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INTERNATIONAL INDEPENDENT AUDITING, CONSULTING &
CERTIFIED PUBLIC ACCOUNTING CO.

SETAŞ İNŞAAT TİCARET VE
SANAYİ ANONİM ŞİRKETİ

JANUARY 1 - DECEMBER 31, 2022

CONSOLIDATED FINANCIAL STATEMENT
AND INDEPENDENT AUDITOR'S REPORT
FOR THE ACCOUNTING PERIOD

Ankara, April 17, 2023



APPROVED TRANSNATIONAL AUDIT FIRM



MEMBER OF THE
FORUM OF FIRMS



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INDEPENDENT AUDITORS' REPORT

*To the General Assembly of
Setaş İnşaat Ticaret ve Sanayi A.Ş.*

A) Report on the Audit of the Financial Statements

1) Opinion

We have audited the financial statements of Setaş İnşaat Ticaret ve Sanayi Anonim Şirketi and its subsidiaries ("the Company") which comprise the statement of financial position as at December 31, 2022, and the statement of profit or loss, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2022, and its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards ("IFRS").

2) Basis for Opinion

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

3) Key Audit Matters

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



3) Key Audit Matters (Cont'd)

<i>Key Audit Matters</i>	<i>How our audit addressed the key audit matter</i>
<p>Examining the Accuracy of Customer Contracts Revenue</p> <p>The Group's consolidated revenue for the year ended 31 December 2022 amounts to TL 73,772,638. Of this consolidated revenue, TL 70,029,622, which is 95%, has been recognized in accordance with TFRS 15 Revenue from Contracts with Customers ("TFRS 15") using the percentage-of-completion method. Under this method, estimates and assumptions in the budgets related to the projects have been used in the recognition of revenue and costs for ongoing projects.</p> <p>The management determines the revenue, costs and profitability results of the construction projects and determines the uncertainties in the contract revenues and the effects of the changes that will occur in the projects according to their estimations and judgments. Estimates generally include project completion rates and estimated costs.</p> <p>The key risks related to construction projects are the alignment of estimates with TFRS 15 and the potential for incorrect estimates.</p> <p>Details on revenues and costs from construction contracts are given in Note 18 to the financial statements.</p>	<p>The following procedures have been applied to the audit of customer contracts;</p> <ul style="list-style-type: none"> • Contracts for important construction projects were procured and current contract prices were examined. • The actual costs (personnel, material, project costs, etc.) were tested by way of sampling. • Project budgets and actual completion rates have been obtained from the relevant technical personnel and Management, and it has been checked whether the prospective estimates of the project budgets and actual completion rates have been calculated historically, accurately and prudently. • Realized costs and actual completion rates were recalculated and compared. • The realized revenue amounts have been examined over the sampled documents. • The procedures and explanations applied regarding the revenue have been evaluated for compliance with IFRS.



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

Company management; It is responsible for the internal control that it deems necessary for the preparation of the financial statements in accordance with IFRS, their fair presentation and preparation without material misstatement due to error or fraud.

Management in preparing the financial statements; It is responsible for assessing the Company's ability to continue as a going concern, explaining going concern matters when necessary, and using the going concern basis of business unless there is an intention or an obligation to liquidate the Company or terminate the business.

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

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. (The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.)
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.



6) Auditor's Responsibilities for the Audit of the Financial Statements (Cont'd)

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

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

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

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

B) Report on Other Legal and Regulatory Requirements

- 1) In accordance with paragraph 4 of Article 402 of the TCC, no significant matter has come to our attention that causes us to believe that the Company's bookkeeping activities for the period 1 January - 31 December 2022 and financial statements are not in compliance with law and provisions of the Company's articles of association in relation to financial reporting.
- 2) In accordance with paragraph 4 of Article 402 of the TCC, the Board of Directors submitted to us the necessary explanations and provided required documents within the context of audit.

The name of the engagement partner who supervised and concluded this audit is Bekir KILINÇKAYA.

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Bekir KILINÇKAYA, CPA
Responsible Auditor

Ankara, April 17, 2023

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(CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH)

SETAŞ İNŞAAT TİCARET VE SANAYİ A.Ş.

AS OF 31 DECEMBER, 2022

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Unless otherwise indicated, the amounts are expressed in Turkish Lira and translated to USD and EUR for convenience of readers only at the official exchange rates prevailing at December 31, 2022)

ASSETS		2022 EUR	2022 USD	Audited Current Period 31 December 2022	Audited Prior Period 31 December 2021
Current Assets	<i>Notes</i>	11.734.453	12.510.503	233.914.796	231.590.535
Cash and Cash Equivalents	3	10.912.449	11.634.137	217.538.588	212.876.798
Financial Assets		48	51	952	952
Trade Receivables	6	796.789	849.484	15.883.911	15.234.860
<i>Receivables from Related Parties</i>	5	787.544	839.628	15.699.611	14.809.580
<i>Receivables from Third Parties</i>	6	9.245	9.857	184.300	425.280
Other Receivables		12.583	13.415	240.501	1.574.997
<i>Receivables from Related Parties</i>	5	10.206	10.881	30.358	-
<i>Receivables from Third Parties</i>	7	2.377	2.534	210.143	1.574.997
Prepaid Expenses	8	10.206	10.881	203.457	454.170
Other Current Assets	14	2.377	2.534	47.387	1.448.758
Non-Current Assets	<i>Notes</i>	2.687.291	2.865.013	53.570.869	38.647.846
Investment Properties	9	41.084	43.801	819.000	837.000
Property, Plant and Equipment	10	2.429.413	2.590.081	48.430.113	28.802.235
Prepaid Expenses	8	215.973	230.256	4.305.396	9.008.611
Deferred Tax Assets	16	821	875	16.360	-
TOTAL ASSETS		14.421.743	15.375.516	287.485.665	270.238.381

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

(CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH)

SETAŞ İNŞAAT TİCARET VE SANAYİ A.Ş.

AS OF 31 DECEMBER 2022

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Unless otherwise indicated, the amounts are expressed in Turkish Lira and translated to USD and EUR for convenience of readers only at the official exchange rates prevailing at December 31, 2022)

LIABILITIES				Audited	Audited
		2022 EUR	2022 USD	Current Period	Prior Period
				31 December 2022	31 December 2021
Current Liabilities	<i>Notes</i>	1.295.061	1.380.707	25.863.396	43.910.758
Short Term Borrowings	4	5.525	5.891	110.343	-
Short Term Portion of Long Term Borrowings	4	-	-	-	173.519
Trade payables		165.673	176.630	3.308.631	16.184.232
<i>Payables to Related Parties</i>	5	69.096	73.666	1.379.910	347.292
<i>Payables to Third Parties</i>	6	96.577	102.964	1.928.721	15.836.940
Employee Benefit Obligations	11	37.550	40.034	749.908	339.883
Other Payables		97.176	103.603	1.940.683	17.281.285
<i>Payables to Third Parties</i>	7	97.176	103.603	1.940.683	17.281.285
Current Income Tax Liability		965.569	1.029.424	19.283.178	9.291.099
Short-Term Provision		23.567	25.126	470.653	640.740
<i>Short Term Provision for the Employee Benefits</i>	11	23.567	25.126	470.653	253.029
<i>Other Short Term Provisions</i>	12	-	-	-	387.711
Non Current Liabilities		286.199	305.126	5.715.621	11.659.579
Long Term Borrowings	4	-	-	-	1.010.343
Long-Term Provision		141.471	150.827	2.825.285	1.238.282
<i>Long Term Provision for the Employee Benefits</i>	11	141.471	150.827	2.825.285	1.238.282
Deferred Tax Liabilities	16	144.728	154.299	2.890.336	9.410.954
Equity		12.840.484	13.689.683	255.906.648	214.668.044
Paid-in Share Capital	15	3.204.679	3.416.613	64.000.000	64.000.000
Other Comprehensive Income/ (Loss) Not To Be Reclassified to Profit or Loss		289.250	308.378	5.776.544	5.156.312
<i>Fixed Assets Revaluation and Remeasurement Gain (Loss)</i>		248.614	265.056	4.965.028	4.965.028
<i>Income/(Loss) on Remeasurements of Defined Benefit Plans</i>		40.635	43.322	811.516	191.284
Other Comprehensive Income (Loss) To Be Reclassified to Profit or Loss		(699.149)	(649.921)	-	-
<i>Currency Translation Differences</i>		(699.149)	(649.921)	-	-
Restricted Reserves Allocated From Net Profit	15	724.320	772.221	14.465.248	4.095.741
Retained Earnings		3.686.077	3.929.848	73.613.910	57.125.721
Net Profit or Loss		5.634.788	5.911.990	98.050.946	84.290.270
TOTAL LIABILITIES AND EQUITY		14.421.743	15.375.516	287.485.665	270.238.381

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

(CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH)

SETAŞ İNŞAAT TİCARET VE SANAYİ A.Ş.

FOR THE YEAR ENDED 31 DECEMBER 2022

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME STATEMENT

(Unless otherwise indicated the amounts are expressed in Turkish Lira and translated to USD and EUR for convenience of readers only at the official exchange rates prevailing at December 31, 2022)

			Audited Current Period 1 January 2022 31 December 2022	Audited Prior Period 1 January 2021 31 December 2021
	<i>Notes</i>	2022 EUR	2022 USD	
Revenue		4.239.563	4.448.127	73.772.638
Cost of Sales (-)		(2.346.067)	(2.461.481)	(40.823.911)
GROSS PROFIT		1.893.496	1.986.646	32.948.727
General Administrative Expenses (-)		(1.017.700)	(1.067.766)	(17.709.004)
Other Income from Operating Activities		5.194.478	5.450.020	90.389.119
Other Expense from Operating Activities (-)		(538.064)	(564.534)	(9.362.851)
OPERATING PROFIT		5.532.210	5.804.366	96.265.991
Gains from Investment Activities		1.408.398	1.477.684	24.507.542
OPERATING PROFIT BEFORE FINANCE INCOME		6.940.609	7.282.050	120.773.533
Financial Expense (-)		(4.346)	(4.560)	(75.631)
PROFIT BEFORE TAX FROM CONTINUED OPERATIONS		6.936.262	7.277.490	120.697.902
Tax Income / (Expense) from Continued Operations		(1.301.474)	(1.365.500)	(22.646.956)
Current Income Tax Expense		(1.686.052)	(1.768.997)	(29.338.992)
Deferred Tax Income		384.578	403.497	6.692.036
PROFIT FOR THE PERIOD		5.634.788	5.911.990	98.050.946
OTHER COMPREHENSIVE INCOME				
Items Not To Be Reclassified To Profit or Loss		35.643	37.397	620.232
Remeasurement Gain (Loss) from Defined Benefit Plans		44.554	46.746	775.290
Tax Effect of Other Comprehensive Income Not To Be Classified To Profit or Loss		(8.911)	(9.349)	(155.058)
OTHER COMPREHENSIVE INCOME		35.643	37.397	620.232
TOTAL COMPREHENSIVE INCOME		5.670.431	5.949.387	98.671.178

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

(CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH)

SETAŞ İNŞAAT TİCARET VE SANAYİ A.Ş.

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

(Unless otherwise indicated, the amounts are expressed in Turkish Lira and translated to USD and EUR for convenience of readers only at the official exchange rates prevailing at December 31, 2022)

	Other accumulated comprehensive income and expense not to be reclassified to profit or loss				Retained earnings/(losses)			Total equity
	Gain/(loss) on revaluation and reclassification	Actuarial gain/(loss) arising from defined benefit plans	Restricted reserves	Accumulated profit/(loss)	Net income			
AUDITED CURRENT PERIOD								
01 January 2022	64.000.000	191.284	4.095.741	57.125.721	84.290.270	214.668.044		
Transfers	-	-	10.369.507	73.920.763	(84.290.270)	-		
Total Comprehensive Income	-	620.232	-	-	98.050.946	98.671.178		
Dividends	-	-	-	(57.432.574)	-	(57.432.574)		
31 December 2022	64.000.000	4.965.028	14.465.248	73.613.910	98.050.946	255.906.648		
	Other accumulated comprehensive income and expense not to be reclassified to profit or loss				Retained earnings/(losses)			Total equity
	Gain/(loss) on revaluation and reclassification	Actuarial gain/(loss) arising from defined benefit plans	Restricted reserves	Accumulated profit/(loss)	Net income			
AUDITED PRIOR PERIOD								
01 January 2021	64.000.000	178.431	3.709.723	38.890.193	18.511.485	130.254.860		
Transfers	-	-	386.018	18.125.467	(18.511.485)	-		
Total Comprehensive Income	-	12.853	-	-	84.290.270	84.303.123		
Increase / (Decrease) Due to Other Changes	-	-	-	110.061	-	110.061		
31 December 2021	64.000.000	4.965.028	4.095.741	57.125.721	84.290.270	214.668.044		

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

(CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH)

SETAŞ İNŞAAT TİCARET VE SANAYİ A.Ş.

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

(Unless otherwise indicated, the amounts are expressed in Turkish Lira and translated to USD and EUR for convenience of readers only at the official exchange rates prevailing at December 31, 2022)

		Audited Current Period 1 January 2022 31 December 2022	Audited Prior Period 1 January 2021 31 December 2021
CASH FLOWS FROM OPERATING ACTIVITIES		60.172.970	124.651.001
Profit for the Year		98.050.946	84.290.270
Adjustments to Reconcile Profit/(Loss) for the Year		2.309.673	27.847.653
Adjustments Related to Depreciation and Amortization Expenses	9,10	2.781.658	2.102.899
Adjustments Regarding Provisions (Cancellation) for Employee Benefits	11	2.655.219	1.175.161
Adjustments Related to Reversals of Lawsuit and/or Penalty Provisions		(387.711)	-
Adjustments Regarding Interest Income	12,21	-	(359.044)
Adjustments Regarding Interest Expenses	4	21.093	33.626
Adjustments Regarding Tax (Income) Expense	16	22.646.956	29.786.318
Adjustments Related to Losses (Gains) from Disposal of Tangible Fixed Assets	22	(24.507.542)	4.891.307
Adjustments Related to Losses (Gains) from Disposal of Financial Assets or Investments		(900.000)	-
Changes in Working Capital		(20.765.434)	33.589.298
Decrease (Increase) in Trade Receivables from Related Parties	5	(890.031)	22.869.268
Decrease (Increase) in Trade Receivables from Unrelated Parties	6	240.980	(2.859)
Decrease (Increase) in Other Operating Receivables from Related Parties	7	(30.358)	-
Decrease (Increase) in Other Receivables Related to Operations from Unrelated Parties	18	1.364.854	(1.339.997)
Decrease (Increase) in Prepaid Expenses	8	4.953.928	(2.548.465)
Increase (Decrease) in Trade Payables to Related Parties	5	1.032.618	(653.445)
Increase (Decrease) in Trade Payables to Non-Related Parties	6	(13.908.219)	11.567.601
Increase (Decrease) in Debts within the Scope of Employee Benefits	11	410.025	(45.099)
Increase (Decrease) in Liabilities Related to Ongoing Construction, Contracting, or Service Agreements	6	-	(9.616.329)
Increase (Decrease) in Other Payables Related to Operations to Non-Related Parties	14	(15.340.602)	14.778.062
Decrease (Increase) in Other Assets Related to Operations		1.401.371	(1.419.439)
Cash Flows from Operations		79.595.185	145.727.221
Payments Made Within the Scope of Provisions for Employee Benefits	11	(75.302)	(21.076.220)
Tax Refunds (Payments)	16	(19.346.913)	-
CASH FLOWS FROM INVESTMENT ACTIVITIES		2.116.006	(4.268.093)
Cash Inflows from Sale of Tangible Fixed Assets	9	11.221.084	6.734.492
Cash Outflows from the Purchase of Tangible Fixed Assets	9	(9.105.078)	(11.002.585)
CASH FLOWS FROM FINANCE ACTIVITIES		(57.627.186)	(192.494)
Cash Outflows Related to Repayments of Financial Debts	4	(172.819)	(155.929)
Dividends Paid	4	(57.432.574)	-
Interest Paid	23	(21.793)	(36.565)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		4.661.790	120.190.414
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		212.876.798	92.686.384
END OF THE PERIOD CASH AND CASH EQUIVALENTS		217.538.588	212.876.798

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

SETAŞ İNŞAAT TİCARET VE SANAYİ A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS DATED 31 DECEMBER 2022

(Unless otherwise indicated, the amounts are expressed in Turkish Lira and translated to USD and EUR for convenience of readers only at the official exchange rates prevailing at December 31, 2022)

NOTE 1. ORGANIZATION AND OPERATIONS OF THE COMPANY

Setaş İnşaat Ticaret ve Sanayi A.Ş. was established in Adana on October 20, 1975, and was registered on the same date. On January 28, 2008, the company relocated to the address “Nasuh Akar Mah. 1400 Sok. No: 34/3 Balgat, Ankara.” Since then, it has been engaged in construction and contracting activities.

As of December 31, 2022, the information regarding the company’s shareholders and members of the Board of Directors is as follows:

Shareholders	31 December 2022		Position
	Share Rate (%)	Amount (TRY)	
Abdullah Rasim AKDOĞAN	81	51.840.000	Chairman of the Board
Akın Can AKDOĞAN	17	10.880.000	Board Member
Mehmet Yılmaz AKDOĞAN	2	1.280.000	Board Member
TOTAL		64.000.000	

The Company operates in its main field of activity, construction and contracting services. As of 2016, natural gas distribution construction projects in Kütahya city center, Emet, Gediz, and Tavşanlı are ongoing. Additionally, the Manyas Plain Left Bank Irrigation Project, which began in 2015, was terminated by contract in 2021. These projects are classified as long-term construction contracts in accordance with TFRS 15 Revenue from Contracts with Customers. As of the end of 2020, the Evreşe Kavak Plain Irrigation Project was transferred to the General Directorate of State Hydraulic Works (DSİ) (Note 18).

As of December 31, 2022, the Company employed 41 personnel (December 31, 2021: 39).

Information regarding the Company’s subsidiary is as follows:

<u>Subsidiaries</u>	<u>Country</u>	<u>Field of Activities</u>	<u>Shareholding percentage(%)</u>
Set Varlık Kiralama A.Ş.	Turkey	Asset Leasing	100

Approval of Consolidated Financial Statements:

The consolidated financial statements have been approved by the board of directors and authorized for publication on 20 May 2022. The General Assembly has the authority to amend the financial statements.

SETAŞ İNŞAAT TİCARET VE SANAYİ A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS DATED 31 DECEMBER 2022

(Unless otherwise indicated, the amounts are expressed in Turkish Lira and translated to USD and EUR for convenience of readers only at the official exchange rates prevailing at December 31, 2022)

NOTE 2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1. Fundamentals of Presentation

Financial statements have been prepared in accordance with Turkish Financial Reporting Standards (“IFRS”), reflecting the necessary adjustments and classifications in order to make the correct presentation, to the legal records prepared on the basis of historical cost, excluding buildings, facilities, machinery and equipment and vehicles.

Financial statements; It is prepared on the basis of historical cost, excluding revaluation of buildings, facilities, machinery and equipment and vehicles. The determination of historical cost is generally based on the fair value of the amount paid for the assets.

The Company keeps its accounting records and statutory financial statements in Turkish Lira (“TRY”) in accordance with the commercial legislation, financial legislation and the Uniform Chart of Accounts (“THP”) issued by the Ministry of Finance.

2.2. Statement of Compliance to IFRS

The accompanying financial statements are based on additional comments on Turkish Financial Reporting Standards (“IFRS”), which have been popularly adopted by the Public Oversight Accounting and Auditing Standards Authority (“KGK”).

Financial statements and footnotes have been presented in accordance with the “Financial Statement Examples and User Guide” presented by the POA with the principle decision dated 7 June 2019.

On January 20, 2022, the KGK was to get rid of the taxes on whether they would apply IAS 29 Financial Reporting in Highly Influential Economies in the 2021 financial periods, which implemented the Turkish Financial Reporting Standards (IFRS). Accordingly, it has been stated that the entity applying IFRS does not need to make any adjustments within the scope of IAS 29 Financial Reporting in High Inflation Economies (“IAS 29”), and no new statement has been made by the POA on the application of IAS 29 afterwards. The fact that the dates on which these financial statements were prepared have not been disclosed, and the previous 31 December 2022 financial statements were not adjusted according to IAS 29.

2.3. Functional and Presentation Currency

The financial statements of the Company are presented in the currency of the main economic environment in which they operate (the functional currency).

The Company and its subsidiaries located in Turkey, in keeping the accounting records and preparing the legal financial statements, comply with the principles and conditions issued by the KGK, the Turkish Commercial Code (“TCC”), tax legislation and the Republic of Turkey Ministry of Finance (“Ministry of Finance”). It complies with the THP requirements issued by These financial statements prepared in accordance with IFRS (except for derivative instruments shown at fair value) have been prepared in Turkish Lira on the basis of historical cost.

2.4. Preparation of Financial Statements in Hyperinflation Periods

In accordance with the decision of the Capital Markets Board (SPK) dated 17 March 2005 and numbered 11/367, the application of inflation accounting has been discontinued for companies operating in Turkey and preparing financial statements in accordance with TFRS, effective from 1 January 2005. Therefore, the Standard 29 “Financial Reporting in Hyperinflationary Economies” (“TMS 29”) has not been applied since 1 January 2005.

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NOTE 2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONT'D)

2.5. Comparative Information and Restatement of Prior Period Financial Statements

The financial statements of the Company are prepared comparatively with the previous period in order to enable the determination of the financial position and performance trends.

The Company has prepared the statement of financial position as of December 31, 2022, the statement of financial position prepared as of December 31, 2021 and January 1, 2021, and the statement of comprehensive income for the year ended December 31, 2022, the statement of cash flow and the statement of changes in shareholders' equity as of December 31, 2021. and comparatively with the financial statements for the year ended on.

Going Concern Assumption

The financial statements have been prepared on a going concern basis, with the assumption that the Company will benefit from its assets and fulfil its obligations in the next year and in the natural course of its activities.

2.6. Consolidation Principles

Subsidiaries	Place of Establishment	Functional Currency	Group's Vote in Capital Usage Rights Rate (%)	
			31 December 2022	31 December 2021
Set Varlık Kiralama A.Ş.	Ankara	TL	500.000	500.000

Consolidated financial statements include the financial statements of the companies controlled by the Company and its subsidiaries. Control is provided by the Company's fulfillment of the following conditions:

- Having power over the invested company/asset;
- Being open to or entitled to variable returns from the investee company/asset, and
- Ability to use power to have an impact on returns.

In the event of a situation or event that may cause any change in at least one of the criteria listed above, the Company re-evaluates whether it has control over its investment.

An associate is an entity over which the Group has significant influence. Significant effectiveness is the power to participate in the decisions of an entity's financial and operational policies without being solely or jointly controlled.

A joint venture is a joint venture in which the parties that have joint control of an arrangement have rights to the net assets in the joint arrangement. Joint control is the contractual sharing of control over an economic activity. This control is considered to exist when decisions regarding the relevant activities require the unanimous consent of the parties sharing control.

In the accompanying financial statements, operating results and assets and liabilities of associates or joint ventures are accounted for using the equity method, except those accounted for as assets held for sale in accordance with IFRS 5 standard. Under the equity method, joint ventures are initially recognized at acquisition cost. After the acquisition date, it is shown over the amount obtained as a result of adjusting the cost amount by the Group's share in the change in the net assets of the associate or joint venture in the post-acquisition period, less any impairment in the associate or joint venture. Losses of an associate or joint venture in excess of the Group's interest in the associate or joint venture (including any long-term investment that essentially forms part of the Group's net investment in the associate or joint venture) are not recognized. Additional losses are recognized only if the Group has incurred a legal or constructive obligation or has made payments on behalf of an associate or joint venture.

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NOTE 2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONT'D)

2.6. Consolidation Principles (Cont'd)

Profits and losses resulting from transactions between one of the Group companies and an affiliate of the Group are eliminated in proportion to the Group's share in the relevant associate or joint venture.

Changes in Capital Share of the Group's Existing Subsidiary

Changes in the Group's shareholding in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The book values of the Group's interest and non-controlling interests are adjusted to reflect changes in subsidiary interests. The difference between the adjustment for non-controlling interests and the fair value of the consideration received or paid is accounted for directly in equity as the Group's share.

If the Group loses control of a subsidiary, the post-sale profit/loss is the difference between i) the sum of the sales price received and the fair value of the remaining interest and ii) the previous book values of the subsidiary's assets (including goodwill) and liabilities and non-controlling interests. is calculated as. The amounts previously accounted for in other comprehensive income related to the subsidiary and collected in equity are recorded according to the accounting method to be used on the assumption that the Group has sold the relevant assets (for example, in accordance with the relevant IAS standards, transfer to profit / loss or directly transfer to retained earnings.). The fair value at the date of loss of control of the investment remaining after the sale of the subsidiary is determined as fair value at the initial recognition in accordance with IAS 39 Financial Instruments: Recognition and Measurement or, where applicable, the cost at initial recognition of an investment in an associate or jointly controlled entity. considered as the price.

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operational policy decisions of an entity, but without having control or joint control over those policies, either individually or jointly.

A joint venture is a joint arrangement in which the parties with joint control over the arrangement have rights to the net assets of the arrangement. Joint control is the contractual sharing of control over an economic activity. This control is considered to exist when decisions regarding the relevant activities require the unanimous consent of the parties sharing control.

In the attached financial statements, the results of operations, assets, and liabilities of associates or joint ventures have been accounted for using the equity method, except for those classified as held for sale in accordance with TFRS 5. Under the equity method, joint ventures are initially recognized at acquisition cost. After the acquisition date, the carrying amount is adjusted for the Group's share of changes in the net assets of the associate or joint venture, with any impairment losses in the associate or joint venture deducted from the adjusted amount. Losses exceeding the Group's interest in the associate or joint venture (including any long-term investments that form part of the Group's net investment in the associate or joint venture) are not recognized. Additional losses are only recognized if the Group has incurred a legal or constructive obligation or has made payments on behalf of the associate or joint venture.

Profits and losses arising from transactions between the Group company and the Group's associate are eliminated to the extent of the Group's interest in the associate or joint venture

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NOTE 2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONT'D)

2.7. Accounting Policies, Versions and Errors in Accounting Estimates

Accounting policy changes resulting from the first application of a new standard, if any, are applied retrospectively or prospectively in accordance with the transitional provisions. Changes that do not include any transitional provisions, optional significant changes in accounting policy or accounting errors detected are applied retrospectively and prior period financial statements are restated. Changes in accounting estimates are applied in the current period if the change is made, if it relates to future periods, both in the period in which the change is made and prospectively.

There has been no significant change in the accounting estimates of the Company in the current year.

2.8. New and Revised Financial Reporting Standards

a) *Standards, amendments and interpretations applicable as at 31 December 2022:*

Explanations on the effects of the new IAS/IFRS on financial statements:

- a. Title of IAS/IFRS,
- b. The accounting policy change, if any, is made in accordance with the relevant transitional provisions,
- c. explanation of the change in accounting policy,
- d. explanation of the transitional provisions, if any,
- e. the effects of the transitional provisions on the future periods, if any,
- f. to the extent possible, the adjustment amounts for the current and each prior period presented:
 - i. should be presented for each affected financial statement line item; and
 - ii. If the "IAS 33, Earnings Per Share" standard applies to the company, the basic and diluted earnings per share must be recalculated.
- g. adjustment amounts for periods prior to the periods not presented, if applicable; and
- h. If retrospective application is not possible for any period or periods, the events leading up to this situation should be disclosed and the date and manner in which the change in accounting policy has been applied should be explained.

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NOTE 2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONT'D)

2.8. New and Revised Financial Reporting Standards (Cont'd)

a) Standards, amendments and interpretations applicable as at 31 December 2022 (Cont'd)

- **Amendments to IFRS 7, IFRS 4 and IFRS 16 - Indicator interest rate reform Phase 2;** Effective for annual reporting periods beginning on or after 1 January 2022. These Phase 2 amendments address issues arising from the implementation of reforms, including replacing a benchmark interest rate with an alternative. Phase 2 changes provide temporary additional ease in applying certain IAS 39 and IFRS 9 hedge accounting requirements to hedging relationships directly affected by the IBOR reform.
- **Amendments to IFRS 4 “Insurance Contracts”** - Postponing the implementation of IFRS 9; These amendments postponed the application date of IFRS 17 for 2 years to 1 January 2023. These amendments postponed the specified date of the temporary exemption for the application of IFRS 9 Financial Instruments standard in IFRS 4 to 1 January 2023.

b) Standards and amendments published but not yet effective as of 31 December 2022 (Cont'd):

- **Amendments to IFRS 16 'Leases - Covid-19 related rent concessions Extension of the practical expedient (effective 1 April 2021);** As a result of the coronavirus (COVID-19) pandemic, rent concessions have been granted to lessees. In May 2020, the IASB published an amendment to IFRS 16 that provided an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification. On 31 March 2021, the IASB published an additional amendment to extend the date of the practical expedient from 30 June 2021 to 30 June 2022. Lessees can elect to account for such rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as variable lease payments in the period(s) in which the event or condition that triggers the reduced payment occurs.
- **IFRS 17, “Insurance Contracts”;** Effective for annual reporting periods beginning on or after 1 January 2023. This standard replaces IFRS 4, which currently allows for a wide variety of applications. IFRS 17 will fundamentally change the accounting of all entities that issue insurance contracts and investment contracts with discretionary participation features.
- **IAS 1, the amendment of the “Presentation of financial statements” standard regarding the classification of liabilities;** The effective date has been postponed to the annual reporting periods beginning on or after 1 January 2024. These narrow changes to IAS 1, “Presentation of financial statements” explain that liabilities are classified as current or non-current, depending on the rights existing at the end of the reporting period. The classification is not affected by events after the reporting date or the expectations of the entity (for example, the receipt of a concession or the conclusion of a contract). The amendment also clarifies what IAS 1 means to “pay” an obligation.

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NOTE 2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONT'D)

2.8. New and Revised Financial Reporting Standards (Cont'd)

b) Standards and amendments published but not yet effective as of 31 December 2022 (Cont'd)

- **Amendments to IFRS 3, IAS 16, IAS 37 and some annual improvements to IFRS 1, IFRS 9, IAS 41 and IFRS 16;** Effective for annual reporting periods beginning on or after 1 January 2022.
 - **Amendments to IFRS 3 'Business combinations';** this amendment updates a reference to the Conceptual Framework for Financial Reporting in IFRS 3 without changing the accounting requirements for business combinations.
 - **Amendments to IAS 16 'Tangible fixed assets';** prohibits a company from deducting revenue from the sale of manufactured products from the amount of tangible assets until the asset is ready for use. Instead, the company will recognize such sales proceeds and the associated cost in profit or loss.
 - **Amendments to IAS 37, 'Provisions, Contingent Liabilities and Contingent Assets',** this amendment specifies what costs the company will include when deciding whether to incur a loss from a contract.

The annual improvements make minor changes to the illustrative examples of IFRS 1 'First time application of International Financial Reporting Standards', IFRS 9 'Financial Instruments', IAS 41 'Agricultural Activities' and IFRS 16.

- **Amendments to IAS 1, Statement of Implementation 2 and IAS 8** are effective for annual reporting periods beginning on or after 1 January 2023. These changes are intended to improve accounting policy disclosures and help financial statement users distinguish between changes in accounting estimates and changes in accounting policies.
- **IAS 12, Amendment to deferred tax on assets and liabilities arising from a single transaction** is valid for annual reporting periods beginning on or after 1 January 2023. These amendments require deferred tax recognition on transactions that cause equal amounts of taxable and deductible temporary differences when first recognized by companies.
- **IFRS 16, Sale and leaseback transactions;** Annual terms of use begin on or after January 1, 2024. These changes include sales and leaseback periods in which comprehensive IFRS 16 determines how it accounts for transaction costs in a sale and leaseback transaction. The return on sales and leaseback transactions, which consist of rate-independent lease payments, is probable.

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NOTE 2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONT'D)

2.9. Summary of Significant Accounting Policies

2.9.1 Related Parties

A related party is a person or entity that is related to the entity that is preparing its financial statements/

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

- (i) Has control or joint control over the reporting entity;
- (ii) Has significant influence over the reporting entity;
- (iii) Is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

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

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

Transaction with related party is a transfer of resources, services or liabilities between the reporting entity and the related party, disregarding it is with or without a value.

2.9.2 Revenue Recognition

Company recognizes revenue when the goods or services is transferred to the customer and when performance obligation is fulfilled. Goods is counted to be transferred when the control belongs to the customer.

The Company adopted IFRS 15 "Revenue from Contracts with Customers" which purposes a five step model framework mentioned below for recognizing the revenue.

- Identify the contract with customers
- Identify separate performance obligations
- Determine the transaction price in contract
- Allocate the transaction price to the performance obligations in the contract
- Recognize revenue

The Company assess the goods or services promised in a contract with a customer and identify as a performance obligation each promise to transfer to the customer.

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NOTE 2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONT'D)

2.7. Summary of Significant Accounting Policies (Cont'd)

2.7.2 Revenue Recognition (Cont'd)

For each performance obligation identified, the entity determines at contract inception whether it satisfies the performance obligation over time or satisfies the performance obligation at a point in time. If the Company transfers control of a good or services over time and therefore satisfies a performance obligation and recognizes revenue over time.

The Company recognize revenue when the entity satisfies a performance obligation by transferring a promised good or services to the customer. An asset is transferred when the customer obtains control of that asset or service.

The Company considers the following in the assessment of transfer of control of goods sold and services,

- a) The entity has a right to payment for the goods or service,
- b) The customer has legal title to the goods or service,
- c) The entity has transferred physical possession of the asset,
- d) The customer has the significant risk and rewards related to the ownership of the goods or services,
- e) The customer has accepted the goods or services.

The Company does not adjust the promised amount of consideration for the effects of a significant financing component since the Company expects, at contract inception, that the period between when the entity transfers a promised good or service to a customer and when the customer pays for that good or service will be one year or less. If the financing component is significant in revenue, future collections are discounted by the interest rate in financing component. The difference is recognized as income from operating activities in current period.

Construction Contract Activities

Contract income and expenses are recognized as income and expense when the return on the construction contract can be accurately estimated. Contract revenues are reflected in the financial statements according to the contract completion rate method. The ratio of the total contract expenses incurred as of the period to the total estimated cost of the contract indicates the percentage of completion of the contract, and this ratio is used to reflect the part of the contract's total income corresponding to the current period to the financial statements.

Income arising from cost plus profit type contracts is reflected in the records with the profit margin calculated over the cost incurred.

Construction contract costs include all initial material and direct labour costs, as well as indirect costs related to contract performance such as indirect labour, materials, repairs and depreciation. Selling and general administrative expenses are expensed as they occur. Provisions for estimated losses on incomplete contracts are made in the periods when these losses are determined. Changes in business performance, business terms, and estimated profitability due to contract penalty provisions and final agreement adjustments can result in cost and revenue revisions. These revisions are reflected in the financial statements in the period they are determined. Profit incentives are included in revenue when their realization is reasonably guaranteed.

Contract assets arising from ongoing construction contracts, how much the revenue reflected in the financial statements is above the invoice amount; Contract liabilities arising from ongoing construction contracts show how much the invoice amount is over the revenue reflected in the financial statements.

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NOTE 2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONT'D)

2.9. Summary of Significant Accounting Policies (Cont'd)

2.9.2 Revenue Recognition (Cont'd)

Construction Contract Activities (Cont'd)

The Company management records the additional receivables within the scope of compensation that are not covered by the contract, as income when the negotiations with the employer regarding the said additional receivable claims are at the stage of approval of the collection and the collections to be made can be measured reliably.

2.9.3 Tangible Fixed Assets

Land, buildings, facilities, machinery and equipment and vehicles in use in the provision of services or for administrative purposes are expressed at their revalued amount. The revalued amounts are determined by deducting the accumulated depreciation and accumulated impairment losses in subsequent periods from the fair value of the assets determined on the revaluation. Regular intervals are made so that the book value of the appropriate value, as determined on the revaluation schedule, does not show a significant variable.

If the carrying amount of an asset has decreased as a result of revaluation, this decrease is recognized as an expense. However, this decrease is recognized in other comprehensive income in the extent of the scope of any credit balances in the revaluation surplus related to these assets. This decrease, recognized in other comprehensive income, reduces the measures accumulated in equity under the heading of revaluation values. In the event of disposal of a revalued asset, ownership of the revaluation fund with the assets sold is transferred directly to the retained earnings. On the other hand, part of the increase in value is transferred to retained earnings by the asset business in the past.

Assets that are not constructed for administrative purposes or for the realization of other purposes for which evaluation has not been determined, are shown at cost less any impairment loss. Legal fees are also included in the cost. In the case of assets that take a significant amount of time to be ready for use and sale, their useful life is activated. These structuring structures and when they are ready for use are propagated to the relevant item of property, plant and equipment. Such assets are depreciated when they are ready for use, as is the depreciation method used for other fixed assets.

Depreciation of revalued buildings is included in the profit or loss statement. When the revalued property is sold or withdrawn from service, the remaining balance in the revaluation fund is transferred directly to retained earnings. No transfers from the revaluation fund to retained earnings are made unless the asset is derecognised.

Land and plots are not subject to depreciation. Machinery and equipment are presented at cost less accumulated depreciation and accumulated impairment losses.

2.9.4 Ongoing Investments

Assets under construction for rental or administrative purposes or for other purposes that have not yet been determined are shown at cost. Legal fees are also included in the cost. In the case of assets that require significant time to be ready for use or sale, borrowing costs are capitalized in accordance with the Company's accounting policy. Such assets are depreciated when they are ready for use, as is the depreciation method used for other fixed assets.

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NOTE 2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONT'D)

2.7. Summary of Significant Accounting Policies (Cont'd)

2.9.5 Intangible Assets

Intangible Assets Purchased

Purchased intangible assets with finite lives are reported at cost less accumulated amortization and accumulated impairment losses. These assets are amortized using the straight-line method over their expected useful lives. The expected useful life and depreciation method are reviewed every year in order to determine the possible effects of the changes in the estimates and the changes in the estimates are accounted for prospectively. Purchased intangible assets with indefinite lives are reported at cost less accumulated impairment losses.

Trademarks and Licenses

Trademarks and licenses purchased are shown at historical cost. Trademarks and licenses have finite useful lives and are presented at cost less accumulated depreciation. Trademarks and licenses purchased are amortized over their expected useful lives using straight-line depreciation management.

Computer Software

Purchased computer software is capitalized over the costs incurred during its purchase and during the period from purchase until it is ready for use. These costs are amortized over their useful lives (5-10 years).

Costs associated with developing and maintaining computer software are recorded in the profit or loss statement in the period in which they are incurred. Expenditures that are directly attributable to identifiable and unique software products controlled by the Company, and that will generate economic benefits in excess of costs for more than one year, are recognized as intangible assets. Costs include the costs of the employees developing the software and some of the manufacturing overheads.

Computer software development costs considered as fixed assets are amortized over their useful lives.

2.9.6 Leases

The Company started to apply the IFRS 16 standard for the first time on 1 January 2019, taking advantage of the facilitating practices in the transition to IFRS 16. For leases that were previously classified as operating leases in accordance with IAS 17, the Company has recognized a right-of-use asset at an amount equal to the lease liability, adjusted for the amount of all lease payments prepaid or accrued as of 1 January 2019, in the condensed financial statements.

In this context, the application of IFRS 16 Leases standard has no effect on the Company's retained earnings as of January 1, 2019, due to the preferred simplified transition method.

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NOTE 2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONT'D)

2.7. Summary of Significant Accounting Policies (Cont'd)

2.9.7 Borrowing Costs

Bank loans are recorded at their fair values with reduced transaction costs on the date they are received. In the following periods, they are valued at their discounted values using the effective interest rate method, and the difference between the remaining amount after deducting the transaction costs and the discounted cost value is reflected in the statement of comprehensive income as the financing cost during the loan period.

In the case of assets (qualified assets) that take significant time to get ready for use and sale, borrowing costs directly attributable to their acquisition, construction or production are included in the cost of the asset until it is ready for use or sale. Financial investment income obtained by temporarily using the unspent portion of the investment loan in financial investments is deducted from the borrowing costs eligible for capitalization. All other borrowing costs are recorded in the income statement in the period in which they are incurred.

2.9.8 Financial Instruments

Financial assets and liabilities are recognized in the Company's statement of financial position when the Company becomes a party to the contractual provisions of the financial instrument. Financial assets and liabilities are initially measured at fair value. Transaction costs directly attributable to the acquisition or issuance of financial assets and liabilities (excluding financial assets and liabilities at fair value through profit or loss) are added to or subtracted from the fair value of those financial assets and liabilities at initial recognition, as appropriate. Transaction costs directly related to the acquisition or issuance of financial assets and liabilities are recognized directly in profit or loss.

Financial Assets

Financial assets bought and sold in the normal way are recorded or removed at the transaction date. The Company manages its financial assets (a) the business model used by the entity to manage financial assets, (b) the amortized cost at subsequent recognition based on the characteristics of the contractual cash flows of the financial asset, through fair value through other comprehensive income or at fair value through profit or loss. classifies as measured through loss. Only when an entity changes its business model for the management of financial assets, it reclassifies all affected financial assets. The reclassification of financial assets is applied prospectively from the date of reclassification. In such cases, no adjustments are made for gains, losses (including impairment gains or losses) or interest previously recognized.

Classification of Financial Assets

Financial assets that meet the following conditions are measured at amortized cost:

- Holding the financial asset under a business model aimed at collecting contractual cash flows; and
- The contractual terms of the financial asset result in cash flows on certain dates that include only payments of principal and interest on the principal balance.

Financial assets that meet the following conditions are measured at fair value through other comprehensive income:

- Holding the financial asset under a business model aimed at collecting the contractual cash flows and selling the financial asset; and
- The contractual terms of the financial asset result in cash flows on certain dates that include only payments of principal and interest on the principal balance.

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NOTE 2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONT'D)

2.9. Summary of Significant Accounting Policies (Cont'd)

2.9.8 Financial Instruments (Cont'd)

Financial Assets (Cont'd)

Classification of Financial Assets (Cont'd)

Unless a financial asset is measured at amortized cost or at fair value through other comprehensive income, it is measured at fair value through profit or loss.

At initial recognition, the Company may irrevocably choose to present any subsequent changes in fair value of its investment in a non-trading equity instrument in other comprehensive income.

Amortized Cost and Effective Interest Method

Interest income on financial assets carried at amortized cost is calculated using the effective interest method. The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. This income is calculated by applying the effective interest rate to the gross carrying amount of the financial asset:

- a) Credit-impaired financial assets when purchased or generated. For such financial assets, the Company applies the effective interest rate on the amortized cost of a financial asset based on the loan from the date of the recognition in the financial statements.
- b) Non-financial assets that are impaired at the time of acquisition or generation but subsequently become a financial asset that has been impaired. For such financial assets, the Company applies the effective interest rate to the amortized cost of the asset in the subsequent reporting periods.

Interest income is accrued in the relevant period at the rate of the effective interest rate that reduces the remaining principal balance and the estimated cash inflows to be obtained from the related financial asset during its expected life to the book value of the said asset. The Company's interest income from time deposit investments are accounted for under financial income. The Company's forward sales interest income from trade receivables is recognized in revenue.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVTOCI.

Financial Assets at Fair Value through Profit or Loss

Financial assets that do not meet the criteria to be measured at amortized cost or at fair value through other comprehensive income are measured at fair value through profit or loss.

Financial assets at fair value through profit or loss are measured at fair value at each period's end and all fair value changes are recognized in profit or loss unless the financial assets are part of hedges (see hedge accounting policy).

The Company's financial assets at fair value through profit or loss include derivative instruments that are not subject to hedge accounting. Derivative instruments are initially recorded at their acquisition cost, which reflects their fair value at the contract date, and are valued at their fair value in the following periods. Gains and losses resulting from the valuation of the said assets are accounted for in the income statement. Derivative instruments at fair value through profit or loss include forward foreign exchange purchase and sale and forward commodity purchase and sale transactions. Derivative instruments are recorded in the balance sheet as assets and liabilities, respectively, depending on whether their fair value is positive or negative.

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NOTE 2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONT'D)

2.9. Summary of Significant Accounting Policies (Cont'd)

2.9.8 Financial Instruments (Cont'd)

Financial Assets Accounted for Fair Value Change in Other Comprehensive Income

The Company's financial assets accounted for at fair value through other comprehensive income include derivative instruments subject to hedge accounting. Derivative instruments are initially recorded at their acquisition cost, which reflects their fair value at the contract date, and are valued at their fair value in the following periods. Gains and losses resulting from the valuation of these assets are accounted for in the statement of comprehensive income as other comprehensive income/expense related to cash flow hedging. Derivative instruments accounted for at fair value under other comprehensive income include forward transactions, interest rate swaps and cross currency swaps. Derivative instruments are recorded in the balance sheet as assets and liabilities, respectively, depending on whether their fair value is positive or negative.

Foreign Exchange Gains and Losses

The carrying amount of financial assets denominated in foreign currency is determined in the relevant foreign currency and translated at the prevailing exchange rate at the end of each reporting period. Especially,

- Exchange differences are recognized in profit or loss for financial assets that are shown at amortized cost and that are not part of a defined hedge;
- Exchange differences calculated over the amortized cost of debt instruments that are measured at fair value through other comprehensive income and that are not part of a defined hedging transaction are recognized in profit or loss for the period. All other exchange differences that occur are recognized in other comprehensive income;
- Exchange differences on financial assets that are measured at fair value through profit or loss and that are not part of a defined hedging transaction are recognized in profit or loss for the period; and
- Exchange differences on equity instruments measured at fair value through other comprehensive income are recognized in other comprehensive income.

Impairment of Financial Assets

The Company makes an impairment provision in its financial statements for debt instruments, lease receivables, trade receivables, assets arising from contracts with customers, as well as expected credit losses on investments in financial guarantee contracts, which are carried at amortized cost or measured at fair value through other comprehensive income. The expected credit loss amount is updated each reporting period to reflect changes in credit risk since the financial asset was first recognized.

The Company uses the simplified approach for trade receivables, assets arising from contracts with customers and lease receivables that are not significant financing elements, and calculates the provision for impairment at an amount equal to the expected credit loss over the life of the related financial assets.

For all other financial instruments, the Company recognizes lifetime expected credit losses if there has been a significant increase in credit risk since initial recognition. However, if the credit risk of the financial instrument has not increased significantly since initial recognition, the Company recognizes a 12-month expected credit loss provision for that financial instrument.

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NOTE 2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONT'D)

2.9. Summary of Significant Accounting Policies (Cont'd)

2.9.8 Financial Instruments (Cont'd)

Measuring and Accounting for Expected Credit Losses

The measurement of expected credit losses is a function of the probability of default, loss-on-default (eg, magnitude of loss if defaulted), and the amount at risk given default. The assessment of the probability of default and loss-on-default is based on historical data adjusted with forward-looking information. In the event of default, the amount of financial assets subject to risk is reflected over the gross book value of the related assets at the reporting date.

The expected credit loss of financial assets is the initial effective interest rate (or credit-impairment when purchased or created) of the difference between all of the Company's contractually realized cash flows and all of the cash flows that the Company expects to collect (all cash deficits). It is the present value calculated over the loan-adjusted effective interest rate for financial assets.

Derecognition of Financial Assets

The Company derecognises a financial asset only when the contractual rights to the cash flows from the financial asset expire, or when it transfers the financial asset and substantially all of the risks and rewards of ownership of the financial asset to another entity.

When derecognising a financial asset measured at amortized cost, the difference between the carrying amount of the asset and the consideration received and receivable is recognized in profit or loss. In addition, when derecognising a debt instrument at fair value through other comprehensive income, the cumulative gain or loss previously accumulated in the revaluation fund for that instrument is reclassified to profit or loss. If an equity instrument that the Company chooses to measure at fair value through other comprehensive income at initial recognition is derecognised, the cumulative gain or loss in the revaluation fund is not recognized in profit or loss, but is transferred directly to retained earnings.

An entity measures the financial liability at fair value on initial recognition. In the initial measurement of liabilities other than those at fair value through profit or loss, transaction costs directly attributable to their acquisition or issuance are added to the fair value.

An entity classifies all financial liabilities as measured at amortized cost at subsequent recognition, except for:

- a) Financial liabilities at fair value through profit or loss: These liabilities are measured at fair value at subsequent recognition, including derivatives.
- b) Financial liabilities arising when the transfer of a financial asset does not meet the conditions for derecognition or if the continuing relationship approach is applied: If the Company continues to present an asset in the financial statements to the extent of its continuing relationship, it also reflects a related liability in the financial statements. The transferred asset and the associated liability are measured to reflect the rights and obligations that the entity continues to hold. The liability attached to the transferred asset is measured in the same manner as the net book value of the transferred asset.
- c) Contingent consideration recognized by the acquirer in a business combination to which IFRS 3 is applied: After initial recognition, the fair value changes in such contingent consideration are measured through profit or loss.

The entity does not reclassify any financial liabilities.

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NOTE 2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONT'D)

2.9. Summary of Significant Accounting Policies (Cont'd)

2.9.8 Financial Instruments (Cont'd)

Financial Liabilities

Derecognition of Financial Liabilities

The Company derecognises financial liabilities only when the Company's liabilities are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the amount paid or payable, including non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

2.9.9 Effects of Currency Change

Foreign Currency Transactions and Balances

The financial statements of each business of the Company are presented in the currency of the main economic environment in which they operate (the functional currency). The financial position and operating results of each business are expressed in TRY, which is the functional currency of the Company and the presentation unit for the financial statements.

During the preparation of the financial statements of each enterprise, transactions in foreign currencies (currencies other than TRY are recorded based on the exchange rates on the date of the transaction. Monetary assets and liabilities indexed to foreign currency in the balance sheet are translated into Turkish Lira using the exchange rates prevailing on the balance sheet date. Among the non-monetary items that are followed at fair value, those recorded in foreign currency are translated into TRY based on the exchange rates at the date of determination of the fair value. Foreign currency non-monetary items measured at historical cost are not reconverted.

The exchange rates of 31 December 2022 and 31 December 2021 used by the Company are as follows:

	<u>31 December 2022</u>		<u>31 December 2021</u>	
	Buying	Sales	Buying	Sales
USD	18,6983	18,7320	13,3290	13,3530
EUR	19,9349	19,9708	15,0876	15,1139

Exchange differences are recognized in profit or loss in the period in which they occur, except as follows:

- Exchange differences related to assets under construction for future use and included in the cost of such assets, treated as an adjustment to interest costs on foreign currency denominated liabilities,
- Exchange differences arising from transactions carried out to provide financial hedging against foreign currency risks (accounting policies for financial hedging are explained below),
- Exchange differences arising from monetary debts and receivables from foreign operations that form part of the net investment in foreign operations, recognized in translation reserves and attributed to profit or loss on the sale of the net investment.

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NOTE 2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONT'D)

2.7. Summary of Significant Accounting Policies (Cont'd)

2.9.10 Employee Benefits

Provision for Severance Pay

The provision for severance pay represents the discounted value of the estimated total provision for the future probable liabilities arising from the retirement of the Company employees pursuant to the Labour Law, at the balance sheet date.

IAS 19 "Employee Benefits" standard requires actuarial assumptions (net discount rate, usage turnover ratio for the probability of retirement, etc.) to be made within the scope of calculating the provision for severance pay. Adjustments for difference between actuarial assumptions and actual and the effects of changes in actuarial assumptions constitute actuarial loss/gain.

While actuarial gains/losses are recognized in the income statement in accordance with IAS 19 "Employee Benefits" which was in effect before 1 January 2013; With the amendment that came into effect as of January 1, 2013, the obligation to account for said actuarial gains/losses under other comprehensive income has been introduced.

2.9.11 Events After the Reporting Period

Events after the reporting period; It covers all events between the balance sheet date and the date the balance sheet is authorized for issue, even if they occur after an announcement regarding profit or other selected financial information has been made public.

The Company adjusts the amounts included in the financial statements in accordance with this new situation, in case of occurrence of events requiring adjustment after the balance sheet date.

2.9.12 Taxes Calculated on Corporate Income

As Turkish Tax Legislation does not allow the parent company and its subsidiary to prepare tax returns, tax provisions have been calculated on a separate-entity basis, as reflected in the accompanying financial statements.

Income tax expense is the sum of current tax and deferred tax expense.

Current Tax

Current year tax liability is calculated over the taxable portion of the profit for the period. Taxable profit differs from profit reported in the statement of profit or loss in that it excludes items that are taxable or deductible in other years and items that are not taxable or deductible. The current tax liability of the Company is calculated using the tax rate that has been enacted or substantially enacted as of the balance sheet date.

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NOTE 2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONT'D)

2.7. Summary of Significant Accounting Policies (Cont'd)

2.9.12 Taxes Calculated on Corporate Income (Cont'd)

Deferred Tax

Deferred tax liability or assets are determined by calculating the tax effects of the temporary differences between the amounts of assets and liabilities shown in the financial statements and the amounts taken into account in the calculation of the legal tax base, according to the balance sheet method, taking into account the enacted tax rates. While deferred tax liabilities are calculated for all taxable temporary differences, deferred tax assets consisting of deductible temporary differences are calculated on the condition that it is highly probable to benefit from these differences by generating taxable profit in the future. The mentioned assets and liabilities are not recognized if they arise from the initial recognition of the temporary difference, goodwill or other assets and liabilities (other than business combinations) related to the transaction that does not affect the commercial or financial profit/loss.

Deferred tax liabilities are calculated for all taxable temporary differences associated with investments in subsidiaries and associates and interests in joint ventures, unless the Company is able to control the disappearance of temporary differences and it is unlikely that the difference will disappear in the near future. Deferred tax assets arising from taxable temporary differences associated with such investments and interests are calculated on the condition that it is highly probable that the said differences will be benefited from by earning sufficient taxable profit in the near future and it is probable that the related differences will disappear in the future.

Deferred tax assets and liabilities are calculated over tax rates (tax regulations) that are expected to be valid in the period when the assets will be realized or the liabilities will be fulfilled and that have been enacted or substantially enacted as of the balance sheet date. While calculating the deferred tax assets and liabilities, the tax results of the methods that the Company estimates to recover the book value of its assets or fulfil its liabilities as of the balance sheet date are taken into account.

Deferred tax assets and liabilities, when there is a legal right to set off current tax assets and current tax liabilities, or if such assets and liabilities are associated with income tax collected by the same tax authority, or if the Company intends to settle its current tax assets and liabilities on a net basis. is deducted.

Period Current and Deferred Tax

Current tax and deferred tax for the period are expense or income in the statement of profit or loss, excluding those associated with items receivable or payable directly in equity (in which case deferred tax is also recognized directly in equity) or arising from the initial recognition of business combinations. accounted for. In business combinations, tax effects are taken into account when calculating goodwill or determining the portion of the purchaser's share in the fair value of the identifiable assets, liabilities and contingent liabilities of the acquired subsidiary exceeding the acquisition cost.

2.9.13 Provisions, Contingent Assets and Liabilities

A provision is made in the financial statements if there is a present obligation as a result of past events, it is probable that the obligation will be settled and the amount of the obligation can be estimated reliably.

The amount recognized as a provision is calculated by estimating in the most reliable way the expense to settle the obligation as of the balance sheet date, taking into account the risks and uncertainties associated with the obligation. If the provision is measured using the estimated cash flows required to settle the present obligation, the carrying amount of the provision is equal to the present value of the relevant cash flows.

Where it is expected that some or all of the economic benefits required to settle the provision are expected to be met by third parties, the amount to be collected is recognized as an asset if it is almost certain that the amount will be collected and can be measured reliably.

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NOTE 2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONT'D)

2.7. Summary of Significant Accounting Policies (Cont'd)

2.9.14 Cash Flow Statement

In the statement of cash flows, cash flows for the period are classified and reported on the basis of operating, investing and financing activities.

Cash flows from operating activities represent cash flows from sales activities of the Company.

Cash flows from investing activities represent the cash flows that the Company uses and receives from its investing activities (fixed and financial investments).

Cash flows from financing activities show the resources used by the Company in financing activities and the repayments of these resources.

Cash and cash equivalents are cash, demand deposits and other highly liquid short-term investments that have maturities of three months or less from the date of purchase, are immediately convertible into cash, and do not carry the risk of significant changes in value.

Differences arising from the translation of the cash flow statement from the functional currency to the presentation currency are shown as translation differences in the cash flow statement.

2.9.15 Capital and Dividends

Ordinary shares are classified as equity. Dividends distributed over ordinary shares are recorded by deducting from the accumulated profit in the period when the dividend decision is taken. Dividend income is reflected in the financial statements on the date the right to receive the relevant dividend occurs.

2.10. Critical Decisions and Assumptions of the Company While Applying its Accounting Policies

The Company makes predictions and assumptions about the future while preparing the financial statements in accordance with IFRS. Accounting estimates rarely give exactly the same results as actuals.

Estimates and assumptions that may cause significant adjustments to the carrying value of assets and liabilities in the upcoming financial reporting period are set out below.

Useful Lives of Tangible and Intangible Assets

The Company allocates depreciation on tangible and intangible assets, taking into account the useful lives specified in the related notes.

Provisions

In accordance with the accounting policy stated in the related note, provisions are recognized when the Company has a legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle this obligation, and the amount to be paid can be reliably estimated.

As of 31 December 2022 and 31 December 2021, there are pending lawsuits filed in favour of and against the Company and its subsidiaries. The Company evaluates the possible outcomes of these lawsuits within the framework of the opinion received from its legal advisers, and allocates necessary provisions against possible gains and liabilities.

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NOTE 2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONT'D)

2.10. Critical Decisions and Assumptions of the Company While Applying its Accounting Policies (Cont'd)

Completion Percentage

The Company uses the percent completion rate method in accounting for construction contracts. According to this method, the ratio of the contract expense incurred until a certain date to the estimated total cost of the contract is calculated.

Deferred Tax

The Company recognizes deferred tax assets and liabilities for temporary timing differences arising from the differences between the tax base legal financial statements and the financial statements prepared in accordance with IFRS. The Company's subsidiaries have unused tax losses that can be deducted from future profits and deferred tax assets consisting of other deductible temporary differences. The partially or wholly recoverable amount of deferred tax assets has been estimated under current conditions. During the evaluation, future profit projections, losses in current periods, expiry dates of unused losses and other tax assets, and tax planning strategies that can be used when necessary are taken into consideration.

In the light of the data obtained, if the future taxable profit of the Company is not sufficient to cover all of the deferred tax assets, a provision is made for all and part of the deferred tax asset.

The Company has not recognized the deferred tax asset since it is in the establishment and development stage and it is uncertain whether it will benefit from the deferred tax assets by making taxable profit in the future (due to the lack of belief that the deferred tax asset can be recovered). If future operating results exceed the Company's current expectations, it may be necessary to recognize an unrecognized deferred tax asset.

Provisions for Employee Benefits

The Company makes various assumptions such as discount rate, inflation rate, real salary increase rate, and the possibility of leaving voluntarily while calculating the liability for severance and retirement benefits.

Provisions in Determining the Time of Fulfilment of Performance Obligations

While making the evaluations, the management considers the detailed conditions specified in IFRS 15 regarding the fulfilment of performance obligations and the recording of the transaction costs allocated for them as revenue, especially whether the control regarding the goods and services has passed to the customer.

Impairment of Financial Assets

While evaluating the impairment of financial assets, the management makes assumptions such as default risk and expected credit loss ratio regarding the related assets. While the Company makes these assumptions and judgments as of each reporting period, it is based on the Company's past experience and takes into account the current market conditions and future expectations regarding the market.

Loss Provision Calculation

When measuring expected loss allowances, the Company uses reasonable and supportable forward-looking information based on assumptions about different future economic conditions and how these conditions will affect each other.

Loss on default is an estimate of loss on default. It is based on the difference between the receivables the lender expects to collect and the contractual cash flows, taking into account cash flows from collateral and loan enhancements. The probability of default is an important input in measuring expected credit losses. The probability of default is an estimate of the probability of default in a given time period; The calculation includes past data, assumptions, and expectations of future conditions.

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	31 December 2022	31 December 2021
Cash	46.674	19.334
Banks	217.491.914	212.857.464
Time Deposits	215.339.891	207.004.831
Demand Deposits	2.152.023	5.852.633
TOTAL	217.538.588	212.876.798

As of 31 December 2022, the Company's bank accounts have USD 3.750. (31 December 2021: 2.184.115 USD)

31 December 2022	Effective Interest Rate (%)	Less than 1 Month
TRY	22,5	32.100.000
USD	2,47	183.239.891
TOTAL		215.339.891

31 December 2021	Effective Interest Rate (%)	Less than 1 Month
TRY	17,14	160.316.886
USD	1,62	46.687.945
TOTAL		207.004.831

Cash and cash equivalents included in the statements of cash flows for the periods ended 31 December 2022 and 31 December 2021 are as follows:

	31 December 2022	31 December 2021
Cash and Cash Equivalents	217.538.588	212.876.798
Less: Time Deposits Interest Accruals	548.424	382.424
Cash and Cash Equivalents	216.990.164	212.494.374

NOTE 4. FINANCIAL INSTRUMENTS**Financial Borrowings**

	31 December 2022	31 December 2021
a) Bank Loans	110.343	283.862
b) Obligations Under Finance Leases	-	900.000
TOTAL	110.343	1.183.862

Currency Type	Weighted Average Effective Interest Rate (%)	31 December 2022	
		Current	Non-current
TL	9,96	110.343	-
TOTAL	-	110.343	-

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Currency Type	Weighted Average Effective Interest Rate (%)	31 December 2021	
		Current	Non-current
TL	9,96	173.519	1.010.343
TOTAL	-	173.519	1.010.343

The maturities of bank loans and leases are as follows:

	31 December 2022	31 December 2021
To be paid within 1 year	110.343	173.519
To be paid between 1-2 years	-	110.343
TOTAL	110.343	283.862

The fair values of long term liabilities are as follows:

	31 December 2022	31 December 2021
Long-term Bank Loans	-	1.010.343
Total Borrowings	-	1.010.343

The movement of borrowings as of 31 December 2022, 31 December 2021 and 1 January 2021 is as follows:

	31 December 2022	31 December 2021
31 December 2021	283.862	442.730
Principals Payment	(172.819)	(155.929)
Changes in Interest Accrual	(700)	(2.939)
Total	110.343	283.862

	31 December 2022	31 December 2021
a) Liabilities from Issued Lease Certificates	-	900.000
TOTAL	-	900.000

(*) Comprises asset lease-backed issued certificates.

The maturity of the asset underlying the lease certificate is as follows:

	31 December 2022	31 December 2021
Five Years and Longer Term	-	900.000
TOTAL	-	900.000

NOTE 5. RELATED PARTY DISCLOSURES

As of 31 December 2022, there is no provision for doubtful receivables and guarantees for trade and other receivables from related parties. Likewise, there is no guarantee given for commercial and other payables to related parties.

The details of the balances between the Company and other related parties are explained below.

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NOTE 5. RELATED PARTY DISCLOSURES (CONT'D)

	31 December 2022		
	Goods and Services	Goods and Services	Interest / Lease Revenues
Çinigaz Doğalgaz Dağıtım San. ve Tic. A.Ş.	-	15.699.611	504.034
Binatom Elektrik Üretim A.Ş.	30.359	-	-
Setel Elektrik Enerjisi İhr. İth. A.Ş.	1.379.910	-	-
Setgaz Doğalgaz İth. İhr. Ve Toptan Satış A.Ş.	-	-	7.219.253
TOTAL	1.410.269	15.699.611	7.723.287

	31 December 2021		
	Goods and Services	Goods and Services	Interest / Lease Revenues
Çinigaz Doğalgaz Dağıtım San. ve Tic. A.Ş.	-	12.608.878	1.567.035
Binatom Elektrik Üretim A.Ş.	665.000	-	5.370
Setel Elektrik Enerjisi İhr. İth. A.Ş.	1.886.739	-	218.885
Setgaz Doğalgaz İth. İhr. Ve Toptan Satış A.Ş.	-	-	5.370
TOTAL	2.551.739	12.608.878	1.796.660

SETAŞ İNŞAAT TİCARET VE SANAYİ A.Ş.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS DATED 31 DECEMBER 2022***(Unless otherwise indicated, the amounts are expressed in Turkish Lira and translated to USD and EUR for convenience of readers only at the official exchange rates prevailing at December 31, 2022)***NOTE 6. TRADE RECEIVABLES AND PAYABLES****a) Trade Receivables**

The details of the Company's short-term trade receivables are as follows:

Current Trade Receivables	31 December 2022	31 December 2021
Trade Receivables	184.300	425.280
Due from Related Parties (Note 5)	15.699.611	14.809.580
Doubtful Trade Receivables	21.965	-
Provision for Doubtful Trade Receivables (-)	(21.965)	-
TOTAL	15.883.911	15.234.860

b) Trade Payables

The details of the Company's long-term and short-term trade payables are as follows:

Short-term Trade Payables	31 December 2022	31 December 2021
Trade Payables	2.940.808	16.298.522
Rediscount on Notes Payables (-)	(1.057.476)	(470.830)
Due to Related Parties (Note 5)	1.379.910	347.292
Other Trade Payables	45.389	9.248
TOTAL	3.308.631	16.184.232

NOTE 7. OTHER RECEIVABLES / PAYABLES**a) Other Receivables**

The details of the Company's other short-term receivables are as follows:

Other Current Receivables	31 December 2022	31 December 2021
Deposits and Guarantees	190.112	71.729
Receivables from Employees	-	1.503.268
Other Miscellaneous Receivables	50.389	-
Other Doubtful Receivables	1.562.686	1.538.863
Provision for Other Doubtful Receivables (-)	(1.562.686)	(1.538.863)
TOTAL	240.501	1.574.997

Movements in Provisions	31 December 2022	31 December 2021
Opening balance by 1 January 2022	(1.538.863)	(1.538.863)
Additions	(23.823)	-
Closing balance by 31 December 2022	(1.562.686)	(1.538.863)

Other Current Payables	31 December 2022	31 December 2021
Deposits and Guarantees Received	763	763
Taxes and Funds Payables	1.939.920	17.280.522
TOTAL	1.940.683	17.281.285

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NOTE 8. PREPAID EXPENSES AND DEFERRED REVENUE

Short-term Prepaid Expenses	31 December 2022	31 December 2021
Order Advances Given	6.000	208.001
Prepaid Expenses	197.457	246.169
TOTAL	203.457	454.170

Long-term Prepaid Expenses	31 December 2022	31 December 2021
Order Advances Given for Inventory Purchases	4.305.396	9.008.611
TOTAL	4.305.396	9.008.611

The details of the Company's short-term prepaid expenses and deferred income are as follows:

NOTE 9. INVESTMENT PROPERTIES

Details regarding the Group's investment properties are as follows:

Investment Properties	31 December 2022	31 December 2021
Investment Properties Under Construction	819.000	837.000
TOTAL	819.000	837.000

Active Investment Properties

The movement schedule of active investment properties as of the years ended 31 December is as follows:

	31 December 2022	31 December 2021
Opening balance as of 1 January	900.000	900.000
Closing balance as of 31 December	900.000	900.000

Accumulated Depreciation	31 December 2022	31 December 2021
As of 1st January Opening Balance	63.000	45.000
Period Cost	18.000	18.000
Closing Balance as of 31st December	81.000	63.000
Net Book Value as of 31st December	819.000	837.000

SETAŞ İNŞAAT TİCARET VE SANAYİ A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS DATED 31 DECEMBER 2022

(Unless otherwise indicated, the amounts are expressed in Turkish Lira and translated to USD and EUR for convenience of readers only at the official exchange rates prevailing at December 31, 2022)

NOTE 10. PROPERTY, PLANT AND EQUIPMENT

Cost Value	Land	Buildings	Machinery, Equipment and Installations	Motor Vehicles	Furnitures and Fixtures	Total
As of 1 st January 2022 Opening Balance	9.284.258	15.934.314	12.447.853	7.457.586	4.162.056	49.286.067
Inflows	-	7.419.253	10.531.940	5.451.601	3.290.022	26.692.815
Outflows	(1.071.072)	(2.992.241)	(855.269)	(2.008.429)	(270.364)	(7.197.375)
December 31, 2022 Closing Balance	8.213.186	20.361.326	22.124.524	10.900.758	7.181.713	68.781.507
Accumulated Depreciation						
As of 1 st January 2022 Opening Balance	-	(666.368)	(12.033.610)	(4.738.549)	(3.045.305)	(20.483.832)
Period Cost	-	(332.285)	(854.163)	(1.128.423)	(448.786)	(2.763.658)
Outflows (-)	-	279.276	837.422	1.774.692	4.706	2.896.096
December 31, 2022 Closing Balance	-	(719.378)	(12.050.351)	(4.092.281)	(3.489.384)	(20.351.394)
December 31, 2022 Net Book Value	8.213.186	19.641.948	10.074.172	6.808.477	3.692.329	48.430.113
Cost Value						
As of 1 st January 2021 Opening Balance	10.906.865	5.934.314	16.504.975	8.418.075	3.876.896	45.641.125
Inflows	-	10.000.000	-	717.425	285.160	11.002.585
Outflows	(1.622.607)	-	(4.057.122)	(1.677.914)	-	(7.357.643)
December 31, 2021 Closing Balance	9.284.258	15.934.314	12.447.853	7.457.586	4.162.056	49.286.067
Accumulated Depreciation						
As of 1 st January 2021 Opening Balance	-	(519.807)	(15.177.059)	(5.486.673)	(2.729.852)	(23.913.391)
Period Cost	-	(146.561)	(693.095)	(929.790)	(315.453)	(2.084.899)
Outflows (-)	-	-	3.836.544	1.677.914	-	5.514.458
December 31, 2021 Closing Balance	-	(666.368)	(12.033.610)	(4.738.549)	(3.045.305)	(20.483.832)
December 31, 2021 Net Book Value	9.284.258	15.267.946	414.244	2.719.037	1.116.751	28.802.235

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS DATED 31 DECEMBER 2022

(Unless otherwise indicated, the amounts are expressed in Turkish Lira and translated to USD and EUR for convenience of readers only at the official exchange rates prevailing at December 31, 2022)

NOTE 10. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

The following useful lives are used in the calculation of depreciation:

	<u>Useful Life</u>
Buildings	42-50 Year
Machinery and Equipment	5-6 Year
Motor Vehicles	5-15 Year
Furniture and Fixtures	3-15 Year

All depreciation expenses are included in the cost of services sold.

	<u>Cost Value</u>
Machinery and Equipment	24.565.237 TL
Motor Vehicles	1.861.858 TL
Furniture and Fixtures	2.821.604 TL

NOTE 11. EMPLOYEE BENEFITS

The benefits provided by the Company to its employees over the periods and the provisions set aside for these benefits are as follows:

Short-Term Payables Arising from Employee Benefit

	<u>31 December 2022</u>	<u>31 December 2021</u>
Due to Personnel	537.928	234.516
Social Security Premiums Payable	211.980	105.367
TOTAL	749.908	339.883

Provisions for Employee Benefits

	<u>31 December 2022</u>	<u>31 December 2021</u>
Unused Vacation Provision	470.653	253.029
Provision for Employment Termination Benefits	2.825.285	1.238.282
TOTAL	3.295.938	1.491.311

Unused Vacation Provision

If the rights related to the current period are not fully exercised, they are the permits carried to the future and can be used within the next period. They may or may not have the right to demand cash payment for their unused rights if they leave work. As employees provide services that increase their future remuneration rights, a liability arises for the enterprise. Although the likelihood of employees leaving work without exercising their accumulated unearned rights affects the way in which the relevant obligation is measured, an obligation exists for the entity and is recognized in the financial statements, even if they have paid leave.

<u>Unused Vacation Provision</u>	<u>31 December 2022</u>	<u>31 December 2021</u>
Opening Balance	253.029	122.951
Paid Leave Obligation veya Leave Liability Paid	217.624	130.078
Closing Balance	470.653	253.029

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS DATED 31 DECEMBER 2022

(Unless otherwise indicated, the amounts are expressed in Turkish Lira and translated to USD and EUR for convenience of readers only at the official exchange rates prevailing at December 31, 2022)

NOTE 11. EMPLOYEE BENEFITS (CONT'D)

Provision for Severance and Pension Pay

According to the Turkish Labour Law, the company is obliged to pay severance pay to each employee who completes at least one year of service and retires after 25 years of working life (58 for women, 60 for men), whose employment relationship is terminated, who is called up for military service or who dies.

The compensation to be paid is equal to one month's salary for each year of service and this amount is limited to 15,371.40 TRY (31 December 2021: 8,284.51 TRY) as of 31 December 2022. Severance pay provision is not subject to any funding and there are no funding requirements.

The provision for employment termination benefits represents the present value of the estimated total provision of the Company's possible future liabilities arising from the retirement of the personnel in accordance with the Turkish Labour Law. The provision for the present value of the defined social assistance obligation is calculated using the projected liability method. All actuarial gains and losses are recognized in equity as other comprehensive income. The provision for employment termination benefits represents the present value of the estimated total provision of the Company's possible future liabilities arising from the retirement of the personnel in accordance with the Turkish Labour Law. The provision for the present value of the defined social assistance obligation is calculated using the projected liability method. All actuarial gains and losses are recognized in equity as other comprehensive income.

IFRS requires actuarial valuation assumptions to be developed in order to estimate the probable liability obligation under certain benefit plans. In the financial statements, the Company calculates a liability based on those who are entitled to severance pay as of the date of termination of service, applying the projected liability method and based on previous years' experience. This provision is calculated by estimating the present value of the probable liabilities arising from the retirement of the employees in the future.

Accordingly, the following financial and demographic actuarial assumptions have been made for the calculation of the total provision:

The net discount rate for 2022 is 0.55 %. (2021: 4.45%)

The basic assumption is that the ceiling provision for each year of service will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the expected effects of inflation. The severance pay provision of the company is calculated over the maximum amount of 19.982.83 TRY (1 January 2022: exactly 10,848.59 TRY) effective from 1 January 2023, since the severance pay ceiling is adjusted every six months.

Provision for Employment Termination Benefits	31 December 2022	31 December 2021
Provision at 1 January	1.238.282	612.460
Service Cost	2.383.757	1.019.798
Interest Cost	53.838	25.285
Retirement Pay Paid	(75.302)	(403.195)
Actuarial Gain / (Loss)	(775.290)	(16.066)
Closing Balance	2.825.285	1.238.282

NOTE 12. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

Short-term Provisions	31 December 2022	31 December 2021
Provision for Lawsuits	-	387.711
TOTAL	-	387.711

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As of 31 December 2022, 31 December 2021 the tables regarding the collateral position of the Company are as follows.

Guarantees Provided	31 December 2022	31 December 2021
Letter of Guarantees	15.364.500	15.364.500
TOTAL	15.364.500	15.364.500

Company Collateral, Pledges and Mortgages			
31 December 2022		TRY	TRY Equivalent
A-	Given in the Name of Own Legal Entity	15.364.500	15.364.500
B-	Items Given in Favour of Partnerships Included in the Scope of Full Consolidation	-	-
C-	Those Given for the Purpose of Execution of Ordinary Commercial Activities and the Debt of Other 3rd Persons	-	-
D-	Other GPMs Given	-	-
1-	Granted in Favour of the Parent Company	-	-
2-	Items Given in Favour of Other Companies Not Covered by Articles B and C	-	-
	Items Given in Favour of Third Persons Not Covered by Article C	-	-
3-	TOTAL	15.364.500	15.364.500

Company Collateral, Pledges and Mortgages			
31 December 2021		TRY	TRY Equivalent
A-	Given in the Name of Own Legal Entity	15.364.500	15.364.500
B-	Items Given in Favour of Partnerships Included in the Scope of Full Consolidation	-	-
C-	Those Given for the Purpose of Execution of Ordinary Commercial Activities and the Debt of Other 3rd Persons	-	-
D-	Other GPMs Given	-	-
1-	Granted in Favour of the Parent Company	-	-
2-	Items Given in Favour of Other Companies Not Covered by Articles B and C	-	-
	Items Given in Favour of Third Persons Not Covered by Article C	-	-
3-	TOTAL	15.364.500	15.364.500

SETAŞ İNŞAAT TİCARET VE SANAYİ A.Ş.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS DATED 31 DECEMBER 2022***(Unless otherwise indicated, the amounts are expressed in Turkish Lira and translated to USD and EUR for convenience of readers only at the official exchange rates prevailing at December 31, 2022)***NOTE 14. OTHER ASSETS AND LIABILITIES**

Other Current Assets	31 December 2022	31 December 2021
Outstanding VAT	47.387	1.448.722
TOTAL	47.387	1.448.722

NOTE 15. CAPITAL AND RESERVES

The capital structure of the Company as of 31 December 2022, 31 December 2021 is as follows:

	31 December 2022		31 December 2021	
	Share Rate (%)	Amount (TL)	Share Rate (%)	Amount (TL)
Shareholders				
Abdullah Rasim AKDOĞAN	81	51.840.000	76	48.640.000
Gülten Sevim AKDOĞAN	-	-	5	3.200.000
Akın Can AKDOĞAN	17	10.880.000	17	10.880.000
Mehmet Yılmaz AKDOĞAN	2	1.280.000	2	1.280.000
Reorganized Capital	100	64.000.000	100	64.000.000

Restricted Reserves Allocated from Profit

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.

	31 December 2022	31 December 2021
Other Share Capital Reserves	543.876	543.876
Legal Reserves	13.921.372	3.551.865
TOTAL	14.465.248	4.095.741

NOTE 16. TAX ASSETS AND LIABILITIES

Income taxes for the years ended 31 December 2022, 31 December 2021 and 1 January 2021 are as follows:

In Statement Of Consolidated Financial Position	01 January 2022	01 January 2021
	31 December 2022	31 December 2021
Current Period Corporate Tax Provision	29.338.992	29.964.124
Less: Prepaid Taxes And Funds	(10.055.814)	(20.673.025)
Tax Payable (Net)	19.283.178	9.291.099
Deferred Tax Asset	16.360	-
Deferred Tax Liability	2.890.336	9.410.954
Deferred Tax Liability (Net)	(2.873.976)	(9.410.954)
	1 January 2022	1 January 2021
Statement of Income	31 December 2022	31 December 2021
Current Period Corporate Tax Provision	(29.338.992)	(29.964.124)
Deferred Tax Income / (Loss)	6.692.036	177.806
Tax Income / (Expense)	(22.646.956)	(29.786.318)

SETAŞ İNŞAAT TİCARET VE SANAYİ A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS DATED 31 DECEMBER 2022

(Unless otherwise indicated, the amounts are expressed in Turkish Lira and translated to USD and EUR for convenience of readers only at the official exchange rates prevailing at December 31, 2022)

NOTE 16. TAX ASSETS AND LIABILITIES (CONT'D)

Corporate Tax

In Turkey, advance tax returns are filed on a quarterly basis at the rate of 23%, until the 17th day of the following month and paid until the 17th day. Advance tax returns files within the year are offset against corporate income tax calculated over the annual taxable corporate income.

According to the Corporate Tax Law, 50% of the capital gains arising from the sale of tangible assets and 75% of sale of investments in equity shares owned for at least two years are exempted from corporate tax on the condition that such gains are reflected in the equity.

Under the Turkish taxation system, tax losses can be carried forward to be offset against future taxable income for up to five years. Losses cannot be carried back.

There is no obligation that taxed to be paid should be confirmed with tax authority. Corporate tax declarations are given to tax authority in following 4th month of 30th day of the period end. Tax authorization may examine accounting transactions for 5 years. In case of detection of a mistake, the tax amount to be paid may change.

Corporate tax rate will be applied as %23 for 2022 profit. This rate will be applied as 20% in 2023.

Income Tax Withholding

In addition to corporate tax, in case of allocating get a dividend, and also on any dividends that dividends of corporate income to the statement that the resident corporations by including and excluding those distributed to branches of foreign companies in Turkey, income tax withholding should be calculated. The rate of withholding tax has been changed to 10 % as of 22 December 2021. Dividends that are not distributed and added to the capital are not subject to income tax withholding.

Deferred Tax

The Company recognizes deferred tax assets and expenses for temporary timing differences between the tax base financial statements and the financial statements prepared in accordance with IAS. These Company are generally based on the fact that some income and expense items are included in the tax base financial statements and credit statements according to IAS for different periods, and the effects of the accumulated temporary differences and deferred tax assets and custodians that are subject to deferred tax for the periods of 31 December 2022 and 31 December 2021, data are summarized in the following pages using the applicable tax rates.

The tax rate used in the list of deferred tax assets and liabilities is 20% (2021: 23%). As a result of not being able to declare tax expenditures resident in Turkey, subsidiaries with deferred tax assets are not netted with subsidiaries with deferred tax burden and are shown separately.

SETAŞ İNŞAAT TİCARET VE SANAYİ A.Ş.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS DATED 31 DECEMBER 2022***(Unless otherwise indicated, the amounts are expressed in Turkish Lira and translated to USD and EUR for convenience of readers only at the official exchange rates prevailing at December 31, 2022)***NOTE 16. TAX ASSETS AND LIABILITIES (CONT'D)**

	Deferred Tax	
	31 Aralık 2022	31 Aralık 2021
Deferred Tax Assets		
Tangible & Intangible Assets	257.856	-
Severance Pay	565.057	247.656
Leave Provision	94.131	50.606
Provision For Lawsuit	77.542	89.174
Ongoing Investments	-	12.600
Provision For Doubtful Receivables	316.930	353.938
Adjustments Related to Construction Contracts	1.690.072	13.261.887
Accrual Of Interest	3.794	-
Deferred Tax Liabilities		
Tangible & Intangible Assets	(2.031.812)	(1.330.478)
Adjustments Related to Construction Contracts	(3.558.509)	(20.920.279)
Valuation Adjustments	-	(1.067.767)
Rediscount	-	(108.291)
Accrued Revenues	(289.037)	-
NET AMOUNTS	(2.873.976)	(9.410.954)

The movement of deferred tax assets / (liabilities) for the year ended 31 December 2022 is given below:

Movements of Deferred Tax Assets and Liabilities:	01 January 2022 31 December 2022	01 January 2021 31 December 2021
1 January Opening Balance	(9.410.954)	(9.585.547)
Recognized in Profit or Loss Statement	6.692.036	177.806
Recognized under Equity	(155.058)	(3.213)
31 December Closing Balance	(2.873.976)	(9.410.954)

NOTE 17. SALES REVENUE AND SALES COST**a) Revenues:**

Sales Revenue	01 January 2022 31 December 2022	01 January 2021 31 December 2021
Sales	73.772.638	83.929.064
Domestic	73.268.604	83.929.064
Construction Progress Payments	70.029.622	82.959.391
Asset Leasing	3.238.982	969.673
Other Revenues	504.034	-
TOTAL	73.772.638	83.929.064

Cost of Sales	01 January 2022 31 December 2022	01 January 2021 31 December 2021
Cost Of Goods Sold (-)	75.302	-
Cost Of Sold Services (-)	(40.899.213)	(53.009.904)
Personnel Expenses	(33.462.360)	(52.733.743)
General Production Expenses	(7.436.853)	(276.161)
TOTAL	(40.823.911)	(53.009.904)

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The Company's end-of-period general and administrative expenses are as follows:

	01 January 2022 31 December 2022	01 January 2021 31 December 2021
Administrative Expenses (-)	(17.709.004)	(6.248.731)
TOTAL	(17.709.004)	(6.248.731)
Management Expenses		
	01 January 2022 31 December 2022	01 January 2021 31 December 2021
Personnel Expenses (-)	(3.853.184)	(1.953.741)
Taxes, Duties and Charges (-)	(417.751)	(588.278)
Travel, Transportation and Accommodation Expenses	(3.010.590)	(641.297)
Depreciation and Amortization Expenses (-)	563.895	(176.183)
Consulting and Advisory Services (-)	(586.753)	(833.933)
Insurance Expenses (-)	(617.676)	(283.374)
Maintenance and Repair Expenses	(3.625.847)	(1.017.101)
Electricity, Water, and Gas Expenses (-)	(400.506)	(168.480)
Services and Benefits Received from Third Parties (-)	-	(21.254)
Communication and Transportation Expenses	(17.899)	(12.969)
Other Expenses	(5.644.310)	(5.164)
Communication Expenses	(2.295)	-
Other Miscellaneous Expenses	(96.089)	(546.956)
TOTAL	(17.709.004)	(6.248.731)

The fees paid to the Independent Audit Firm (IAF) for the services received by the Company during the periods 1 January – 31 December 2022 and 1 January – 31 December 2021 amounted to TL 100,000 + VAT, respectively.

NOTE 19. EXPENSES BY NATURE

Expenses according to Company's qualifications are as follows:

	01 January 2022 31 December 2022	01 January 2021 31 December 2021
Personnel Expenses (-)	(3.853.184)	(1.953.741)
Taxes, Duties and Charges (-)	(417.751)	(588.278)
Travel, Transportation and Accommodation Expenses	(3.010.590)	(641.297)
Depreciation and Amortization Expenses (-)	563.895	(176.183)
Consulting and Advisory Services (-)	(586.753)	(833.933)
Insurance Expenses (-)	(617.676)	(283.374)
Maintenance and Repair Expenses	(3.625.847)	(1.017.101)
Electricity, Water, and Gas Expenses (-)	(400.506)	(168.480)
Services and Benefits Received from Third Parties (-)	-	(21.254)
Communication and Transportation Expenses	(17.899)	(12.969)
Other Expenses	(5.644.310)	(5.164)
Communication Expenses	(2.295)	-
Other Miscellaneous Expenses	(96.089)	(546.956)
TOTAL	(17.709.004)	(6.248.731)

SETAŞ İNŞAAT TİCARET VE SANAYİ A.Ş.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS DATED 31 DECEMBER 2022***(Unless otherwise indicated, the amounts are expressed in Turkish Lira and translated to USD and EUR for convenience of readers only at the official exchange rates prevailing at December 31, 2022)***NOTE 19. EXPENSES BY NATURE (CONT'D)****a) Depletion and Amortization Expenses (-)**

	01 January 2022	01 January 2021
	31 December 2022	31 December 2021
Management Expenses (-)	(850.451)	(283.374)
TOTAL	(850.451)	(283.374)

b) Personnel Expenses (-)

	01 January 2022	01 January 2021
	31 December 2022	31 December 2021
Management Expenses (-)	(3.853.184)	(1.953.741)
TOTAL	(3.853.184)	(1.953.741)

NOTE 20. OTHER OPERATING INCOME AND EXPENSES FROM MAIN ACTIVITIES

The details of other income and other operating expenses from main activities for the years ended 31 December 2022 and 31 December 2021 are as follows:

	01 January 2022	01 January 2021
	31 December 2022	31 December 2021
Reversals of Provisions No Longer Required	387.711	-
Foreign Exchange Gains From Operating Activities	62.609.567	75.306.410
Rental Income	-	1.892.129
Interest Income	8.230.882	7.830.488
Maturity Difference on Trade Receivables	586.646	470.830
Interest Income on Trade Receivables	721.167	1.147.955
Other Income	17.853.146	1.939.659
TOTAL	90.389.119	88.587.471

	01 January 2022	01 January 2021
	31 December 2022	31 December 2021
Provision Expenses (-)	(45.788)	-
Foreign Exchange Losses from Operating Activities	(4.829.241)	(3.888.910)
Discount Interest Expenses (-)	-	(111.786)
Other Expenses	(4.487.822)	(10.073)
TOTAL	(9.362.851)	(4.010.769)

NOTE 21. INCOME FROM INVESTMENT ACTIVITIES

The details of income from investment activities for the years ended 31 December 2022 and 31 December 2021 are as follows:

	01 January 2022	01 January 2021
	31 December 2022	31 December 2021
Gain On Sale Of Fixed Assets	24.507.542	4.891.307
TOTAL	24.507.542	4.891.307

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS DATED 31 DECEMBER 2022

(Unless otherwise indicated, the amounts are expressed in Turkish Lira and translated to USD and EUR for convenience of readers only at the official exchange rates prevailing at December 31, 2022)

NOTE 22. FINANCIAL INCOME & EXPENSES

The details of financing expenses for the years ended 31 December 2022 and 2021 are as follows:

	01 January 2022 31 December 2022	01 January 2021 31 December 2021
Bank Loans Interest Expenses	(21.793)	(36.565)
Other Interest Expenses	(53.838)	(25.285)
TOTAL	(75.631)	(61.850)

NOTE 23. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

The main financial instruments of the Company consist of bank loans, cash and short-term deposits. The main purpose of these financial instruments is to finance the Company's operating activities.

a) Capital Risk Management

The Company pays attention to maintain the debt-equity balance in a way that minimizes financial risks in its capital management.

The Company regularly predicts future equity amounts, debt-to-equity ratios and similar ratios through regular long-term projections and takes the necessary measures to strengthen equity.

As of 31 December 2022 and 31 December 2021, the debt-to-equity ratio calculated by dividing the net debt, calculated by deducting the cash and cash equivalents from the financial liabilities, by the total paid-in capital is as follows:

	01 January 2022 31 December 2022	01 January 2021 31 December 2021
Total Financial Liabilities	110.343	1.183.862
Less: Cash and Cash Equivalents	217.538.588	212.876.798
Net (Credit) Debt	(217.428.245)	(211.692.936)
Total Adjusted Equity (*)	250.130.104	209.511.732
Net (Credit) Debt / Total Adjusted Equity Ratio	(87%)	(101%)

(*) Adjusted equity is calculated by subtracting defined benefit plans remeasurements gains (losses) and tangible asset revaluation and measurement gains and losses and included in equity of non-controlling interests.

b) Financial Risk Factors

The main risks posed by the Company's financial instruments are interest rate risk, liquidity risk, foreign currency risk and credit risk. Company management and the board of directors examine and accept the policies regarding the management of the following risks. The Company also considers the market value risk of all its financial instruments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS DATED 31 DECEMBER 2022*(Unless otherwise indicated, the amounts are expressed in Turkish Lira and translated to USD and EUR for convenience of readers only at the official exchange rates prevailing at December 31, 2022)***NOTE 23. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (CONT'D)****b.1) Credit Risk Management (Cont'd)**

Carrying values of financial assets show the maximum exposure to credit risk. The maximum exposure to credit risk as of the reporting date is as follows.

	CURRENT PERIOD		Receivables			Bank Deposits
	31 December 2022		Trade Receivables		Other Receivables	
	Related Parties	Third Parties	Related Parties	Third Parties	Third Parties	
Maximum Net Credit Risk As Of Balance Sheet Date (A+B+C+D+E)(1)	15.699.611	184.300	30.358	210.143		217.491.914
- The Part Of Maximum Risk Under Guarantee With Collateral (2)			-			
A. Net Book Value Of Financial Assets That Are Neither Past Due Nor Impaired	15.699.611	184.300	30.358	210.143		217.491.914
B. Carrying Amount of Financial Assets with Re-Discussed Conditions That Are Considered Overdue or Impaired If Not Re-Discussed	-	-	-	-		-
C. Net Book Value Of Financial Assets That Renegotiate (6)	-	-	-	-		-
-Overdue (Gross Net Book Value)	-	-	-	-		-
D. Net Book Value Of Impaired Asset (4)	-	-	-	-		-
- Overdue (Gross Net Book Value)	-	21.965	-	-		-
- Impairment (-)	-	(21.965)	-	-		-
- The Part Of Net Value Under Guarantee With Collateral Etc.	-	-	-	-		-
- Undue (Gross Net Book Value)	-	-	-	-		-
- Impairment (-)	-	-	-	-		-
- The Part Of Net Value Under Guarantee With Collateral Etc.	-	-	-	-		-
E. Credit Risk off the Statement of Financial Position (5)	-	-	-	-		-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS DATED 31 DECEMBER 2022*(Unless otherwise indicated, the amounts are expressed in Turkish Lira and translated to USD and EUR for convenience of readers only at the official exchange rates prevailing at December 31, 2022)***NOTE 23. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (CONT'D)****b.1) Credit Risk Management (Cont'd)**

	PRIOR PERIOD					
	31 December 2021					
	Trade Receivables		Other Receivables		Receivables	
	Related Parties	Third Parties	Related Parties	Third Parties	Bank Deposits	
Maximum Net Credit Risk As Of Balance Sheet Date (A+B+C+D+E)(1)	14.809.580	425.280	-	1.574.997	212.857.464	
- The Part Of Maximum Risk Under Guarantee With Collateral (2)						
A. Net Book Value Of Financial Assets That Are Neither Past Due Nor Impaired	14.809.580	425.280	-	1.574.997	212.857.464	
B. Carrying Amount of Financial Assets with Re-Discussed Conditions That Are Considered Overdue or Impaired If Not Re-Discussed	-	-	-	-	-	-
C. Net Book Value Of Financial Assets That Renegotiate (6)	-	-	-	-	-	-
-Overdue (Gross Net Book Value)	-	-	-	-	-	-
D. Net Book Value Of Impaired Asset (4)	-	-	-	-	-	-
- Overdue (Gross Net Book Value)	-	1.538.863	-	-	-	-
- Impairment (-)	-	(1.538.863)	-	-	-	-
- The Part Of Net Value Under Guarantee With Collateral Etc.	-	-	-	-	-	-
- Undue (Gross Net Book Value)	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-
- The Part Of Net Value Under Guarantee With Collateral Etc.	-	-	-	-	-	-
E. Credit Risk off the Statement of Financial Position (5)	-	-	-	-	-	-

SETAŞ İNŞAAT TİCARET VE SANAYİ A.Ş.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS DATED 31 DECEMBER 2022***(Unless otherwise indicated, the amounts are expressed in Turkish Lira and translated to USD and EUR for convenience of readers only at the official exchange rates prevailing at December 31, 2022)***NOTE 23. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (CONT'D)****b.2) Liquidity Risk Management**

Liquidity risk is the risk that a company will not be able to meet its funding needs. The Company aims to ensure the continuity and variability of cash inflows through long-term bank loans.

The table below shows the maturity distribution of the Company's non-derivative and non-derivative financial liabilities. Non-derivative financial liabilities are prepared without discounting and based on the earliest due dates. Interests to be paid on these liabilities are included in the table below.

Contractual Maturity Analysis (Current Period)	Carrying Value	Total Cash Outflow According to Contract (I+II+III+IV)	Less Than 3 Months (I)	3-12 Months (II)	1-5 Years (III)	More Than 5 Years (IV)
Non-Derivate Financial Liabilities						
Bank Loans	110.343	110.343	47.034	63.309	-	-
Trade Payables	3.308.631	4.366.107	4.366.107	-	-	-
Other Payables	1.940.683	1.940.683	1.940.683	-	-	-
Total Liabilities	5.359.657	6.417.642	6.353.824	63.309	-	-

Expected Maturities	Carrying Value	Expected Total Cash Outflow	Less Than 3 Months	3-12 Months	1-5 Years	More Than 5 Years
Non-Derivate Financial Liabilities						
Bank Loans	283.862	309.368	48.828	146.484	114.056	-
Exports Of Borrowing Securities	900.000	1.361.899	26.704	80.112	320.447	934.637
Trade Payables	16.184.232	16.655.062	16.655.062	-	-	-
Other Payables	17.281.285	17.281.285	17.281.285	-	-	-
Total Liabilities	34.649.379	35.607.614	34.011.879	226.596	434.503	934.637

b.3) Market Risk Management

The Company's operations are primarily exposed to financial risks related to changes in foreign exchange rates and interest rates, as detailed below.

Market risks are also evaluated with sensitivity analysis.

b.3.1) Foreign Currency Risk Management

The Company undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise. Foreign currency risk is managed through balancing the liabilities and receivables in foreign currencies.

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities at the reporting period are disclosed as follows:

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NOTE 23. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (CONT'D)

b.3.1) Foreign Currency Risk Management (Cont'd)

Foreign Currency Sensitivity

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

The following table details the Company's sensitivity to a 10% increase and decrease in the TRY against the relevant foreign currencies. 10% 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 monetary items and adjusts their translation at the period end for a 10% increase in foreign currency rates. A positive number indicates an increase in profit or loss where the TRY strengthens against the relevant currency.

NOTE 24. FINANCIAL INSTRUMENTS (FAIR VALUE DISCLOSURES AND DISCLOSURES WITHIN THE FRAMEWORK OF HEDGE ACCOUNTING)

b.3.2) Interest Rate Risk Management

The Company's borrowing at fixed and variable interest rates exposes the Company to interest rate risk. Interest rates of financial assets and liabilities are stated in the related notes. As of 31 December 2022, the Company is not exposed to interest rate risk as it does not have any floating rate loans and floating rate financial assets.

INTEREST POSITION TABLE	Current Period	Prior Period
	31 December 2022	31 December 2021
Financial Instruments with Fixed Interest Rate	215.450.234	208.299.036
Financial Assets Held for Sale	215.339.891	207.004.831
Financial Liabilities	110.343	1.294.205

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NOTE 24. FINANCIAL INSTRUMENTS (FAIR VALUE DISCLOSURES AND DISCLOSURES WITHIN THE FRAMEWORK OF HEDGE ACCOUNTING) (CONT'D)

b.3.2) Interest Rate Risk Management (Cont'd)

Financial Assets

It is assumed that the carrying values of financial assets shown at cost, including cash and cash equivalents, are equal to their fair values due to their short-term nature.

It is anticipated that the carrying values of trade receivables, together with the related impairment provisions, reflect the fair value.

Financial Liabilities

The fair values of short-term bank loans and other monetary liabilities are considered to be close to their book values due to their short-term nature.

Bank loans are expressed at discounted cost and transaction costs are added to the initial cost of the loans. Since the Company's floating rate bank loans have been repriced recently, their fair values are considered to represent their carrying values. Since there is no significant change in market interest rates between the date the Company's fixed rate loan is used and the reporting date, it is considered that the fair values of the loans represent their carrying values.

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(CONT'D)**

31 December 2022	Financial Assets / Liabilities Indicated from Amortized Value	Financial Instruments Followed in Other Comprehensive Income Statement That Fair Value	Financial Instruments Followed in Profit and Loss Statement that fair value	Note
Financial Assets				
Cash and Cash Equivalents	217.538.588	-	-	-
Receivables from Related Parties	15.699.611	-	-	-
Receivables from Third Parties	184.300	-	-	-
Due from Related Party Contracts	30.358	-	-	-
Receivables from third Party Contracts	210.143	-	-	-
Financial Liabilities				
Financial Debts	110.343	-	-	-
Payables to Related Parties	1.379.910	-	-	-
Payables to Third Parties	1.928.721	-	-	-
Receivables to third Party Contracts	1.940.683	-	-	-
31 December 2021				
Financial Assets				
Cash and Cash Equivalents	212.876.798	-	-	-
Receivables from Related Parties	14.809.580	-	-	-
Receivables from Third Parties	425.280	-	-	-
Receivables from third Party Contracts	1.574.997	-	-	-
Financial Liabilities				
Financial Debts	1.183.862	-	-	-
Payables to Related Parties	347.292	-	-	-
Payables to Third Parties	15.836.940	-	-	-
Receivables to third Party Contracts	17.281.285	-	-	-

Company management considers that the book value of financial instruments reflects their fair values.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS DATED 31 DECEMBER 2022

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NOTE 25. EVENTS AFTER THE REPORTING PERIOD

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 and Şanlıurfa It was decided to declare a state of emergency for three months in the provinces.

The developments regarding the natural disaster in question are being closely monitored and studies are continuing to determine the situation. The possible repercussions of the aforementioned natural disaster on the regional economy and its effects on the Company's operations cannot be reasonably estimated.

The Law No. 7438 on Social Security and General Health Insurance and the Law No. 375 on the Amendment to the Decree Law No. 375, which includes the regulation on Persons Aged at Retirement (EYT), entered into force after being published in the Official Gazette dated March 3, 2023 and numbered 32121. Although this issue is considered as a non-adjusting event after the reporting period within the scope of IAS 10 Events After the Reporting Period, studies are continuing to measure its impact on the Company's operations and financial position.

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