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. As of 24 September 2021, the 3rd Region Investment Incentive Certificate has been obtained from the Ministry of Economy for the Western pier extension and crane investment at the Ceyhan Plant. Projected incentive includes employer's share of insurance premium 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, 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.

In the scope of incentive, deferred tax asset has been created arising from timing differences in the amount of 480.303 on the basis of two years over Toros Tarım’s profit projections. (2021: 287.983).

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 2022	31 December 2021
Components of deferred tax (assets) liabilities bases:		
Remeasurement and depreciation / amortization differences of tangible and intangible assets	(1.873.266)	(420.619)
Provision for retirement benefits and vacation liability	(336.205)	(147.675)
Investment incentive undertaken	(2.401.516)	(1.303.289)
Impairment provision for inventory	(12.086)	(11.970)
Contract costs and progress billings (net)	361.554	47.388
Undistributed profits of joint operations	(15.949)	(15.430)
Lease liabilities	(7.047)	(4.481)
Provision for doubtful receivables	(9.952)	(2.754)
Effect of valuation	235.510	154.707
Effect of income accruals	50.881	150
Tax losses carried forward	(38.173.904)	(117.207)
Provision for litigation	(21.968)	(37.240)
Fair value differences of financial assets	299.558	173.920
Provision for premium payments	(1.674.756)	(46.810)
Derivative instruments	(345.159)	249.886
Other	54.398	245.505
Deferred tax liabilities / (assets)	<u>(43.869.907)</u>	<u>(1.235.919)</u>
	31 December 2022	31 December 2021
Components of deferred tax (assets) liabilities:		
Remeasurement and depreciation / amortization differences of tangible and intangible assets	(381.698)	(91.347)
Provision for retirement benefits and vacation liability	(67.196)	(31.399)
Investment incentive undertaken	(480.303)	(287.983)
Impairment provision for inventory	(2.416)	(6.067)
Contract costs and progress billings (net)	124.160	52.032
Undistributed profits of joint operations	(3.309)	(3.192)
Lease liabilities	(1.459)	(947)
Provision for doubtful receivables	(1.909)	(943)
Effect of valuation	75.697	50.195
Effect of income accruals	10.169	30
Tax losses carried forward	(112.375)	(22.137)
Provision for litigation	(4.394)	(8.558)
Fair value differences of financial assets	13.268	8.692
Provision for premium payments	(14.712)	(10.699)
Derivative instruments	(69.032)	57.474
Other	11.625	55.340
Deferred tax liabilities / (assets)	<u>(903.884)</u>	<u>(239.509)</u>
Deferred tax assets	(1.163.260)	(436.525)
Deferred tax liabilities	259.376	197.016
	<u>(903.884)</u>	<u>(239.509)</u>

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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 2022 and 2021 is as follows:

Movement of deferred tax liabilities (assets)	2022	2021
Opening balance as at 1 January	(239.509)	(10.039)
Deferred tax (income) expense	(554.673)	(281.531)
Effect of changes in fair value of financial assets	7.986	(4.108)
Effect of actuarial gain (loss) in comprehensive income	(29.655)	553
Hedge effect	(126.482)	55.654
Currency translation effect	38.449	(38)
Closing balance as at 31 December	<u>(903.884)</u>	<u>(239.509)</u>

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

	1 January - 31 December 2022	1 January - 31 December 2021
Reconciliation of taxation:		
Profit before tax	3.231.561	1.129.044
Expected taxation (*)	1.395.092	843.464
Reconciliation of expected tax to actual tax:		
- Undeductable expenses	4.903	5.300
- Dividend and other non-taxable income	(588.621)	(91.422)
- Recognition of previously unrecognized tax losses	(40.447)	(9.306)
- Effects of unrealizable tax (losses) income (net)	(51.569)	20.798
- Tax adjustments for the previous year	-	67.968
- Investment incentive undertaken	(525.596)	(475.033)
- Effects of joint ventures	(29)	(15)
- Tax accrual for foreign subsidiaries	(24.075)	24.075
- Effects of valuation on fixed assets	(241.258)	(75.159)
- Effect of change in tax rates and consolidation adjustments	(104.968)	(2.565)
- Other	(40.263)	(8.451)
Income tax expense recognized in statement of profit or loss	<u>(216.831)</u>	<u>299.654</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 2022, and 2021, 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 2022	1 January - 31 December 2021
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)	3.473.338	839.228
Earnings (loss) per share from operations (TRY)	9,387	2,268

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 2022		31 December 2021	
	Receivables	Payables	Receivables	Payables
Balances with related parties	Short-term	Short-term	Short-term	Short-term
Trade				
Azfen ⁽¹⁾	56.152	-	42.333	-
Tekzen	1.771	467	1.625	524
H-T Fidencilik ⁽¹⁾	-	-	267	46
Agromak	286	3	18	4
Üçgen Bakım	100	-	207	-
Other	181	197	56	103
Shareholders and key management	945	386	592	270
Joint operations ⁽²⁾	6.701	7.910	5.364	9.227
	<u>66.136</u>	<u>8.963</u>	<u>50.462</u>	<u>10.174</u>
Other				
Mersin Serbest Bölge İşl. A.Ş. (3)	-	7.555	-	-
Other	-	173	-	-
	-	<u>7.728</u>	-	-
	<u>66.136</u>	<u>16.691</u>	<u>50.462</u>	<u>10.174</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 2022				
	Purchases	Sales	Dividend income	Rent income	Other income (expense), net
Azfen	-	31.547	-	-	-
Agromak	-	258	-	-	-
Akmerkez Lokantacılık	-	-	1.483	-	-
Tekzen	-	1.544	-	-	-
Üçgen Bakım	-	372	232	109	(246)
Akmerkez Gayrimenkul	-	-	11.431	-	-
Galipoli Gıda	-	49	-	-	-
Tekfen Vakfi	-	54	-	5	(520)
Other	-	216	9.153	-	-
<i>Shareholders and key management</i>	2	1.348	-	-	-
<i>Joint operations</i>	-	1.258	-	-	-
	2	36.646	22.299	114	(766)
Transactions with related parties	1 January - 31 December 2021				
	Purchases	Sales	Dividend income	Rent income	Other income (expense), net
Azfen	-	256.514	41.675	-	-
Agromak	-	206	-	-	-
H-T Fidecilik	-	286	-	-	-
Akmerkez Lokantacılık	2	-	-	-	-
Tekzen	-	1.536	-	-	-
Üçgen Bakım	-	228	80	55	(165)
Akmerkez Gayrimenkul	-	-	8.583	-	(95)
Galipoli Gıda	313	107	-	-	-
Tekfen Vakfi	-	22	-	4	(168)
Other	-	234	124	-	-
<i>Shareholders and key management</i>	14	674	-	-	(3)
<i>Joint operations</i>	-	1.050	-	-	-
	329	260.857	50.462	59	(431)

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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 2022	31 December 2021
Salaries and other short-term benefits	37.119	30.003
	<u>37.119</u>	<u>30.003</u>

35. DERIVATIVE INSTRUMENTS

	31 December 2022		31 December 2021	
	Assets	Liabilities	Assets	Liabilities
Forward foreign exchange contracts	8.528	353.686	249.886	-
Foreign exchange swap	-	-	-	198.465
Current	8.528	353.686	249.886	198.465
	<u>8.528</u>	<u>353.686</u>	<u>249.886</u>	<u>198.465</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 2022	31 December 2021
Forward foreign exchange contracts	4.913.599	861.756
	<u>4.913.599</u>	<u>861.756</u>

As of 31 December 2022, the fair value of Toros Tarım's foreign currency derivatives is estimated to be negative 345.158, with 8.528 assets and 353.686 liability. (31 December 2021: assets 249.886, positive 249.886). 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 2021: 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 positive 276.075 has been accounted for in equity, there is not any ineffective foreign currency derivative transactions during the period (31 December 2021: Effective positive 192.376, ineffective is none). Gains amounting to 754.823 and losses amounting to 35.855 concerning matured derivative contracts during the period have been recognized in profit or loss (31 December 2021: 58.994 gain, 7.645 loss).

Swap transactions:

Tekfen İnşaat performs currency swap transactions to hedge significant future transactions and cash flows from financial risk. As of 31 December 2022, Tekfen İnşaat has no cross currency swap transactions. As of 31 December 2022 (31 December 2021: 198.465, the fair value hierarchy classification of swap transactions is Level 2). As of 31 December 2022, expense accrual related to swap transactions amounting to 143.106 is recognized in profit or loss (31 December 2021: 167.389).

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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 2022 and 2021 are as follows:

	31 December 2022	31 December 2021
Cash and cash equivalents	4.153.018	5.065.371
Time deposits with maturity of longer than three months	1.408	-
Eurobonds	171.464	51.845
Currency protected deposit	1.583.937	-
Less: Borrowings	(4.610.997)	(3.439.170)
Net Cash Position (*)	1.298.830	1.678.046

(*) 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.

The Group does not obtain any kind of financial instruments, including those of which derivative financial instruments for speculative purposes and is not associated with the trading of these financial instruments.

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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 2022							
Minimum credit risk exposure at balance sheet date (*)	66.136	4.439.327	-	168.693	2.661.004	1.769.033	8.528
- Secured portion of minimum credit risk via guarantee or etc. (**)	-	642.128	-	-	-	-	-
A. Net book value of not due or not impaired financial assets	66.118	3.219.508	-	168.693	2.660.872	1.769.033	8.528
B. Net book value of assets that are due but not impaired	18	1.216.778	-	-	132	-	-
- Secured portion via guarantee or etc.	-	3.593	-	-	-	-	-
C. Net book value of impaired assets	-	3.041	-	-	-	-	-
- Over due (gross book value)	-	159.806	-	571	-	-	-
- Impairment (-)	-	(156.765)	-	(571)	-	-	-
- Secured net value via guarantee or etc.	-	-	-	-	-	-	-
- Not due (gross book value)	-	262	-	-	1.487	-	-
- Impairment (-)	-	(262)	-	-	(1.487)	-	-
- Secured net value via guarantee or etc.	-	-	-	-	-	-	-
31 December 2021							
Minimum credit risk exposure at balance sheet date (*)	50.462	2.948.495	-	115.684	4.550.050	51.845	249.886
- Secured portion of minimum credit risk via guarantee or etc. (**)	-	224.652	-	-	-	-	-
A. Net book value of not due or not impaired financial assets	32.853	2.136.144	-	115.684	4.550.050	51.845	249.886
B. Net book value of assets that are due but not impaired	17.609	812.351	-	-	-	-	-
- Secured portion via guarantee or etc.	-	-	-	-	-	-	-
C. Net book value of impaired assets	-	-	-	-	-	-	-
- Over due (gross book value)	-	157.331	-	571	-	-	-
- Impairment (-)	-	(157.331)	-	(571)	-	-	-
- Secured net value via guarantee or etc.	-	-	-	-	-	-	-
- Not due (gross book value)	-	39	-	-	1.263	-	-
- Impairment (-)	-	(39)	-	-	(1.263)	-	-
- 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 2022	Trade Receivables	Other Receivables	Total
Not due receivables	3.285.888	168.693	3.454.581
Overdue by 1-30 days	19.824	-	19.824
Overdue by 1-3 months	17.219	-	17.219
Overdue by 3-12 months	54.982	-	54.982
Overdue 1-5 years	260.049	-	260.049
Overdue by more than 5 years	1.024.528	571	1.025.099
Total receivables	4.662.490	169.264	4.831.754
Total overdue receivables	1.376.602	571	1.377.173
Secured portion via guarantee or etc.	3.593	-	3.593
Total provision provided for overdue receivables	(156.765)	(571)	(157.336)
Total provision provided for undue receivables	(262)	-	(262)
Secured portion of all impaired receivables via guarantee or etc.	-	-	-
31 December 2021	Trade Receivables	Other Receivables	Total
Not due receivables	2.169.036	115.684	2.284.720
Overdue by 1-30 days	7.794	-	7.794
Overdue by 1-3 months	5.274	-	5.274
Overdue by 3-12 months	39.108	-	39.108
Overdue 1-5 years	200.771	-	200.771
Overdue by more than 5 years	734.344	571	734.915
Total receivables	3.156.327	116.255	3.272.582
Total overdue receivables	987.291	571	987.862
Secured portion via guarantee or etc.	-	-	-
Total provision provided for overdue receivables	(157.331)	(571)	(157.902)
Total provision provided for undue receivables	(39)	-	(39)
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 (2021: None). There are no collaterals held for the past due trade receivables which are impaired (2021: 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 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	4.607.897	4.871.842	1.297.976	1.034.799	2.539.067	-
Lease liabilities	113.635	537.229	130.247	231.532	121.835	53.615
Trade payables (due to related parties included)	10.925.386	11.009.644	7.235.631	3.414.928	359.085	-
Employee benefit payables	171.487	171.487	171.487	-	-	-
Other payables (due to related parties included)	438.690	438.690	224.524	11.987	193.916	8.263
Total liabilities	16.257.095	17.028.892	9.059.865	4.693.246	3.213.903	61.878

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	345.159	(4.514.413)	(2.676.216)	(1.838.197)	-	-
Cash outflows	-	4.913.599	2.909.582	2.004.017	-	-

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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 2021

<u>Due date on agreement</u>	<u>Carrying Value</u>	<u>Cash outflows according to agreements (I+II+III+IV)</u>	<u>Less than 3 months (I)</u>	<u>Between 3-12 months (II)</u>	<u>Between 1-5 years (III)</u>	<u>More than 5 years (IV)</u>
Financial liabilities						
Bank loans	3.435.332	3.558.001	269.553	2.971.901	286.791	29.756
Lease liabilities	66.221	124.828	13.292	27.688	26.656	57.192
Trade payables (due to related parties included)	7.050.673	7.093.828	4.524.079	2.351.674	218.075	-
Employee benefit payables	126.891	126.891	126.891	-	-	-
Other payables (due to related parties included)	203.567	203.567	113.532	3.730	80.488	5.817
Total liabilities	<u>10.882.684</u>	<u>11.107.115</u>	<u>5.047.347</u>	<u>5.354.993</u>	<u>612.010</u>	<u>92.765</u>

<u>Due date on agreement</u>	<u>Carrying Value</u>	<u>Cash outflows according to agreements (I+II+III+IV)</u>	<u>Less than 3 months (I)</u>	<u>Between 3-12 months (II)</u>	<u>Between 1-5 years (III)</u>	<u>More than 5 years (IV)</u>
Derivative instruments						
Cash inflows	(51.421)	(1.505.982)	(480.680)	(1.025.302)	-	-
Cash outflows	-	1.495.694	33.478	1.462.216	-	-

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 2022	Equivalent of Thousands of TRY	Thousands of USD	Thousands of EUR	Thousands of GBP	Other (Equivalent of Thousands of TRY)
1. Trade Receivables	2.056.523	75.142	6.131	-	529.274
2. Monetary Financial Assets	3.343.670	167.562	3.058	12	149.315
3. Other	291.392	5.245	6.825	-	57.264
4. CURRENT ASSETS	5.691.585	247.949	16.014	12	735.853
5. Trade Receivables	228.502	47	3.712	-	153.625
6. Monetary Financial Assets	920	-	-	-	920
7. Other	33.035	1.335	404	-	19
8. NON-CURRENT ASSETS	262.457	1.382	4.116	-	154.564
9. TOTAL ASSETS	5.954.042	249.331	20.130	12	890.417
10. Trade Payables	7.122.260	347.570	8.273	37	457.538
11. Financial Liabilities	209.476	-	4.112	-	127.504
12. Monetary Other Liabilities	1.317.434	27.267	25.878	-	291.712
12b. Non-Monetary Other Liabilities	12.721	498	171	-	-
13. CURRENT LIABILITIES	8.661.891	375.335	38.434	37	876.754
14. Trade Payables	3.343	84	12	-	1.533
15. Financial Liabilities	280.026	-	14.047	-	-
16. Monetary Other Liabilities	83.675	223	-	-	79.505
17. NON-CURRENT LIABILITIES	367.044	307	14.059	-	81.038
18. TOTAL LIABILITIES	9.028.935	375.642	52.493	37	957.792
19. Off-balance sheet derivative instruments net position (19a-19b)	4.514.405	241.434	-	-	-
19a. Derivative assets	4.514.405	241.434	-	-	-
19b. Derivative liabilities	-	-	-	-	-
20. Net foreign currency assets / liabilities position	1.439.512	115.123	(32.363)	(25)	(67.375)
21. Monetary items net foreign currency assets / liabilities position (1+2+5+6-10-11-12-14-15-16)	(3.386.599)	(132.393)	(39.421)	(25)	(124.658)
22. Fair value of derivative instruments held for hedging	(345.158)	(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)

31 December 2021	Equivalent of Thousands of TRY	Thousands of USD	Thousands of EUR	Thousands of GBP	Other (Equivalent of Thousands of TRY)
1. Trade Receivables	611.992	11.665	2.235	4	427.725
2. Monetary Financial Assets	3.808.857	282.188	5.527	10	65.439
3. Other	89.788	231	767	-	75.529
4. CURRENT ASSETS	4.510.637	294.084	8.529	14	568.693
5. Trade Receivables	76.215	-	539	-	68.301
6. Monetary Financial Assets	6.664	-	-	-	6.664
7. Other	37.881	274	2.337	-	13
8. NON-CURRENT ASSETS	120.760	274	2.876	-	74.978
9. TOTAL ASSETS	4.631.397	294.358	11.405	14	643.671
10. Trade Payables	3.727.057	221.187	8.639	52	728.855
11. Financial Liabilities	481.289	-	1.853	-	454.083
12. Monetary Other Liabilities	635.402	323	29.047	-	204.733
12b. Non-Monetary Other Liabilities	6.535	447	50	-	-
13. CURRENT LIABILITIES	4.850.283	221.957	39.589	52	1.387.671
14. Trade Payables	41.525	84	6	-	40.347
15. Financial Liabilities	295.922	-	20.155	-	-
16. Monetary Other Liabilities	58.777	460	70	-	51.780
17. NON-CURRENT LIABILITIES	396.224	544	20.231	-	92.127
18. TOTAL LIABILITIES	5.246.507	222.501	59.820	52	1.479.798
19. Off-balance sheet derivative instruments net position (19a-19b)	1.070.514	82.490	-	-	-
19a. Derivative assets	1.070.514	82.490	-	-	-
19b. Derivative liabilities	-	-	-	-	-
20. Net foreign currency assets / liabilities position	455.404	154.347	(48.415)	(38)	(836.127)
21. Monetary items net foreign currency assets / liabilities position (1+2+5+6-10-11-12-14-15-16)	(736.244)	71.799	(51.469)	(38)	(911.669)
22. Fair value of derivative instruments held for hedging	249.886	19.255	-	-	-

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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 2022	
	Profit / Loss	
	Appreciation of foreign currencies	Depreciation of foreign currencies
	If US Dollars changes 5% against TL	
US Dollars net assets / liabilities	107.630	(107.630)
	If Euro changes 5% against TL	
Euro net assets / liabilities	(32.258)	32.258
	If other foreign currencies changes 5% against TL	
Other foreign currency net assets / liabilities	(3.396)	3.396
TOTAL	71.976	(71.976)
	31 December 2021	
	Profit / Loss	
	Appreciation of foreign currencies	Depreciation of foreign currencies
	If US Dollars change 5% against TL	
US Dollars net assets / liabilities	100.152	(100.152)
	If Euro changes 5% against TL	
Euro net assets / liabilities	(35.542)	35.542
	If other foreign currencies change 5% against TL	
Other foreign currency net assets / liabilities	(41.840)	41.840
TOTAL	22.770	(22.770)

Forward foreign exchange contracts

The Group enters forward foreign exchange contracts to manage the risk associated with anticipated sales and purchase transactions the exposure generated. The following table details the forward foreign currency contracts outstanding as at reporting date:

Outstanding contracts	Average rate		Foreign currency		Contract value		Fair value	
	2022	2021	2022	2021	2022	2021	2022	2021
<i>Buy USD (Thousand USD / Thousand TRY)</i>								
Less than 3 months	20,33	9,61	143.126	3.484	2.909.582	33.478	(212.760)	12.485
3 to 12 months	20,39	10,48	98.308	79.006	2.004.017	828.278	(132.398)	237.401
							(345.158)	249.886

As of 31 December 2022, 276.075 of unrealized loss arising from changes in fair values of forward foreign exchange contracts is classified as hedging reserve under shareholders' equity (2021: Unrealized gain 192.376).

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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)

Cross currency swap agreements

The Group makes cross currency swap agreements to mitigate risks arising from payments and collections in certain foreign currencies. As of the balance sheet date, there is no forward cross currency swap agreement that has not been executed. The table below includes the details of cross rate swap contracts that have not been executed as of 31 December 2021.

<u>31 December 2021</u>	<u>Nominal Amount</u>	<u>Date of Acquisition</u>	<u>Date of Realization</u>	<u>Fair Value</u>
Swap 1	25.613	20/08/2021	19/08/2022	12.882
Swap 2	167.800	27/08/2021	26/08/2022	89.697
Swap 3	193.600	03/11/2021	03/11/2022	76.711
Swap 4	48.455	03/11/2021	03/11/2022	19.175
	<u>435.468</u>			<u>198.465</u>

b.3.2) Interest rate risk management

Interest rate sensitivity

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

	<u>31 December 2022</u>	<u>31 December 2021</u>
Financial liabilities - Fixed Interest Rate Instruments	2.474.020	3.174.404
Financial liabilities - Floating Interest Rate Instruments	2.247.512	327.149

As of 31 December 2022 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 11.238 (31 December 2021: 1.636).

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 30.868 (31 December 2021: 16.231 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 944 (31 December 2021: 5.383 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

31 December 2022	Financial assets at amortized cost	Financial investments measured at fair value	Financial liabilities at amortized cost	Fair value of derivative instruments	Carrying value (*)	Note
Financial assets						
Cash and cash equivalents	4.151.531	-	-	-	4.151.531	5
Trade receivables (due from related parties included)	4.505.463	-	-	-	4.505.463	8, 36
Financial investments	172.872	3.659.573	-	-	3.832.445	6
Other current and non-current assets (due from related parties included)	168.693	-	-	-	168.693	9, 36
Derivative instruments	-	-	-	8.528	8.528	35
Financial liabilities						
Borrowings	-	-	4.721.532	-	4.721.532	7, 36
Trade payables (due to related parties included)	-	-	10.925.386	-	10.925.386	8, 36
Employee benefit payables	-	-	171.487	-	171.487	22, 36
Other short and long-term liabilities	-	-	438.690	-	438.690	9, 36
Derivative instruments	-	-	-	353.686	353.686	35
31 December 2021						
Financial assets						
Cash and cash equivalents	5.064.108	-	-	-	5.064.108	5
Trade receivables (due from related parties included)	2.998.957	-	-	-	2.998.957	8, 36
Financial investments	51.845	1.866.285	-	-	1.918.130	6
Other current and non-current assets (due from related parties included)	115.684	-	-	-	115.684	9, 36
Derivative instruments	-	-	-	249.886	249.886	35
Financial liabilities						
Borrowings	-	-	3.501.553	-	3.501.553	7, 36
Trade payables (due to related parties included)	-	-	7.050.673	-	7.050.673	8, 36
Employee benefit payables	-	-	126.891	-	126.891	22, 36
Other short and long-term liabilities	-	-	203.567	-	203.567	9, 36
Derivative instruments	-	-	-	198.465	198.465	35

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

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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 1.596.161 KKM in short-term financial investments. The relevant amount is presented at fair value (31 December 2021: None). The fair value hierarchy is shown as Level 2.

Except for the financial investments mentioned above, Eurobonds amounting to 171.464 shown in short-term financial investments, are classified as financial assets and measured at amortized cost (31 December 2021: short-term financial investments 51.845). The fair value of the related financial assets is 172.604 and the fair value hierarchy is Level 2 as of 31 December 2022 (31 December 2021: 51.845).

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

	31 December	Fair value level as of reporting date		
		Level 1	Level 2	Level 3
<u>Financial assets</u>	<u>2022</u>			
Fair value through other comprehensive income financial investments	1.038.530	324.926	-	713.604
Fair value through profit or loss financial investments	1.024.408	10.669	-	1.013.739
Derivative instruments	8.528	-	8.528	-
Total	2.071.466	335.595	8.528	1.727.343
<u>Financial liabilities</u>				
Derivative instruments	353.686	-	353.686	-
Total	353.686	-	353.686	-
	31 December	Fair value level as of reporting date		
		Level 1	Level 2	Level 3
<u>Financial assets</u>	<u>2021</u>			
Fair value through other comprehensive income financial investments	1.074.099	170.857	-	903.242
Fair value through profit or loss financial investments	792.186	78.885	-	713.301
Derivative instruments	249.886	-	249.886	-
Total	2.116.171	249.742	249.886	1.616.543
<u>Financial liabilities</u>				
Derivative instruments	198.465	-	198.465	-
Total	198.465	-	198.465	-

Translated into English from the report originally issued in Turkish.

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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 2022	78.885	713.301	170.857	
Transfers	12.447	(12.447)	-	-	-
Additions	-	99.743	-	12.398	112.141
Fair value change	(107.037)	(96.262)	154.069	(465.039)	(514.269)
Disposals	-	-	-	(65.626)	(65.626)
Currency translation effect	26.374	309.404	-	328.629	664.407
Closing balance as at 31 December 2022	10.669	1.013.739	324.926	713.604	2.062.938

	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 2021	-	249.748	255.256	
Transfers	24.598	(24.598)	-	-	-
Additions	-	182.970	-	-	182.970
Fair value change	24.154	245.874	(84.399)	(620.774)	(435.145)
Disposals	-	(228.033)	-	-	(228.033)
Currency translation effect	30.133	287.340	-	614.100	931.573
Closing balance as at 31 December 2021	78.885	713.301	170.857	903.242	1.866.285

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 2022 Fair Value</i>	<i>Unobservable Inputs</i>	<i>Relation Between Unobservable Inputs and Fair Value Measurement</i>
Income Approach, Discounted Cash Flow	584.234	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 70.603; If it is decreased to 12,2%, the estimated fair value increases by 84.090.

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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 2021 Fair Value</i>	<i>Unobservable Inputs</i>	<i>Relation Between Unobservable Inputs and Fair Value Measurement</i>
Income Approach, Discounted Cash Flow	753.993	Weighted average cost of capital ratio: 11,2%	If the weighted average cost of capital ratio is increased to 12,2%, the estimated fair value decreases by 90.843; If it is decreased to 10,2%, the estimated fair value increases by 112.904.

Berlin Light JV S.a.r.l and Cording Dortmund Hiltropwall SCSp

Discounted cash flow and adjusted equity methods have been used in the fair value measurements of the related financial investments, 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 and capitalization rate used in calculations for Berlin Light are 4,70% and 3,90%, respectively.

Non-traded fair value through profit or loss financial investments

<i>Industry</i>	<i>Valuation Method</i>	<i>31 December 2021 Fair Value</i>	<i>Unobservable Inputs</i>	<i>Relation Between Unobservable Inputs and Fair Value Measurement</i>
<i>Contracting</i>	Equivalent value	92.012	Valuation multiplier: 1,16 - 3,51	If the average valuation multiplier is increased by 10%, the estimated fair value increases by 16.681, in case of a 10% decrease, the estimated fair value decreases by 16.681.
	Held at cost	74.793	Valuation multiplier: 1,00	
<i>Agriculture</i>	Equivalent value	692.562	Valuation multiplier: 1,11 - 2,25	If the average valuation multiplier is increased by 10%, the estimated fair value increases by 69.256, in case of a 10% decrease, the estimated fair value decreases by 69.256.
	Held at cost			
<i>Other</i>	Equivalent value	154.372	Valuation multiplier: 0,48 - 2,94	If the average valuation multiplier is increased by 10%, the estimated fair value increases by 15.437, in case of a 10% decrease, the estimated fair value decreases by 15.437.

<i>Industry</i>	<i>Valuation Method</i>	<i>31 December 2021 Fair Value</i>	<i>Unobservable Inputs</i>	<i>Relation Between Unobservable Inputs and Fair Value Measurement</i>
<i>Contracting</i>	Held at cost	103.822	Valuation multiplier: 1,00	If the average valuation multiplier is increased by 10%, the estimated fair value increases by 10.382, in case of a 10% decrease, the estimated fair value decreases by 10.382.
<i>Agriculture</i>	Equivalent value	376.404	Valuation multiplier: 1,72 - 2,21	If the average valuation multiplier is increased by 10%, the estimated fair value increases by 40.235, in case of a 10% decrease, the estimated fair value decreases by 40.235.
	Held at cost	25.942	Valuation multiplier: 1,72 - 2,21	
<i>Other</i>	Equivalent value	207.133	Valuation multiplier: 0,48 - 3,32	If the average valuation multiplier is increased by 10%, the estimated fair value increases by 20.713, in case of a 10% decrease, the estimated fair value decreases by 20.713.

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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 2022	103.822	402.346	207.133	713.301
Transfers (Level 1)	-	-	(12.447)	(12.447)
Additions	37.240	38.619	23.884	99.743
Fair value change	(21.998)	61.273	(135.537)	(96.262)
Currency translation effect	47.741	190.324	71.339	309.404
Closing balance as at 31 December 2022	<u>166.805</u>	<u>692.562</u>	<u>154.372</u>	<u>1.013.739</u>
	Contracting	Agriculture	Other	Total
Opening balance as at 1 January 2021	11.012	128.130	110.606	249.748
Transfers (Level 1)	-	-	(24.598)	(24.598)
Additions	84.354	90.829	7.787	182.970
Fair value change	-	213.604	32.270	245.874
Disposals	-	(228.033)	-	(228.033)
Currency translation effect	8.456	197.816	81.068	287.340
Closing balance as at 31 December 2021	<u>103.822</u>	<u>402.346</u>	<u>207.133</u>	<u>713.301</u>

38. OTHER MATTERS MATERIALLY AFFECTING FINANCIAL STATEMENTS

COVID-19 Pandemic

Novel Coronavirus (COVID-19) outbreak that occurred in Wuhan city of People's Republic of China in December 2019 spread to the whole world and was declared Pandemic by the World Health Organization on 11 March 2020. This situation affects social life and economic activities negatively in the geography where the Group operates. The Group's management closely monitors the developments and takes measures to reduce the negative effects of the COVID-19 pandemic on the Group's consolidated financial position, consolidated financial performance and consolidated cash flows to an acceptable level. Within the scope of the measures taken, evaluations regarding the going concern of the Group have been reviewed to evaluate the going concern assumption of the business. The Group management believes that, despite the uncertain economic outlook, Group's business risks can be managed successfully. On the other hand, management has a reasonable expectation that the Group will have the resources to provide sufficient liquidity reserves in the twelve-month period to maintain its operational existence. In addition, possible effects of cash flow risk has been reevaluated by recalculating Group budget projections with various scenarios, estimations and assumptions used in expected credit losses, impairment of assets within the Group, performance obligations within the scope of recognizing revenue has been reevaluated, independent valuation has been performed for significant portion of the financial assets measured at fair value and consolidated financial statements, that prepared on the basis of going concern, have been prepared by taking into consideration of these evaluations. As of the reporting date, there is no significant issue affecting the Group's activities and the consolidated financial statements other than those disclosed in the consolidated financial statements.

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

Construction Projects

The COVID-19 pandemic, which has been effective since the last months of the year 2019 and caused delays in personnel, material and equipment logistics, has caused serious disruptions in the countries where the Engineering and Contracting segment operates.

Necessary precautions have been taken and efforts have been made to minimize possible damages in order to overcome these adversities in the slightest possible way. In addition to these measures, the processes foreseen in the contracts were initiated to compensate for the losses caused by all these unforeseen negativities.

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:

Pursuant to the contract signed between Tekfen-Al Jaber J.V., which Tekfen İnşaat holds 50% ownership, and employer administration Qatar Supreme Committee for Delivery and Legacy on 10 December 2017, the engineering and construction works of the stadium complex project, where the 2022 World Cup Quarter Finals held in Qatar, were undertaken. The expected current end-of-project income of the project is 3.538.269 (690.687.414 QAR) and the financial completion rate of the project is 95,6% as of the balance sheet date.

During the construction process, due to the changes, as requested by the Employer administration, made in the design of the project to comply with FIFA Standards, it has been an increase in the end-of-project cost and Group share of this increase has been included in the consolidated financial statements. No income has been recorded in the consolidated financial statements as no agreement has been reached on compensation claims as of the report date. Negotiations with the administration for the compensation of the losses incurred in the project continue as of the report date.

Qatar - Al Khor Highway Project:

Pursuant to the contract signed between Tekfen İnşaat and Qatar Public Engineering Office (PEO) on 13 October 2016, the project, which consists of a 10-lane 34 km length highway and its infrastructure, various intersections, viaducts, under and overpasses, was undertaken. The financial completion rate of the project is 97,9% as of the balance sheet date.

During the construction of the project, the revenues from the additional works performed with the instructions of the Employer administration are recognized in the consolidated financial statements in accordance with "TFRS 15 Revenue from Customer Contracts" standard and the management estimations. As of the reporting date, negotiations with the Employer administration regarding the Group's additional requests, which have not been included in the consolidated financial statements yet, are in progress.

Saudi Arabia - Haradh Satellite Compressor Stations Pipelines Project:

Pursuant to the contract signed between Tekfen İnşaat and Saudi Arabian Oil Company on 30 July 2018, the Haradh Field Gas Increase Programme - Satellite Gas Compressor Stations Pipeline Construction Project was undertaken. The financial completion rate of the project is 93,0% as of the balance sheet date.

All of the loss expected to increase in the estimated costs of the project as of the report date has been included in the consolidated financial statements. Due to the additional work done and the additional cost increases, negotiations concerning additional income demand are in progress within the scope of the contract signed with the Employer administration.

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

Rusfen, one of the subsidiaries of the Group, signed a contract with Kharampurneftegaz LLC on 27 December 2019, for the construction and installation of 90 km length 48 "gas pipeline. The financial completion rate of the project is 96,4% as of the balance sheet date.

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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 (cont'd)

While construction activities are in progress in Yamalo-Nenets autonomous region of Russia, various adverse events were experienced such as lack of cold weather conditions required for the implementation of the project in the first winter, the COVID-19 pandemic and the devaluation of the Russian Ruble against the US Dollar so that construction activity of the project could not be carried out temporarily. Due to the changing conditions, negotiations are continuing with the Employer Administration regarding the successful completion of the project and compensation of additional costs. On 30 December 2020, an amendment protocol was signed with the Employer administration, which includes the updated terms regarding project planning and project completion period, and the duration of the project was extended to May 2022. In the second winter of the project, the project activities were completed within the framework of the work program despite the fact that the necessary weather conditions were not fully formed, the construction activities in the project could not be carried out for a while and the delays in the materials provided by the employer administration. As a result of the Group's recognition of the region and conditions better, the measures taken to reduce costs in the last period and the developed business -making methods, the end of project costs have been reduced slightly. As a result of the intensive negotiations with the employer administration in 2021 and 2022, some of the Group's requests were met with the amendment protocol signed as dated 12 August 2022. As of the report date, all of the expected loss at the end of the project is included in the accompanying consolidated financial statements. Negotiations with the employer administration regarding the compensation of all of these damages are continuing.

Competition Authority Review

The Competition Authority, with its decision dated 12 August 2021 and numbered 21-38/543-M, started to investigate 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 were submitted to the Competition Authority by Toros Tarım. The oral defense date, which was determined as 14 March 2023, was postponed to an indefinite date due to the earthquake in Kahramanmaraş. The Competition Board will publish its decision within fifteen days after the oral defense.

As of 31 December 2022, Toros Tarım management did not consider it necessary to book any provision in the accompanying consolidated financial statements related to the said investigation, in line with the opinion of independent lawyers and the "TAS 37 Provisions, Contingent Liabilities and Contingent Assets" standard.

Other

Shares of Hishtil Toros Fidecilik San. Ve Tic. A.Ş., one of the joint ventures of the Group with 50% participation rate were sold on 19 April 2022 with a price of 29.268.

Tekfen Construction signed a contract with Chiyoda Technip Ordinary Partnership for the Common Offsites 2 general works of the North Field East Onshore project EPC-1 package in Qatar. The contract value of the project is approximately 7.262.420 (388.400.000USD).

Tekfen İnşaat ve Tesisat A.Ş. has received a letter stating that it won the tender to undertake the construction of the "FCC Revamp Project" planned to be built at the Tüpraş İzmir Rafineri by Türkiye Petrol Rafinerileri A.Ş. (Tüpraş) on 22 April 2022. The scope of the project is the equipment and material supply and construction works of the FCC Unit, and its total duration is 33 months. The value of the project approximately 1.019.057 (54.500.000 USD).

Tekfen İnşaat has received a letter stating that it won the tender to undertake the construction of the "New PSF and MTR Facilities Construction Works" planned to be built at the SASA Adana facilities by SASA Polyester Sanayi Anonim Şirketi (SASA). The total duration of the project is 25 months including mobilization. The value of the project is 1.140.596 (61.000.000 USD).

With the article 11 of the Law No. 7316 on the Procedure for the Collection of Public Claims and Amending Certain Laws, published in the Official Gazette No. 31462 dated 22 April 2021, provisional 13th article added to the Corporate Tax Law No. 5520, corporate tax rate will be applied as 23% for the corporate earnings for the 2022 taxation period. In the consolidated financial statements as of 31 December 2022, 23% has been used as the tax rate in the period tax calculations. In the deferred tax calculations, the rates have been determined depending on the period in which the taxable/deductible temporary differences are expected to be realized.

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39. FEES FOR SERVICES RECEIVED FROM INDEPENDENT AUDIT FIRM

Type of Service	31 December 2022	31 December 2021
Independent audit fee for the reporting period	6.480	3.433
Fees for tax advisory services	843	643
Fees for other assurance services	43	44
	<u>7.366</u>	<u>4.120</u>

40. SUBSEQUENT EVENTS

Due to the negativities caused by the earthquakes that took place in Kahramanmaraş on February 6, 2023, affecting many of our provinces and shaking our whole country, in accordance with the Official Gazette numbered 32098 on Wednesday, February 8, 2023, Adana, Adıyaman, Diyarbakır, Gaziantep, Hatay, Kahramanmaraş, Kilis, Malatya, Osmaniye, Şanlıurfa and Elazığ provinces, it was decided to declare a state of emergency for three months. Since the earthquake experienced and the measures taken, the economic effects in the provinces exposed to the earthquake are uncertain as of the reporting date, the developments regarding the natural disaster in question are closely monitored and studies for due diligence are ongoing. As of the report date, there are no negative situations affecting our activities.

In the event of an earthquake disaster that occurred in Kahramanmaraş and directly affected eleven provinces, the Group urgently opened a cash and/or in-kind donation emergency use fund of 10.000, 3.000 of which is cash to AFAD. It has been decided to work on creating an additional joint fund by all group companies to be used in medium and long-term projects in order to meet the priority needs, especially accommodation, that will emerge in the following time. In addition, the accommodation needs of all group companies employees affected in the region were met, and a cash aid of 10.000 TL was provided. At the Ordinary General Assembly meeting to be held in 2023, the donations made until this date will be submitted for the information and approval of the shareholders within the framework of the Capital Markets Board's decision dated 09.02.2023 and numbered 8/174.

Esin Mete, a member of the Board of Directors as of February 17, 2023 resigned from her position and Zeynep Defne Akçağlılar was appointed instead on 22 February 2023.

Tekfen Holding Board of Directors has decided to appoint Hakan Sadık Göral, who is currently the CEO of Chemical Industry Group, to the vacant position as Tekfen Group Companies President, effective 7 March 2023.