

**HEKTAŞ TİCARET TRK ANONİM ŐİRKETİ (“Hektaş” or “the Company”)  
AND ITS SUBSIDIARIES (“Hektaş Group” or “the Group”)**

CONSOLIDATED FINANCIAL STATEMENTS  
AS OF 31 DECEMBER 2021 AND  
INDEPENDENT AUDITOR’S REPORT

(CONVENIENCE TRANSLATION OF  
CONSOLIDATED FINANCIAL STATEMENTS  
ORIGINALLY ISSUED IN TURKISH)

## (CONVENIENCE TRANSLATION OF INDEPENDENT AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH)

### INDEPENDENT AUDITOR'S REPORT

To the General Assembly of Hektaş Ticaret Türk Anonim Şirketi

#### A) Report on the Audit of the Consolidated Financial Statements

##### 1) Opinion

We have audited the consolidated financial statements of Hektaş Ticaret Türk Anonim Şirketi ("the Company") and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Turkish Financial Reporting Standards (TFRS).

##### 2) Basis for Opinion

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

## 3) Key Audit Matters

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

Key Audit Matter	How the matter was addressed in the audit
<p><b>Revenue recognition</b></p> <p>Main operation of the Group comprises production and sale of products for plant nutrition, protection and animal health.</p> <p>The Group recognizes revenue according to the five-step model as described in TFRS 15 "Revenue from Contracts with Customers". Five step model comprises identification of contract, identification of performance obligations, determination and allocation of transaction price to performance obligations and recognition of revenue when these performance obligations are satisfied.</p> <p>As revenue is a measurement criterion for evaluating the results of the strategy implemented during the year and monitoring performance, and due to its unique nature, being susceptible to risks due to fraud and error, considered to be a material account balance. Determining when the related performance obligations are satisfied and recognition of revenue in the correct period has been identified as a key audit matter.</p> <p>The Group's accounting policies regarding revenue, revenue amounts, receivables and additional explanations regarding the risk levels of these receivables are presented in Note 2.5, Note 25, Note 8 and Note 35, respectively.</p>	<p>During our audit, the following audit procedures have been applied regarding the revenue recognition:</p> <p>The revenue process of the Group has been evaluated, the relevant controls within this process have been determined, and the design and implementation of these controls have been understood.</p> <p>Satisfaction of performance obligations are assessed based on the timing for transfer of control of goods to customers. Revenue amounts recognized closed to year end, are tested by selecting samples and controlling proof of deliveries from supporting documents.</p> <p>With the additional substantive procedures performed, completeness and accuracy of the revenue recognized in the consolidated financial statements have also been tested.</p> <p>In addition to the procedures mentioned above, the adequacy of the disclosures in Note 8, Note 25 and Note 35 has been evaluated within the scope of the relevant TFRSs.</p>

**3) Key Audit Matters (continued)**

<p><b>Recoverability of trade receivables</b></p> <p>In the consolidated financial statements as of 31 December 2021, the Group sets allowance for doubtful receivables amounting to TL 10.035.993, for the trade receivables from third parties amounting to TL 884.455.365.</p> <p>The Group management assesses recoverability of trade receivables and set allowance for the ones that there is collection risk. The allowance amount is based on expected loss to be incurred from the related receivable, as presented in Note 8. Due to the industry that the Group operates in, average collection days of the Group is 215 days and receivables are spread to many different customers. While assessing recoverability of these receivables, the Group management considers past payment performance, collateral levels, current financial strength based on market intelligence gathered, therefore the assessment is based on significant management estimates and assumptions.</p> <p>As trade receivables constitutes significant part of the total assets of the Group, as the average collection periods are long, as the period between financial statement and report dates is limited and accordingly subsequent collection from these receivables are also limited and as the recoverability assessment of trade receivables include significant management estimates and assumptions, recoverability of trade receivables has been identified as key audit matter.</p> <p>The Group's accounting policies regarding receivables, receivable amounts and additional explanations regarding the risk levels of these receivables are presented in Note 2.5, Note 8 and Note 35, respectively.</p>	<p>During our audit, the following audit procedures have been applied regarding the recoverability of trade receivables:</p> <p>The process and controls set for monitoring trade receivables have been evaluated.</p> <p>Aging of trade receivables and allowance calculation for doubtful trade receivables have been obtained from the Group management. Completeness and accuracy of the information used in these calculations have been controlled, assumptions used are evaluated and arithmetic accuracy has been tested.</p> <p>Considering long collection period of the receivables, a further assessment is made by analyzing opening balances, sales and collections throughout the year and collateral level for individual customer and for the ones that are assessed to be risky additional information has been asked from the Group management and subsequent collection is controlled on sampling basis.</p> <p>In addition to the procedures mentioned above, the adequacy of the disclosures in Note 8 and Note 35 has been evaluated within the scope of the relevant TFRSs.</p>
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#### **4) Other Matter**

The consolidated financial statements of the Group for the year ended 31 December 2021 were audited by another auditor who expressed an unmodified opinion on those statements on 4 February 2021.

#### **5) Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements**

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

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

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

#### **6) Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Responsibilities of independent auditors in an independent audit are as follows:

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. (The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.)
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

## **6) Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)**

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

## B) Report on Other Legal and Regulatory Requirements

In accordance with paragraph four of the Article 398 of the Turkish Commercial Code No. 6102 ("TCC"), the auditor's report on the system and the committee of early detection of risk has been submitted to the Board of Directors of the Company on 11 February 2022.

In accordance with paragraph four of the Article 402 of TCC, nothing has come to our attention that may cause us to believe that the Group's set of accounts and financial statements prepared for the period 1 January-31 December 2021 does not comply with TCC and the provisions of the Company's articles of association in relation to financial reporting.

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

The engagement partner on the audit resulting in this independent auditor's report is Nazlı İvak.

DRT BAĞIMSIZ DENETİM VE SERBEST MUHASEBECİ MALİ MÜŞAVİRLİK A.Ş.

Member of ~~DELOITTE~~ TOUCHE TOHMATSU LIMITED

Nazlı İvak  
Partner

İstanbul, 11 February 2022

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# HEKTAŞ GROUP

## AUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2021

(All amounts are indicated in Turkish Lira ("TL").)

		<u>Current Period</u>	<u>Prior Period</u>
		<u>Audited</u>	<u>Audited</u>
			<u>Restated</u>
			<u>(Note 2.4)</u>
		<u>31 December</u>	<u>31 December</u>
	<u>Notes</u>	<u>2021</u>	<u>2020</u>
<b>ASSETS</b>			
<b>Current Assets</b>		<b>3,268,942,287</b>	<b>1,472,280,409</b>
Cash and Cash Equivalents	4	96,691,275	75,600,817
Trade Receivables	8a	1,654,538,937	751,807,699
<i>From Related Parties</i>	34	523,890	666,277
<i>From Third Parties</i>		1,654,015,047	751,141,422
Other Receivables	10a	3,547,176	22,024,438
<i>From Third Parties</i>		3,547,176	22,024,438
Derivative Instruments	6	169,694,609	48,868,820
Inventories	13	1,146,573,859	417,027,122
Prepaid Expenses	11	107,967,422	123,387,606
<i>From Related Parties</i>	34	870,800	-
<i>From Third Parties</i>		107,096,622	123,387,606
Current Tax Assets	21	1,079,923	583,486
Other Current Assets	23	88,849,086	32,980,421
<b>Non-Current Assets</b>		<b>1,356,873,591</b>	<b>647,274,747</b>
Trade Receivables	8a	8,623,198	-
Other Receivables	10a	836,074	449,686
Investment Properties	17	4,775,883	5,221,772
Property, Plant and Equipment	14	1,038,724,957	424,449,605
Intangible Assets		208,944,129	159,103,427
Goodwill	18	106,319,692	106,319,692
<i>Other</i>	16	102,624,437	52,783,735
Right-of-Use Assets	15	43,014,887	28,103,776
Prepaid Expenses	11	20,706,311	-
<i>From Related Parties</i>	34	11,789,746	-
<i>From Third Parties</i>		8,916,565	-
Deferred Tax Assets	32	31,248,152	29,946,481
<b>TOTAL ASSETS</b>		<b>4,625,815,878</b>	<b>2,119,555,156</b>

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

# HEKTAŞ GROUP

## AUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2021

(All amounts are indicated in Turkish Lira ("TL").)

		Current Period	Prior Period
		Audited	Audited
			Restated (Note 2.4)
		31 December	31 December
	Notes	2021	2020
<b>LIABILITIES</b>			
<b>Current Liabilities</b>		<b>3,112,170,260</b>	<b>1,165,357,549</b>
Short-term Borrowings	7	2,195,583,914	878,061,599
Lease Liabilities	7	14,477,381	16,398,374
Trade Payables	8b	816,378,438	221,516,757
<i>To Related Parties</i>	34	15,696,283	6,033,082
<i>To Third Parties</i>		800,682,155	215,483,675
Payables Related to Employee Benefits	9	37,126,829	13,350,691
Other Liabilities	10b	26,095,202	28,058,692
<i>To Related Parties</i>		6,930,792	7,827,733
<i>To Third Parties</i>		19,164,410	20,230,959
Derivative Instruments	6	10,935,886	485,728
Deferred Income	12	2,817,455	2,997,040
Current Tax Liability	32	2,948,394	227,555
Short-term Provisions	22a	5,806,761	4,261,113
<i>Related to Employee Benefits</i>		4,175,943	2,522,688
<i>Other</i>		1,630,818	1,738,425
<b>Non-Current Liabilities</b>		<b>101,480,409</b>	<b>181,763,166</b>
Long-term Borrowings	7	30,245,588	145,563,600
Lease Liabilities	7	30,968,249	11,883,873
Long-term Provisions		21,376,652	12,416,952
<i>Related to Employee Benefits</i>	22b	21,376,652	12,416,952
Deferred Tax Liability	32	18,889,920	11,898,741
<b>EQUITY</b>			
<b>Equity</b>		<b>1,412,165,209</b>	<b>772,434,441</b>
Paid-in Capital	24a	860,000,000	227,571,100
Effect of Mergers Involving Entities or Businesses Under Common Control		(8,764,014)	83,235,986
Share Issue Premium / (Discounts)	24a	5,203,762	2,256,362
Accumulated Other Comprehensive Income (Expenses) to be Reclassified in Profit or Loss		16,381,837	8,541,316
<i>- Hedging Gains (Losses)</i>		16,381,837	8,541,316
Accumulated Other Comprehensive Income (Expenses) not to be Reclassified in Profit or Loss		(7,685,734)	(2,871,565)
<i>- Remeasurement Losses of Defined Benefit Plans</i>	24c	(7,685,734)	(2,871,565)
Restricted Reserves Appropriated from Profit	24b	46,485,140	38,087,444
Prior Years' Profit/Losses		174,787,202	235,115,190
Net Profit/Loss for the Period		325,757,016	180,498,608
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>4,625,815,878</b>	<b>2,119,555,156</b>

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

# HEKTAŞ GROUP

## AUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2021

(All amounts are indicated in Turkish Lira ("TL").)

		Current Period	Prior Period
		Audited	Audited
			Restated
			(Note 2.4)
	Notes	1 January- 31 December 2021	1 January- 31 December 2020
<b>PROFIT OR LOSS</b>			
Revenue	25a	2,020,718,336	1,013,719,129
Cost of Sales (-)	25b	(1,312,393,367)	(662,405,526)
<b>GROSS PROFIT/LOSS</b>		<b>708,324,969</b>	<b>351,313,603</b>
General Administrative Expenses (-)	26b	(79,282,890)	(46,824,354)
Marketing Expenses (-)	26a	(87,330,503)	(50,758,497)
Research and Development Expenses (-)	26c	(31,274,904)	(18,269,154)
Other Operating Income	28	5,016,538	3,962,665
Other Operating Expenses (-)	29	(86,011,169)	(8,110,152)
<b>OPERATING PROFIT/LOSS</b>		<b>429,442,041</b>	<b>231,314,111</b>
Income from Investing Activities	30a	2,578,830	1,979,252
Expenses from Investing Activities (-)	30b	(181,144)	(386,217)
<b>OPERATING PROFIT/LOSS BEFORE FINANCE EXPENSE</b>		<b>431,839,727</b>	<b>232,907,146</b>
Finance Income (+)	31a	126,884,880	12,555,878
Finance Expense (-)	31b	(224,394,384)	(94,803,259)
<b>PROFIT/LOSS OF CONTINUING OPERATIONS BEFORE TAX</b>		<b>334,330,223</b>	<b>150,659,765</b>
<b>Tax (Expense) / Income from Continuing Operations</b>		<b>(8,573,207)</b>	<b>29,838,843</b>
Tax Expense for the Period	32	(4,438,104)	(227,555)
Deferred Tax (Expense) / Income	32	(4,135,103)	30,066,398
<b>PROFIT/LOSS FOR THE PERIOD</b>		<b>325,757,016</b>	<b>180,498,608</b>
<b>Earnings per share</b>			
A Hundred Ordinary Stock (TL)	33	<b>0.48</b>	<b>0.39</b>
<b>OTHER COMPREHENSIVE INCOME / (EXPENSE):</b>			
<b>Items That will not be Reclassified Subsequently to Profit or Loss:</b>		<b>(4,814,169)</b>	<b>(299,815)</b>
Remeasurement Gains/Losses of Defined Benefit Plans	22b	(6,017,711)	(374,769)
Remeasurement Gains (Losses) of Defined Benefit Plans, Tax Effect		1,203,542	74,954
<b>Items That will be Reclassified Subsequently to Profit or Loss</b>		<b>7,840,521</b>	<b>8,541,316</b>
Other comprehensive income related to cash flow hedging reserve		10,598,468	10,676,645
Tax Effect of Other comprehensive income related to cash flow hedging reserve		(2,757,947)	(2,135,329)
<b>OTHER COMPREHENSIVE INCOME / (EXPENSE)</b>		<b>3,026,352</b>	<b>8,241,501</b>
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>328,783,368</b>	<b>188,740,109</b>

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

## HEKTAŞ GROUP

### AUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2021

(All amounts are indicated in Turkish Lira (“TL”).)

				Accumulated Other Comprehensive Income and Expenses that will not be Reclassified to Profit or Loss	Accumulated Other Comprehensive Income and Expenses that will be Reclassified to Profit or Loss				
	Paid-in Capital	Effect of Mergers Involving Entities or Businesses Under Common Control	Share Issue Premiums / Discounts	Accumulated Remeasurement Gains/Losses of Defined Benefit Plans	Hedging Profit/Loss	Restricted Reserves Appropriated from Profit	Prior Years' Profit / Losses	Net Profit / Loss for the Period	Total Equity
<b>Balances as of 1 January 2020</b>	<b>227,571,100</b>	-	<b>2,256,362</b>	<b>(2,571,750)</b>	-	<b>30,759,303</b>	<b>103,784,236</b>	<b>145,571,250</b>	<b>507,370,501</b>
Transfers	-	-	-	-	-	7,328,141	138,243,109	(145,571,250)	-
Total Comprehensive Income / (Expense)	-	-	-	(299,815)	8,541,316	-	-	188,330,967	196,572,468
Effect of Mergers Involving Entities or Businesses Under Common Control	-	-	-	-	-	-	-	-	-
Dividends	-	-	-	-	-	-	(6,912,155)	-	(6,912,155)
<b>Balances as of 31 December 2020 (Previously reported)</b>	<b>227,571,100</b>	-	<b>2,256,362</b>	<b>(2,871,565)</b>	<b>8,541,316</b>	<b>38,087,444</b>	<b>235,115,190</b>	<b>188,330,967</b>	<b>697,030,814</b>
Total Comprehensive Income / (Expense)	-	-	-	-	-	-	-	(7,832,359)	(7,832,359)
Effect of Mergers Involving Entities or Businesses Under Common Control	-	83,235,986	-	-	-	-	-	-	83,235,986
<b>Balances as of 31 December 2020 (Restated Note 2.4)</b>	<b>227,571,100</b>	<b>83,235,986</b>	<b>2,256,362</b>	<b>(2,871,565)</b>	<b>8,541,316</b>	<b>38,087,444</b>	<b>235,115,190</b>	<b>180,498,608</b>	<b>772,434,441</b>
<b>Balances as of 1 January 2021 (Restated Note 2.4)</b>	<b>227,571,100</b>	<b>83,235,986</b>	<b>2,256,362</b>	<b>(2,871,565)</b>	<b>8,541,316</b>	<b>38,087,444</b>	<b>235,115,190</b>	<b>180,498,608</b>	<b>772,434,441</b>
Transfers	-	-	-	-	-	8,397,696	172,100,912	(180,498,608)	-
Total Comprehensive Income / (Expense)	-	-	-	(4,814,169)	7,840,521	-	-	325,757,016	328,783,368
Effect of Mergers Involving Entities or Businesses Under Common Control	-	(92,000,000)	-	-	-	-	-	-	(92,000,000)
Capital Increase (*)	632,428,900	-	2,947,400	-	-	-	(232,428,900)	-	402,947,400
<b>Balances as of 31 December 2021</b>	<b>860,000,000</b>	<b>(8,764,014)</b>	<b>5,203,762</b>	<b>(7,685,734)</b>	<b>16,381,837</b>	<b>46,485,140</b>	<b>174,787,202</b>	<b>325,757,016</b>	<b>1,412,165,209</b>

(\*) In accordance with the decision about paid and unpaid capital increase of Board of Directors at the meeting numbered 63 dated 29 December 2020, issued capital amounting to TL 227,571,100, has been increased to TL 860,000,000 with an increase of TL 632,428,900 corresponding to an increase of 378 percent. TL 400,000,000 of the increase was paid and TL 232,428,899.86 was unpaid.

(\*\*) All of the shares of Arma whose main activity is production of veterinary medicines and wholly owned by the parent of the Company, were transferred on 28 July 2021 for a consideration of TL 92,000,000.

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

# HEKTAŞ GROUP

## AUDITED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2021

(All amounts are indicated in Turkish Lira ("TL").)

		Current Period	Prior Period
		Audited	Audited
			Restated
			(Note 2.4)
		1 January- 31 December 2021	1 January- 31 December 2020
	Notes		
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		<b>(463,582,595)</b>	<b>(157,982,936)</b>
<b>Profit/Loss for the Period</b>		<b>325,757,016</b>	<b>180,498,608</b>
<b>Adjustments Related to Reconciliation of Net Profit/Loss of the Period</b>		<b>245,201,918</b>	<b>86,773,275</b>
Adjustments Related to Depreciation and Amortization Expense	25b-26-30b	48,900,232	27,135,734
Adjustments Related to Impairment (Reversal)		453,636	(237,943)
- Adjustments Related to Impairment of Receivables	8a	145,915	838,190
- Adjustments Related to Impairment of Inventories	13	307,721	(1,076,133)
Adjustments Related to Provisions		6,598,424	4,036,172
- Provisions Related to Employee Benefits	22	6,706,031	3,829,419
- Legal Provision / (Reversal)	22a	(107,607)	206,753
Adjustments Related to Interest (Income)/Expenses		187,986,459	86,293,696
- Adjustments Related to Interest Income	31a	(16,468,467)	(2,507,809)
- Adjustments Related to Interest Expenses	31b	204,454,926	88,801,505
Adjustments Related to Fair Value Loss/Gains		(5,676,260)	485,728
- Adjustments Related to Fair Value Losses / (Gains) of Derivative Financial Instruments	31	(5,676,260)	485,728
Adjustments Related to Tax Expense	32	8,573,207	(29,838,843)
Adjustments Related to Loss/Gains on Disposal of Non-Current Assets	30	(1,633,780)	(1,101,269)
<b>Changes in working capital</b>		<b>(1,047,910,148)</b>	<b>(426,300,645)</b>
Adjustments Related to Increase/Decrease in Trade Receivables		(911,591,213)	(284,324,691)
Adjustments Related to the Increase / Decrease in Other Receivables Related to Operations		(23,491,386)	(104,490,376)
Adjustments Related to Increase/Decrease in Inventories		(729,854,458)	(155,228,428)
Adjustments Related to Increase/Decrease in Trade Payables		594,861,681	127,667,271
Adjustments Related to Increase / Decrease in Payables Related to Employee Benefits		23,776,138	5,278,878
Adjustments Related to Increase/Decrease in Other Payables Related to Operations		(1,610,910)	(15,203,299)
<b>Cash Flows Provided by Operations</b>		<b>13,368,619</b>	<b>1,045,826</b>
Interest Received		16,468,467	2,507,809
Payments Related to Provisions for Employee Benefits	22	(2,110,787)	(918,546)
Collections from Doubtful Receivables	8a	90,862	40,049
Tax Payments / Returns	32	(1,079,923)	(583,486)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		<b>(743,189,254)</b>	<b>(243,787,872)</b>
Cash Outflows for the Purchase of Shares of Other Businesses or Funds or Debt Instruments	3	(92,000,000)	(57,860,398)
Cash Inflows from Sales of Property, Plant and Equipment and Intangible Assets		2,781,037	1,649,746
- Cash Inflows from Sale of Property, Plant and Equipment	14a-30	2,745,444	1,606,135
- Cash Inflows from Sale of Intangible Assets	16	35,593	43,611
Cash Outflows from the Purchase of Property, Plant and Equipment and Intangible Assets		(633,263,980)	(219,272,953)
- Cash Outflows from the Purchase of Property, Plant and Equipment	14	(586,458,078)	(217,080,038)
- Cash Outflows from the Purchase of Intangible Assets	16	(46,805,902)	(2,192,915)
Cash Outflows from the Purchase of Investment Properties	17	-	(1,054,535)
Advances given in cash	11	(20,706,311)	-
Other Cash Inflows / Outflows		-	32,750,268
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		<b>1,227,497,532</b>	<b>300,425,211</b>
Cash Inflows from Borrowings	7	2,270,685,395	756,722,422
Cash Outflows Related to Payments of Borrowings	7	(1,173,816,209)	(371,378,548)
Interest Paid	7	(253,590,720)	(71,830,588)
Cash Outflows Related to Debt Payments Arising from Lease Contracts	7	(17,831,393)	(11,944,107)
Paid Capital Increase		402,947,400	-
Dividends Paid (*)		(896,941)	(1,143,968)
<b>NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS</b>		<b>20,725,683</b>	<b>(101,345,597)</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>	<b>4</b>	<b>75,595,472</b>	<b>176,941,069</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<b>4</b>	<b>96,321,155</b>	<b>75,595,472</b>

(\*) The payment consists of payments of prior year dividends.

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

## HEKTAŞ GROUP

### NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2021 AND FOR THE PERIOD THEN ENDED (All amounts are indicated in Turkish Lira ("TL").)

#### 1. ORGANIZATION AND OPERATIONS OF THE GROUP

Hektaş was established for the purpose of producing, importing, and marketing agricultural and veterinary medicines upon registration and entry in the trade registry in 1956. The main field of activity of the Company is the production, import and marketing of agricultural and veterinary pesticides and fertilizers. The main shareholder of the Company is the Turkish Armed Forces Pension Fund ("OYAK") which owns 58.8 per cent of the Company's shares. OYAK is an institution with legal personality, which is financially and administratively autonomous and subject to the provisions of private law, which was founded pursuant to the law no. 205 on 1 March 1961. As the "solidarity and pension fund" of the members of the Turkish Armed Forces ("TSK"), OYAK provides various services and benefits to its members in line with the social security approach envisaged by the constitution. OYAK has direct and indirect subsidiaries and associates operating in industry, finance and service sectors. Detailed information about OYAK is available on its official web site at the address ([www.oyak.com.tr](http://www.oyak.com.tr)).

These consolidated financial statements include the Company and its subsidiaries. The Company and its subsidiaries will hereinafter be referred to as "the Group" or "Hektaş Group" collectively.

The Company acquired 100% of FNC Tarım Ticaret ve Sanayi Anonim Şirketi'nin ("FNC") on 29 November 2017 at a price of Turkish Lira ("TL") 14,117,000 (US Dollar 3,600,000) and started consolidating FNC within the scope of the consolidation based on its financial statements dated 30 September 2017.

The main field of activity of FNC is the production, import and marketing of agricultural pesticides. FNC is headquartered in the district of Bor in Niğde and has a capital of TL 3,000,000.

FNC's title was changed as 'Ferbis Tarım Ticaret ve Sanayi Anonim Şirketi' ("Ferbis") as declared in the Trade Registry Gazette dated 7 July 2020 and by the Extraordinary General Assembly dated 30 June 2020.

On 22 February 2019, the Company acquired 100 per cent of Akça Tohumculuk Arge Sanayi ve Dış Ticaret Anonim Şirketi ("Akça") at a price of TL 25,150,000 and started consolidating Akça within the scope of consolidation based on its financial statements as of 31 January 2019.

Akça's main field of activity is to engage in all kinds of seed production and development activities and to set up green houses and specially equipped areas for this purpose. Akça's headquarters are located in Antalya Technocity.

Akça's title was changed as 'Areo Tohumculuk Arge Sanayi ve Dış Ticaret Anonim Şirketi' ("Areo") as declared in the Trade Registry Gazette dated 6 October 2020 and by the Extraordinary General Assembly dated 25 September 2020. Areo has a capital amounting to TL 45,750,000.

On 9 June 2020, the Company acquired 100 per cent of Sunset Kimya Tarım Ürünleri ve Aletleri İmalat Pazarlama Sanayi ve Ticaret Anonim Şirketi ("Sunset") at a price of TL 65,000,000 and started consolidating Sunset within the scope of consolidation based on its financial statements as of 30 May 2020.

Sunset's main field of activity is the wholesale and retail trade, production, import and export and domestic and international marketing of all kinds of agricultural pesticides. Sunset is headquartered in the central district of Adana. Its capital is amounting to TL 2,000,000.

Arma İlaç Sanayi ve Ticaret A.Ş. ("Arma") was acquired by OYAK Group as of 6 May 2020. All of the shares of Arma whose main activity is production of veterinary medicines and wholly owned by the parent of the Company, were transferred on 28 July 2021 for a consideration of TL 92,000,000. The headquarters of Arma is in the Sincan district of Ankara. Its capital is amounting to TL 43,000,000.

Within our Company's registered capital ceiling of TL 1,000,000,000, the paid-in capital of TL 227,571,100.14 increased to TL 860,000,000 by increasing TL 400,000,000 with a bonus issue of TL 232,428,899.86 and was registered on 21 June 2021 by the Gebze Trade Registry Office. After the capital increase, the share of the main shareholder Ordu Yardımlaşma Kurumu increased to 58.8 percent from 53.8 percent.

The capital structure of Hektaş as of the relevant reporting dates is given in Note 24.

The Company's shares have been quoted on Borsa İstanbul ("BIST") since 1986. The Group's main shareholder and ultimate controlling party is OYAK.

As of 31 December 2021, the number of employees of the Group is 665 in total, 241 of them being blue-collar and 424 being white-collar (31 December 2020: 529 employees).

The Company carries out its activities at its headquarters located in Gebze Organize Sanayi Bölgesi, İhsandede Caddesi, 700. Sokak 41400 Gebze, Kocaeli.

## HEKTAŞ GROUP

### NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2021 AND FOR THE PERIOD THEN ENDED (All amounts are indicated in Turkish Lira ("TL").)

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

Details of the types and fields of activity of the Company's subsidiaries are as follows:

	Types and Subject of Activity
Takimsan Tarım Kimya Sanayi ve Ticaret Anonim Şirketi ("Takimsan")	Production, import and marketing of agricultural pesticides
Çantaş Çankırı Tuz Ürünleri Üretim ve Dağıtım Anonim Şirketi ("Çantaş")	Inactive
Ferbis	Production, import and marketing of agricultural pesticides
Areo	To carry out all kinds of seed production and development activities, to establish greenhouses and specially equipped areas
Sunset	Wholesale and retail trade of all kinds of agricultural pesticides, import and export, marketing in domestic and foreign markets
Arma	Production of veterinary drugs

#### 2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

##### 2.1 Basis of Presentation

###### Statement of Compliance with TFRS

The accompanying consolidated financial statements have been prepared in line with Capital Markets Board ("CMB"), Communiqué Serial: II, No. 14.1 on "Principles on Financial Reporting in Capital Market" ("the Communiqué"), promulgated in Official Gazette No. 28676 dated 13 June 2013. TFRSs include Standards and Interpretations published by POA under the names of Turkish Accounting Standards ("TAS"), Turkish Financial Reporting Standards, TAS Interpretations and TFRS Interpretations.

The consolidated financial statements are presented in accordance with TFRS Taxonomy developed based on the "Financial Statement Examples and User Guide" announced by the POA published in the Official Gazette dated 7 June 2019 and numbered 30794.

###### Approval of consolidated financial statements:

The consolidated financial statements were approved by the Board of Directors of Hektaş on 11 February 2022. The General Assembly of Hektaş has the right to amend and the related regulatory authorities have the right to demand the amendment of these consolidated financial statements.

###### Measurement Principles

The consolidated financial statements have been prepared at historical costs, except for the items measured at fair value differences, which are stated below:

-Derivative financial instruments at fair value through profit or loss, fixed assets of through business combinations.

The determination of historical cost is generally based on the fair value of the amount paid for the assets at the acquisition date. The consolidated financial statements have been prepared on the historical cost basis, less the effects of inflation ending on 31 December 2004.

Fair value measurement principles are explained in Note 2.5.

###### Reporting and Functional Currency

The consolidated financial statements are presented in TL, which is the functional currency of the Group. All financial information submitted in TL is presented in full, unless otherwise stated.

###### Adjustment of financial statements of hyperinflation periods

In accordance with the CMB's decision dated 17 March 2005 and numbered 11/367, for companies operating in Turkey and preparing financial statements in accordance with Turkish Financial Reporting Standards, the application of inflation accounting has been terminated as of 1 January 2005. Accordingly, as of 1 January 2005, the Standard No. 29 "Financial Reporting in Hyperinflationary Economies" ("TAS 29") has not been applied.

As per the announcement published by the Public Oversight, Accounting and Auditing Standards Authority ("POA") on 20 January 2022, since the cumulative change in the general purchasing power of the last three years has been 74.41% according to the Consumer Price Index ("CPI") rates, it has been stated that entities applying the Turkish Financial Reporting Standards ("TFRS") are not required to make any restatements in their financial statements for 2021 within the scope of TAS 29 "Financial Reporting in High Inflation Economies".

## HEKTAŞ GROUP

### NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2021 AND FOR THE PERIOD THEN ENDED (All amounts are indicated in Turkish Lira ("TL").)

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

##### 2.1 Basis of Presentation (cont'd)

###### Basis of Consolidation

###### Business Combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred on the acquisition is generally accounted for at fair value, as with the identifiable net assets purchased. The resulting goodwill is tested for impairment annually. The gain or loss from the bargain purchase is recognized immediately in profit or loss. Transaction costs other than those associated with the issuance of debt or equity securities that the Group incurs in connection with a business combination are expensed as incurred.

The purchase price does not include amounts related to closing existing relationships. These amounts are generally recognized in profit or loss.

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured, and settlement is accounted for within equity.

If the retained share-based payment rights (acquired rights) of employees of the acquired business for past service are replaced by a new share-based payment rights (renewal rights), all or a portion of the market-based measurement of the changed benefits is added to the acquisition cost under the business combination. This amount is determined to the extent that renewed rights are associated with pre-combination services and by comparing a market-based measure of renewal rights with a market-based measure of acquiree's rights.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period', which cannot exceed one year from the acquisition date, about facts and circumstances that existed at the acquisition date.

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

###### Business combinations under common control

Business combinations under common control transactions have been accounted by pooling of interest method, therefore no goodwill has been recognized due to these transactions. When applying pooling of interest method, the financial statements should be adjusted and presented comparatively starting from the beginning of the reporting period when the common control transaction was occurred, as if the businesses had always been combined. Pooling of interest method is applied from parent company perspective and financial statements are prepared in accordance with TFRS and all adjustments due to initial acquisition of the related entity are reflected. Differences in assets and liabilities resulting from combinations under common control transactions are presented under equity in the line item "Effect of Business Combination Under Common Control". Impact of this policy application on prior period consolidated financial statements are presented in Note 2.4

###### Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.



## HEKTAŞ GROUP

### NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2021 AND FOR THE PERIOD THEN ENDED (All amounts are indicated in Turkish Lira ("TL").)

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

##### 2.1 Basis of Presentation (cont'd)

###### Basis of Consolidation (cont'd)

###### Subsidiaries (cont'd)

As of 31 December 2021 and 2020, the details of the Company's subsidiaries and financial investments are as follows:

			The Group's share rate in capital and voting rate (%)	
Title of the Company	Location of activity	Functional currency	31 December 2021	31 December 2020
Subsidiaries				
Takimsan	Kocaeli	TL	99.78	99.78
Ferbis	Niğde	TL	100.00	100.00
Areo	Antalya	TL	100.00	100.00
Sunset	Niğde	TL	100.00	100.00
Arma(*)	Ankara	TL	100.00	100.00
Financial investments				
Çantaş	Çankırı	TL	0.37	0.37

(\*) Arma, which the Company transferred from its parent on 28 July 2021, has been presented in the accompanying consolidated financial statements by applying the pooling of interest method in line with the POA's policy decision numbered 75935942-050.01.04-[04/177] dated 11 October 2018 ("Principle Decision").

#### **Non-controlling interests**

Non-controlling interests are measured over the proportional amount of the net asset value of the subsidiary at the date of acquisition. Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as an equity transaction.

#### **Loss of control**

If the Group loses control over the subsidiary, it derecognises the assets and liabilities of the subsidiary, its non-controlling interests and the amounts under other equity related to the subsidiary. Any resulting gains or losses are recognized in profit or loss. The remaining interest in the previous subsidiary is measured at fair value as of the day of loss of control.

#### **Elimination transactions in consolidation**

During the preparation of the consolidated financial statements, intragroup balances, transactions and unrealized income and expenses arising from intragroup transactions are mutually eliminated. Unrealized income from transactions with investments accounted for using the equity method is written off in proportion to the Group's share in the investment. If there is no impairment, unrealized losses are written off in the same way as unrealized income.

#### 2.2 Changes in accounting estimates and errors

If the changes in accounting estimates are related with one period only, they are applied in the current period when the change is applied; if they are related with future periods, they are applied prospectively both in the period of change and in the future periods. Material accounting errors detected are executed retrospectively and the previous period's financial statements are restated.

The consolidated financial statements as at 31 December 2020 have been restated. Details are explained in Note 2.4.

## HEKTAŞ GROUP

### NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2021 AND FOR THE PERIOD THEN ENDED (All amounts are indicated in Turkish Lira ("TL").)

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

##### 2.3 Significant Changes Related to Current Period

Necessary actions have been taken by the Group management to minimize the possible effects of the ongoing COVID-19 on the Group's activities and financial status. The Group's production activities has not stopped during the pandemic.

While preparing its interim consolidated financial statements as at 31 December 2021, the Group evaluated the possible effects of the ongoing COVID19 outbreak on its consolidated financial statements and reviewed the estimates and assumptions used in the preparation of the consolidated financial statements. In this context, the Group has evaluated the possible impairments in the values of trade receivables, inventories, property, plant and equipment and investment properties in the consolidated financial statements as at 31 December 2021 and no impairment has been detected.

##### 2.4 Comparative Information and Restatement of Prior Periods' Financial Statements

The Group's consolidated financial statements are prepared in comparison with the previous period in order to allow the determination of financial status and performance trends. In order to comply with the submission of the condensed consolidated financial statements of the current period, the comparative information is reclassified, and material differences are disclosed, when deemed necessary.

As explained in Note 1, Arma was taken over from OYAK Group on 28 July 2021 for a consideration of TL 92,000,000. In this context, the previous period's consolidated financial statements have been restated in order to compare with the current year consolidated financial statements. As a result of this combination, the details of the consolidated financial statements that have been restated by applying the pooling of interest method are as follows:

	Previously Reported 31 December 2020	Elimination and Combination Effect (*)	Restated 31 December 2020
<b>ASSETS</b>			
<b>Current Assets</b>	<b>1,459,883,213</b>	<b>12,397,196</b>	<b>1,472,280,409</b>
Cash and Cash Equivalents	70,222,264	5,378,553	75,600,817
Trade Receivables	751,740,136	67,563	751,807,699
<i>From Related Parties</i>	<i>1,005,511</i>	<i>(339,234)</i>	<i>666,277</i>
<i>From Third Parties</i>	<i>750,734,625</i>	<i>406,797</i>	<i>751,141,422</i>
Other Receivables	22,024,438	-	22,024,438
<i>From Third Parties</i>	<i>22,024,438</i>	-	<i>22,024,438</i>
Derivative Instruments	48,868,820	-	48,868,820
Inventories	412,652,528	4,374,594	417,027,122
Prepaid Expenses	121,646,087	1,741,519	123,387,606
Current Tax Assets	583,486	-	583,486
Other Current Assets	32,145,454	834,967	32,980,421
<b>Non-Current Assets</b>	<b>573,775,431</b>	<b>73,499,316</b>	<b>647,274,747</b>
Other Receivables	446,428	3,258	449,686
Investment Properties	5,221,772	-	5,221,772
Property, Plant and Equipment	393,352,539	31,097,066	424,449,605
Intangible Assets	116,704,435	42,398,992	159,103,427
Goodwill	<i>69,369,257</i>	<i>36,950,435</i>	<i>106,319,692</i>
<i>Other</i>	<i>47,335,178</i>	<i>5,448,557</i>	<i>52,783,735</i>
Right-of-Use Assets	28,103,776	-	28,103,776
Deferred Tax Assets	29,946,481	-	29,946,481
<b>TOTAL ASSETS</b>	<b>2,033,658,644</b>	<b>85,896,512</b>	<b>2,119,555,156</b>

## HEKTAŞ GROUP

### NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2021 AND FOR THE PERIOD THEN ENDED (All amounts are indicated in Turkish Lira ("TL").)

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

#### 2.4 Comparative Information and Restatement of Prior Periods' Financial Statements (cont'd)

	Previously Reported 31 December 2020	Elimination and Combination Effect (*)	Restated 31 December 2020
<b>LIABILITIES</b>			
<b>Current Liabilities</b>	<b>1,161,648,716</b>	<b>3,708,833</b>	<b>1,165,357,549</b>
Short-term Borrowings	878,061,599	-	878,061,599
Lease Liabilities	16,398,374	-	16,398,374
Trade Payables	217,457,232	4,059,525	221,516,757
<i>To Related Parties</i>	<i>6,033,082</i>	-	<i>6,033,082</i>
<i>To Third Parties</i>	<i>211,424,150</i>	<i>4,059,525</i>	<i>215,483,675</i>
Payables Related to Employee Benefits	13,350,691	-	13,350,691
Other Liabilities	27,998,315	60,377	28,058,692
<i>To Related Parties</i>	<i>7,827,733</i>	-	<i>7,827,733</i>
<i>To Third Parties</i>	<i>20,170,582</i>	<i>60,377</i>	<i>20,230,959</i>
Derivative Instruments	485,728	-	485,728
Deferred Income	2,997,040	-	2,997,040
Current Tax Liability	227,555	-	227,555
Short-term Provisions	4,672,182	(411,069)	4,261,113
<i>Related to Employee Benefits</i>	<i>3,777,817</i>	<i>(1,255,129)</i>	<i>2,522,688</i>
<i>Other</i>	<i>894,365</i>	<i>844,060</i>	<i>1,738,425</i>
<b>Non-Current Liabilities</b>	<b>174,979,114</b>	<b>6,784,052</b>	<b>181,763,166</b>
Long-term Borrowings	145,563,600	-	145,563,600
Lease Liabilities	11,883,873	-	11,883,873
Long-term Provisions	11,161,823	1,255,129	12,416,952
<i>Related to Employee Benefits</i>	<i>11,161,823</i>	<i>1,255,129</i>	<i>12,416,952</i>
Deferred Tax Liability	6,369,818	5,528,923	11,898,741
<b>EQUITY</b>			
<b>Equity</b>	<b>697,030,814</b>	<b>75,403,627</b>	<b>772,434,441</b>
Paid-in Capital	227,571,100	-	227,571,100
Effect of Mergers Involving Entities or Businesses Under Common Control	-	83,235,986	83,235,986
Premiums/Discounts Regarding Shares	2,256,362	-	2,256,362
Accumulated Other Comprehensive Income/(Expenses) to be Reclassified in Profit or Loss	8,541,316	-	8,541,316
<i>- Hedging Profit (Loss)</i>	<i>8,541,316</i>	-	<i>8,541,316</i>
Accumulated Other Comprehensive Income/(Expenses) not to be Reclassified in Profit or Loss	(2,871,565)	-	(2,871,565)
<i>- Remeasurement Losses of Defined Benefit Plans</i>	<i>(2,871,565)</i>	-	<i>(2,871,565)</i>
Restricted Reserves Appropriated from Profit	38,087,444	-	38,087,444
Prior Years' Profit/Losses	235,115,190	-	235,115,190
Net Profit/Loss for the Period	188,330,967	(7,832,359)	180,498,608
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>2,033,658,644</b>	<b>85,896,512</b>	<b>2,119,555,156</b>

## HEKTAŞ GROUP

### NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2021 AND FOR THE PERIOD THEN ENDED (All amounts are indicated in Turkish Lira ("TL").)

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

#### 2.4 Comparative Information and Restatement of Prior Periods' Financial Statements (cont'd)

	Previously Reported 1 January 31 December 2020	Eliminaiton and Merger Effect (*)	Restated 1 January 31 December 2020
<b>PROFIT OR LOSS</b>			
Revenue	1,013,719,129	-	1,013,719,129
Cost of Sales (-)	(662,405,526)	-	(662,405,526)
<b>GROSS PROFIT/LOSS</b>	<b>351,313,603</b>	<b>-</b>	<b>351,313,603</b>
General Administrative Expenses (-)	(40,972,229)	(5,852,125)	(46,824,354)
Marketing Expenses (-)	(50,758,497)	-	(50,758,497)
Research and Development Expenses (-)	(18,269,154)	-	(18,269,154)
Other Operating Income	3,607,456	355,209	3,962,665
Other Operating Expenses (-)	(5,854,150)	(2,256,002)	(8,110,152)
<b>OPERATING PROFIT/LOSS</b>	<b>239,067,029</b>	<b>(7,752,918)</b>	<b>231,314,111</b>
Income from Investing Activities	1,979,252	-	1,979,252
Expenses from Investing Activities (-)	(386,217)	-	(386,217)
<b>OPERATING PROFIT/LOSS BEFORE FINANCE EXPENSE</b>	<b>240,660,064</b>	<b>(7,752,918)</b>	<b>232,907,146</b>
Finance Income (+)	12,300,346	255,532	12,555,878
Finance Expense (-)	(94,092,410)	(710,849)	(94,803,259)
<b>PROFIT/LOSS OF CONTINUING OPERATIONS BEFORE TAX</b>	<b>158,868,000</b>	<b>(8,208,235)</b>	<b>150,659,765</b>
<b>Tax Income from Continuing Operations</b>	<b>29,462,967</b>	<b>375,876</b>	<b>29,838,843</b>
Tax Expense for the Period	(227,555)	-	(227,555)
Deferred Tax Income	29,690,522	375,876	30,066,398
<b>PROFIT/LOSS FOR THE PERIOD</b>	<b>188,330,967</b>	<b>(7,832,359)</b>	<b>180,498,608</b>

(\*) Arma has been started to be consolidated in the accompanying financial statements of the Group after the takeover, and in the prior period's consolidated financial statements prepared by the pooling of interest method, for the comparability of the consolidated financial statements, it has been consolidated and its effects are presented in the "Elimination and merger effect" column.

## HEKTAŞ GROUP

### NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2021 AND FOR THE PERIOD THEN ENDED (All amounts are indicated in Turkish Lira ("TL").)

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

### 2.5 Summary of Significant Accounting Policies

#### New and Revised Turkish Financial Reporting Standards

##### a) Amendments that are mandatorily effective from 2021

#### **Amendments to TFRS 9, TAS 39, TFRS 7, TFRS 4 and TFRS 16 Interest Rate Benchmark Reform — Phase 2**

The amendments in Interest Rate Benchmark Reform — Phase 2 (Amendments to TFRS 9, TAS 39, TFRS 7, TFRS 4 and TFRS 16) introduce a practical expedient for modifications required by the reform, clarify that hedge accounting is not discontinued solely because of the IBOR reform, and introduce disclosures that allow users to understand the nature and extent of risks arising from the IBOR reform to which the entity is exposed to and how the entity manages those risks as well as the entity's progress in transitioning from IBORs to alternative benchmark rates, and how the entity is managing this transition.

The amendments to TFRS 9, TAS 39, TFRS 7, TFRS 4 and TFRS 16 are all effective for annual periods beginning on or after 1 January 2021. Early application is permitted.

The Group management assessed that the adoption of this amendment does not have any material effect on the Group's consolidated financial statements.

##### b) New and revised TFRSs in issue but not yet effective

The Group has not yet adopted the following standards and amendments and interpretations to the existing standards:

TFRS 17	<i>Insurance Contracts</i>
Amendments to TAS 1	<i>Classification of Liabilities as Current or Non-Current</i>
Amendments to TFRS 3	<i>Reference to the Conceptual Framework</i>
Amendments to TAS 16	<i>Property, Plant and Equipment – Proceeds before Intended Use</i>
Amendments to TAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract</i>
Annual Improvements to TFRS Standards 2018 – 2020	<i>Amendments to TFRS 1, TFRS 9 and TAS 41</i>
Amendments to TFRS 4	<i>Extension of the Temporary Exemption from Applying TFRS 9</i>
Amendments to TFRS 16	<i>Continuing Concessions in Rent Payments Related to COVID-19 After 30 June 2021</i>
Amendments to TAS 1	<i>Disclosure of Accounting Policies</i>
Amendments to TAS 8	<i>Definition of Accounting Estimates</i>
Amendments to TAS 12	<i>Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction</i>

#### **TFRS 17 Insurance Contracts**

TFRS 17 requires insurance liabilities to be measured at a current fulfillment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. TFRS 17 supersedes TFRS 4 Insurance Contracts as of 1 January 2023.

#### **Amendments to TAS 1 Classification of Liabilities as Current or Non-Current**

The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current.

Amendment defers the effective date by one year. Amendments to TAS 1 are effective for annual reporting periods beginning on or after 1 January 2023 and earlier application is permitted.

## HEKTAŞ GROUP

### NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2021 AND FOR THE PERIOD THEN ENDED (All amounts are indicated in Turkish Lira ("TL").)

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

##### 2.5 Summary of Significant Accounting Policies (cont'd)

###### New and Revised Turkish Financial Reporting Standards (cont'd)

###### b) New and revised TFRSs in issue but not yet effective (cont'd)

###### **Amendments to TFRS 3 *Reference to the Conceptual Framework***

The amendments update an outdated reference to the Conceptual Framework in TFRS 3 without significantly changing the requirements in the standard.

The amendments are effective for annual periods beginning on or after 1 January 2022. Early application is permitted if an entity also applies all other updated references (published together with the updated Conceptual Framework) at the same time or earlier.

###### **Amendments to TAS 16 *Property, Plant and Equipment - Proceeds before Intended Use***

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss.

The amendments are effective for annual periods beginning on or after 1 January 2022. Early application is permitted.

###### **Amendments to TAS 37 *Onerous Contracts - Cost of Fulfilling a Contract***

With the amendment in TAS 37, it is ensured that the estimated contract fulfillment costs consist of both the variable costs incurred to fulfill the contract and the amounts distributed from other costs directly related to the fulfillment of the contract in order to determine whether the contract is an economically disadvantaged contract.

The amendments are effective for annual periods beginning on or after 1 January 2022. Early application is permitted.

###### **Annual Improvements to TFRS Standards 2018 - 2020**

###### Amendments to TFRS 1 *First Time Adoption of Turkish Financial Reporting Standards*

The amendment permits a subsidiary that applies paragraph D16(a) of TFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to TFRSs.

###### Amendments to TFRS 9 *Financial Instruments*

The amendment clarifies which fees an entity includes in assessing whether to derecognize a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.

###### Amendments to TAS 41 *Agriculture*

The amendment removes the requirement in paragraph 22 of TAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique. This will ensure consistency with the requirements in TFRS 13.

The amendments to TFRS 1, TFRS 9, and TAS 41 are all effective for annual periods beginning on or after 1 January 2022. Early application is permitted.

###### **Amendments to TFRS 4 *Extension of the Temporary Exemption from Applying TFRS 9***

The amendment changes the fixed expiry date for the temporary exemption in TFRS 4 Insurance Contracts from applying TFRS 9 Financial Instruments, so that entities would be required to apply TFRS 9 for annual periods beginning on or after 1 January 2023.

## HEKTAŞ GROUP

### NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2021 AND FOR THE PERIOD THEN ENDED (All amounts are indicated in Turkish Lira (“TL”).)

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

##### 2.5 Summary of Significant Accounting Policies (cont’d)

###### New and Revised Turkish Financial Reporting Standards (cont’d)

###### b) New and revised TFRSs in issue but not yet effective (cont’d)

###### ***Amendments to TFRS 16 COVID-19 Related Rent Concessions beyond 30 June 2021***

Public Oversight Accounting and Auditing Standards Authority (“KGK”) published COVID-19 Continuing Concessions on Lease Payments After 30 June 2021 – Changes Related to TFRS 16, published in June 2020, extending the exemption for tenants from determining whether certain concessions in lease payments due to COVID-19 should not determine whether a lease has changed or not.

On issuance, the practical expedient was limited to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2021. Since lessors continue to grant COVID-19 related rent concessions to lessees and since the effects of the COVID-19 pandemic are ongoing and significant, the POA decided to extend the time period one year which the practical expedient is available for use.

This new change will be applied by tenants for annual accounting periods beginning on or after 1 April 2021, but early application is permitted.

###### ***Amendments to TAS 1 Disclosure of Accounting Policies***

The amendments require that an entity discloses its material accounting policies, instead of its significant accounting policies.

Amendments to TAS 1 are effective for annual reporting periods beginning on or after 1 January 2023 and earlier application is permitted.

###### ***Amendments to TAS 8 Definition of Accounting Estimates***

With this amendment, the definition of “a change in accounting estimates” has been replaced with the definition of “an accounting estimate”, sample and explanatory paragraphs regarding estimates have been added, and the differences between application of an estimate prospectively and correction of errors retrospectively have been clarified.

Amendments to TAS 8 are effective for annual reporting periods beginning on or after 1 January 2023 and earlier application is permitted.

###### ***Amendments to TAS 12 Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction***

The amendments clarify that the initial recognition exemption does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition.

Amendments to TAS 12 are effective for annual reporting periods beginning on or after 1 January 2023 and earlier application is permitted.

The Group evaluates the effects of these standards, amendments and improvements on the consolidated financial statements.

## HEKTAŞ GROUP

### NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2021 AND FOR THE PERIOD THEN ENDED (All amounts are indicated in Turkish Lira ("TL").)

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

##### 2.5 Summary of Significant Accounting Policies (cont'd)

###### **Inventories**

Inventories are valued at the lower of cost or net realizable value. Costs, including some of the fixed and variable general production expenses, are valued according to the method appropriate to the class of the inventories and mostly according to the weighted average cost method. The net realizable value is the value of an asset that can be realized by a company or entity upon the sale of the asset, less a reasonable prediction of the costs associated with either the eventual sale or the disposal of the asset in question. When the net realizable value of the inventories is less than its cost, inventories reduced to its net realizable value and the irrecoverable amount is charged as an expense in the year when the write-down incurred. If the circumstances that caused the write-down cease to exist or if there is clear evidence that the net realizable value has increased because of change in economic circumstances, the write down is reversed to that extent. The reversal amount is limited to the amount of the original write-down.

###### **Segment Reporting**

The Group's operations are defined as the geographic operating segment. However, considering the nature of the products and production processes, the type of customers for their products and services, and the methods they use to distribute their products or provide their services, the segments have been combined into a single operating segment with similar economic characteristics.

###### **Property, plant and equipment**

Property, plant and equipment are measured by deducting any accumulated depreciation and any impairment provisions from their cost values.

When the parts comprising, property, plant and equipment have different useful lives, they are accounted for as separate parts (significant parts) of the property, plant and equipment.

Gains or losses arising from the disposal of a property, plant and equipment are recognized in profit or loss.

Subsequent expenditures can only be capitalized in cases where it is possible to transfer the economic benefits that will arise as a result of these expenditures to the Group.

Property, plant and equipment are subject to depreciation as of the day these assets are completed and ready for use for assets that are currently available or built by the Group. Depreciation is calculated by the straight-line method over the estimated useful lives of these items, after deducting the estimated residual values from the costs of tangible fixed assets. Depreciation is usually recognized in profit or loss unless it is included in the carrying amount of another asset. Leased assets are depreciated over the shorter of the lease term and the useful life of the leased assets, if the Company will not take ownership of the leased asset with reasonable certainty at the end of the lease. Land is not depreciated.

The estimated useful lives of property, plant and equipment items in the current and comparative periods are as follows:

	<u>Useful Life</u>
Land improvements	4-50 years
Buildings	10-50 years
Plant, machinery and equipment	2-15 years
Vehicles	2-5 years
Furniture and fixtures	2-24 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted when necessary.

###### **Intangible assets**

###### Goodwill

Goodwill arising from the acquisition of subsidiaries is measured at cost less accumulated impairment losses.

###### Subsequent costs

Subsequent expenditures can only be capitalized in cases where it is possible to transfer the economic benefits that will arise as a result of these expenditures to the Group. All other expenses are recognized in profit or loss when incurred, including internally generated goodwill and trademarks.



## HEKTAŞ GROUP

### NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2021 AND FOR THE PERIOD THEN ENDED (All amounts are indicated in Turkish Lira ("TL").)

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

##### 2.5 Summary of Significant Accounting Policies (cont'd)

###### Intangible assets (cont'd)

###### Trademarks, licenses and drug registrations

Acquired trademarks, licenses and drug registrations are shown at historical cost. Trademarks, licenses and drug registrations have a finite useful life and are carried at cost less accumulated amortization. Amortization is calculated using the straight-line method to allocate the cost of acquired trademarks, licenses and drug registrations over their estimated useful lives (3 – 15 years).

###### Computer software

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized over their estimated useful lives (5 years).

###### Research and development

Expenditure on research activities is recognized as an expense in the period in which it is incurred.

An internally generated intangible asset arising from development (or from the development phase of an internal project) is recognized if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it,
- the ability to use or sell the intangible asset,
- how the intangible asset will generate probable future economic benefits
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development

The amount initially recognized for internally generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally generated intangible asset can be recognized, development expenditure is recognized in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally generated intangible assets are reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Amortization is calculated using the straight-line method over the estimated useful lives of items of intangible assets, less their estimated residual values, and is generally recognized in profit or loss. Goodwill is not subject to depreciation.

The amortization periods used for intangible assets are as follows:

	<u>Useful Life</u>
Rights	3-20 years
Other Intangible Assets	5 years
Leasehold Improvements	5 years

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted as necessary.

## HEKTAŞ GROUP

### NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2021 AND FOR THE PERIOD THEN ENDED (All amounts are indicated in Turkish Lira ("TL").)

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

##### 2.5 Summary of Significant Accounting Policies (cont'd)

###### Impairment of assets

###### *Non-financial assets*

At each reporting period, the Group reviews the carrying amounts of its non-financial assets (excluding investment property, inventories, contract assets and deferred tax assets) to determine if there are any indicators of impairment. If such an indicator exists, the asset's recoverable amount is estimated. Goodwill is tested for impairment annually.

For impairment testing, assets are grouped by the smallest group of assets generating cash inflows, regardless of continued use, cash inflows from other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or CGU groups that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGUs is the higher of its value in use and its fair value less costs of disposals. Value in use is based on estimated future cash flows discounted to present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset or CGU.

If the recoverable amount of an asset or CGU is less than its carrying amount, the carrying amount of that asset or CGU is reduced to its recoverable amount.

Impairment losses are recognized in profit or loss. It is distributed first, which will reduce the carrying amount of any goodwill distributed to the CGU, and then reduced by the carrying amount of the other assets in the CGU.

An impairment loss recognized for goodwill is not reversed. For other assets, an impairment loss is reversed only if the carrying amount of the asset, after deducting any impairment or amortization, does not exceed its determined carrying amount if no impairment has been identified.

###### Financial instruments and contractual assets

The Group recognizes a loss allowance for expected credit losses on the following items:

- Financial assets measured at amortized cost;

The Group measures the loss allowance at the amount equal to lifetime ECLs, as indicated below.

- Debt instruments determined to have low credit risk at the reporting date, and
- Other debt instruments and bank balances for which the credit risk (ie, the risk of default over the expected life of the financial instrument) has not increased significantly since initial recognition.

The Group has chosen lifetime ECLs in calculating the impairment of trade receivables and contract assets.

In determining whether a financial asset's credit risk has increased significantly since initial recognition and in estimating its ECLs, the Group considers reasonable and supportable information available without undue cost or effort regarding the estimation of expected credit losses, including the effects of expected prepayments. This information includes quantitative and qualitative information and analysis based on the Group's past experience of credit losses and forward-looking information.

## HEKTAŞ GROUP

### NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2021 AND FOR THE PERIOD THEN ENDED (All amounts are indicated in Turkish Lira ("TL").)

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

##### 2.5 Summary of Significant Accounting Policies (cont'd)

###### **Impairment of assets (cont'd)**

###### *Non-financial assets (cont'd)*

The Group assumes that the credit risk on a financial asset increases significantly when it is 360 days past due.

The Group considers a financial asset in default if:

- The debtor's failure to fully fulfill its loan obligation without resorting to actions such as the use of collateral (if any) by the Group, or
- The financial instrument is past due 360 days.

The Group considers bank balances to have low credit risk if they are equal to the international definition of risk assessments "investment grade".

Lifetime ECLs are expected credit losses arising from all possible default events over the expected life of the financial instrument.

The 12-month ECLs are the portion of the expected credit losses arising from possible default events on the financial instrument within 12 months of the reporting date.

The maximum period for which ECLs will be measured is the maximum contractual period for which the Group is exposed to credit risk.

###### *Measurement of ECLs*

ECLs are a probability-weighted estimate of credit losses. In other words, it is the credit losses that are measured on the present value of all the cash deficits (for example, the difference between the cash inflows to the entity and the cash flows expected by the entity to be collected based on the contract).

The cash deficit is the difference between the cash flows to be incurred and the cash flows expected to be received by the entity. As the amount and timing of payments are considered in expected credit losses, a credit loss occurs even if the entity expects to receive the full payment in the contract with the maturity specified in the contract.

ECLs are discounted at the effective interest rate of the financial asset.

###### *Credit impaired financial assets*

At the end of each reporting period, the Group assesses whether financial assets carried at amortised cost. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- breach of contract such as a default or being more than unexpected duration even after past due;
- the restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise
- it is probable that the borrower will enter bankruptcy or other financial reorganisation, or
- the disappearance of an active market for a security because of financial difficulties.

###### *Presentation of impairment*

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

###### *Write-off*

In the absence of reasonable expectations of a partial or full recovery of a financial asset's value, an entity writes-off the gross carrying amount of the financial asset directly. A write-off is a cause for derecognition.

## HEKTAŞ GROUP

### NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2021 AND FOR THE PERIOD THEN ENDED (All amounts are indicated in Turkish Lira ("TL").)

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

##### 2.5 Summary of Significant Accounting Policies (cont'd)

###### Investment properties

Property held by the Group to earn rental income or for capital appreciation and not used by the Group is classified as investment property. Investment properties consist of land, buildings, and land improvements. Investment properties are presented at over their cost after deducting depreciation expenses and impairment losses, if any, from their acquisition costs. Buildings and land improvements are depreciated over their expected useful life (50 years) using the straight-line method. Investment properties are derecognised if they are disposed of or are completely out of use and no future economic benefits are expected from disposal. Income or loss resulting from the disuse or disposal of investment property is shown in the profit or loss statement of that year.

###### Foreign currency transactions

Transactions in foreign currency are translated into TL at the exchange rate on the date of the transaction.

Monetary assets and liabilities in foreign currencies are translated into functional currency at the exchange rates at the end of the reporting period. Currency differences on reversion are generally recognized in profit or loss. Non-monetary items measured at historical cost in a foreign currency are translated at the exchange rate at the date of the transaction.

Date	TL/US Dollar	TL/Euro
31 December 2021	13.3290	15.0867
31 December 2020	7.3405	9.0079

###### Lease transactions

###### (i) As a lessee

At the actual commencement date of the lease or at the date of the change in the contract containing the lease component, the Group allocates to each lease component based on the relative stand-alone price of the lease component and the total stand-alone price of the non-lease components.

The Group has chosen not to separate the non-lease components from the lease components, but instead to account for each lease component and its associated non-lease components as a single lease component.

The Group has reflected right-of-use assets and lease liabilities in its financial statements at the commencement date of the lease. The initial measurement of the liability for the cost of the right-of-use asset consists of all lease payments made at or before the commencement of the lease, less any lease incentives received, plus all initial direct costs and disassembly and relocation of the asset, estimated future costs of restoring the site in which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

If the lease transfers ownership of the underlying asset to the lessee at the end of the lease term, or if the cost of the right-of-use asset indicates that the lessee will exercise a call option, the right-of-use asset is depreciated from the date the lease actually began to the end of the useful life of the underlying asset. In other cases, the right-of-use asset is depreciated over the shorter of the asset's useful life or the lease term, starting from the date the lease actually commenced. In addition, the value of the right-of-use asset is periodically reduced, less any impairment losses, and adjusted for remeasurement of the lease liability.

At the commencement date of the lease, the lease liability is measured at the present value of the lease payments not paid at that date. Lease payments are discounted using that rate if the implied interest rate on the lease can be easily determined. If this rate cannot be easily determined, the Group's alternative borrowing interest rate is used.

The Group determines the alternative borrowing interest rate by taking into account the interest rates it will pay for the debts to be used from various external financing sources and makes some adjustments to reflect the lease terms and the type of the leased asset.

## HEKTAŞ GROUP

### NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2021 AND FOR THE PERIOD THEN ENDED (All amounts are indicated in Turkish Lira ("TL").)

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

##### 2.5 Summary of Significant Accounting Policies (cont'd)

###### Lease transactions (cont'd)

###### (i) As a lessee (cont'd)

The lease payments included in the measurement of the lease liability consist of:

- Fixed payments (including fixed payments in substance);
- Variable lease payments based on an index or rate, initially measured using an index or rate at the commencement date of the lease;
- Amounts expected to be paid by the lessee under residual value commitments;
- Payment of termination penalties if the exercise price and lease term of the option indicate that the Group will exercise an option to terminate the lease if there is reasonable confidence that the option to call will be exercised.

The lease liability is measured by discounting lease payments with a discount rate. The Group considers renewal, termination and purchase options if there is a change in these payments as a result of a change in an index or rate used to determine future lease payments and if there is a change in the amounts expected to be paid under the residual value commitment.

In case of re-measurement of the lease liability, it is reflected to the financial statements as an adjustment to the right-of-use asset according to the newly found debt amount. However, if the carrying amount of the right-of-use asset is reduced to zero and there is a further reduction in the measurement of the lease liability, the remaining remeasurement amount is recognized in profit or loss.

The Group presents right-of-use assets and lease liabilities that do not meet the definition of investment property in the statement of financial position as "Financial Liabilities".

###### Short-term leases and low value leases

The Group has chosen not to recognize right-of-use assets and lease liabilities for short-term leases of machinery with lease terms of 12 months or less, and leases of low-value assets, including IT equipment. The Group has recognized the lease payments related to these leases as an expense on a straight-line basis over the lease term.

###### (ii) As a lessor

For a contract with a lease component and one or more additional lease components or non-lease components, the Group allocates the contract price on the basis of the relative stand-alone price, at the inception of the contract or when the contract with a lease component is modified.

When the Group is a lessor, it classifies each of the leases as operating or finance leases.

To classify each lease, the Group makes an overall assessment of whether the lease essentially transfers all the risks and rewards of ownership of the asset. A lease is a finance lease when it transfers risks and rewards; otherwise, it is an operating lease. As part of this assessment, the Group considers certain other indicators, such as whether the lease term covers most of the economic life of the underlying asset.

If the lease includes a lease component and one or more additional lease components or non-lease components, the Group allocates the contract value by applying TFRS 15 Revenue from Contracts with Customers.

The Group applies the derecognition and impairment provisions in TFRS 9 to the net lease investment. The Group regularly reviews the estimated residual uncommitted values used in calculating the gross lease investment.

The Group reflects the lease payments obtained from operating leases to its financial statements on a straight-line basis as a part of 'other income'.

In general, accounting policies applied to the Group as a lessor in the comparative period are not different from TFRS 16, except for the classification of a sublease entered in the current reporting period resulting in a finance lease classification.

## HEKTAŞ GROUP

### NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2021 AND FOR THE PERIOD THEN ENDED (All amounts are indicated in Turkish Lira ("TL").)

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

##### 2.5 Summary of Significant Accounting Policies (cont'd)

###### Provisions, contingent liabilities and contingent assets

###### Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

###### Contingent assets and liabilities

Possible assets or obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity are treated as contingent assets or liabilities and the entity does not account anything in its financial statements.

Contingent liabilities are disclosed in the notes to the financial statements, except when the probability of an outflow of resources embodying economic benefits is remote. If the situation requiring resource transfer is probable, contingent liabilities are reflected in the financial statements. Contingent assets, on the other hand, are not reflected in the financial statements and are disclosed in the notes if they are likely to generate economic returns.

###### Income tax

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

Income tax expense represents the sum of the tax currently payable and deferred tax.

Income tax is recognized in profit or loss, except when associated with business combinations or directly in equity or other comprehensive income.

###### Current tax

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

###### Deferred tax

Deferred tax is calculated over the temporary differences between the book values of assets and liabilities in the financial statements and the values used in the tax base. Deferred tax is not recognized for temporary differences in the following cases:

- Temporary differences in the initial recognition of assets or liabilities resulting from a transaction that is not a business combination and does not affect either accounting profit or taxable profit or loss,
- Temporary differences related to investments in subsidiaries, associates and jointly controlled entities that are not likely to reverse in the foreseeable future and for which the Group has control over the reversal time, and
- Taxable temporary differences during the initial recognition of goodwill.

Deferred tax assets are recognized if it is probable that taxable profits will be sufficient to offset unused tax losses, tax benefits and deductible temporary differences in the future. Taxable profit is determined according to the business plans of each subsidiary in the Group. Deferred tax assets are reviewed at each reporting date and if it is probable that taxable profits will be generated in the future, deferred tax assets that have not been previously recognized are recognized, limited to these amounts.

The Group measures deferred tax liabilities and deferred tax assets in a manner consistent with the tax consequences of its expectations at the end of the reporting period regarding how its assets will recover or pay their liabilities. Deferred tax asset and deferred tax liability are offset only when certain conditions are met.

## HEKTAŞ GROUP

### NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2021 AND FOR THE PERIOD THEN ENDED (All amounts are indicated in Turkish Lira ("TL").)

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

##### 2.5 Summary of Significant Accounting Policies (cont'd)

###### Provisions for Employee Benefits

###### a) Provision for employment termination benefit

The provision for employment termination benefits represents the present value of the estimated total provision of the Group's future probable obligation arising from the retirement of the personnel in accordance with the Turkish Labor Law. According to Turkish Labor Law and other laws applicable in Turkey, the Group is obliged to pay employment termination benefits to all personnel in cases of termination of employment without due cause, call for military service, be retired or death upon the completion of a minimum one-year service. 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 other comprehensive income/expense.

###### b) Provision for seniority incentive bonus

The Group has a benefit paid to its personnel named as "Seniority Incentive Premium" who served over a definite year. The seniority incentive premium accrued in the financial statements represents the present value of the estimated total reserve of possible future liabilities.

###### c) Defined contribution plans

The Group is required to pay contributions to the Social Security Institution. The Group has no further payment obligations once the contributions have been paid. These contributions are recognized as an employee benefit expense when they are accrued.

###### d) Unused vacation

In accordance with Labor Law in Turkey it is obliged to pay for any reason claimed by the employee if the ending, but unused annual leave belonging fee gross salary at the date when the contract expires and contractual other interests him or rights to their owners over the total. Unused leave is the total undiscounted liability amount that all employees deserve but correspond to the days of leave they have not yet used as of the reporting date. Obligations arising from unused leave rights are accrued at the time they are entitled.

###### Revenue

Revenues are measured at the fair value of the amount of receivables collected or to be collected. Net sales are shown by deducting estimated and realized returns, discounts, commissions, turnover premiums and sales-related taxes from the sales amount of the goods.

TFRS 15 requires revenue recognition for all contracts with customers to follow the five-step approach to revenue recognition.

###### Step 1: Identifying the contract

A contract exists in accordance with TFRS 15 only if it is legally enforceable, the collection of the consideration is probable, the rights to goods and services and payment terms can be identified, the contract has commercial substance; and the contract is approved, and the parties are committed to their obligations.

If either contracts were negotiated as a single commercial package, or consideration in one contract depends on the other contract or goods or services (or some of the goods or services) are a single performance obligation the Group accounts the contracts as a single contract.

###### Step 2: Identifying the performance obligations

The Group determines a "performance obligation" as a unit of account for revenue recognition. The Group evaluates the goods or services promised in a contract with the customer and determines each commitment to the customer to transfer one of the following as a performance obligation:

- (a) a performance obligation either a good or service (or a bundle of good or services) that is distinct;
- (b) or a series of distinct goods or services that are substantially the same and have the same pattern of transfer to the customer.

## HEKTAŞ GROUP

### NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2021 AND FOR THE PERIOD THEN ENDED (All amounts are indicated in Turkish Lira ("TL").)

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

##### 2.5 Summary of Significant Accounting Policies (cont'd)

###### Revenue (cont'd)

###### Step 2: Identifying the performance obligations (cont'd)

The Group defines a good or service in the contract separately from other commitments in the contract and defines it as a different good or service if it enables the customer to benefit from the said good or service alone or in combination with other resources available for use. A contract may contain promises to deliver a series of distinct goods or services that are substantially the same. At contract inception, an entity determines whether the series of goods or services is a single performance obligation.

###### Step 3: Determine the transaction price

To determine the transaction price, the Group evaluates how much it expects to receive after fulfilling its contractual obligation. In making the assessment, it considers elements of variable amounts and whether the contract includes a significant financing component.

###### Significant financing component

The Group revises the promised amount of consideration for the effect of a significant financing component to the amount that reflects what the cash selling price of the promised good or service. As a practical expedient, the Group does not adjust the transaction price for the effects of a significant financing component if, at contract inception, the entity expects the period between customer payment and the transfer of goods or services to be one year or less. In cases where advance for the services are received and the payment scheme is broadly aligned with the Group's performance throughout the period, the Company concludes that the period between performance and payment is never more than 12 months, therefore the expedient is applied.

###### Variable consideration

The Group identifies items such as price concessions, incentives, performance bonuses, completion bonuses, price adjustment clauses, penalties, discounts, credits, or similar items may result in variable consideration if there is any in a customer contract.

###### Step 4: Allocating the transaction price to performance obligations

If distinct goods or services are delivered under a single arrangement, then the consideration is allocated based on relative stand-alone selling prices of the distinct goods or services (performance obligations). If directly observable stand-alone selling prices are not available, the total consideration in the service contracts is allocated based on their expected cost plus a margin.

###### Step 5: Recognition of revenue

The Group recognizes revenue over-time if any of the following conditions is met:

- The customer simultaneously receives and consumes the benefits as the entity performs, or
- The customer controls the asset as the entity creates or enhances it, or
- The Company's performance does not create an asset for which the entity has a use; and alternative there is a right to payment for performance to date.

For each performance obligation that is satisfied over time, an entity selects a single measure of progress, which depicts the transfer of control of the goods or services to the customer. The Group uses a method that measures the work performed reliably. The Group uses cost incurred to measure the progress towards to completion of the project where the input method is used and uses units transferred to measure the progress towards to completion of the project where the output method is used.

If a performance obligation is not satisfied over time, then the Group recognize revenue at the point in time at which it transfers control of the good or service to the customer.

The Group recognizes a provision in accordance with TAS 37 "Provisions, Contingent Liabilities and Contingent Assets" when the unavoidable costs of meeting the obligations under a contract exceed the economic benefits.



## HEKTAŞ GROUP

### NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2021 AND FOR THE PERIOD THEN ENDED (All amounts are indicated in Turkish Lira ("TL").)

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

##### 2.5 Summary of Significant Accounting Policies (cont'd)

###### Contract changes

If the Group commits to offer additional goods or services, it accepts the contract change as a separate contract. In case of the termination of the existing contract and the creation of a new contract, if the goods or services offered are different, they shall recognize the related changes. If the amendment to the contract does not create separate goods or services, the entity shall, with the first contract, recognize by combining additional goods or services as if it were a part of the initial contract.

###### Sales of goods

The transfer of the control of the products is realized with the invoice and revenue is recognized as revenue. For goods or services sold together as a package, revenue is recognized when the goods or services are considered to be of a different nature – for example, if the good or service is identifiable separately from other contractual commitments and the customer can benefit from the good or service alone or in combination with other readily available resources. The contract price is distributed to the goods and services that are evaluated as different in a package, on the basis of stand-alone sales prices. Stand-alone selling prices are determined on the basis of the list prices at which the Group sells these goods and services alone. Stand-alone selling prices for goods and services that are not stand-alone are estimated using the expected cost plus margin approach. The cost of products and services is recognized as an expense when the relevant revenue is recognized.

###### Related parties

a) A person or a close member of that person's family is related to the Group if that person:

- (i) has control or joint control over the Group,
- (ii) has significant influence over the Group,
- (iii) is a member of the key management personnel of the Group or of a parent of the Group.

(b) An entity is related to the Group if any of the following conditions exist:

- (i) the entity and the Group are members of the same group.
- (ii) the entity is an associate or joint venture of the other entity (or a member of a group of which the other entity is a member)
- (iii) both entities are joint ventures of the same third party.
- (iv) one of the entities is a joint venture of a third entity and the other entity is an associate of that third entity.
- (v) the entity, the Group, or an entity associated with the Group is a post-employment benefit plans for employees. If the Group itself has such a plan, the sponsoring employers are also related to the Group.
- (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 that entity (or of a parent of the entity).

A related party transaction is a transfer of resources, services, or obligations between related parties, regardless of whether a price is charged.

###### Earnings per share

Earnings per share disclosed in the statement of comprehensive income are determined by dividing net earnings by the weighted average number of shares that have been outstanding during the related period.

In Turkey, companies can increase their share capital by making a pro-rata distribution of shares ("bonus shares") to existing shareholders from retained earnings on equity items. Such kind of bonus shares are taken into consideration in the computation of earnings per share as issued share certificates. Therefore, the weighted average stock share, which is used in the calculation of earnings per share, is determined by retrospective application of bonus share issue.

###### Events after the reporting date

Events that occur after the reporting date and may affect the Group's position at the reporting date are reflected in the financial statements. Non-adjusting events are disclosed in the notes according to their materiality.

## HEKTAŞ GROUP

### NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2021 AND FOR THE PERIOD THEN ENDED (All amounts are indicated in Turkish Lira ("TL").)

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

##### 2.5 Summary of Significant Accounting Policies (cont'd)

###### Financial instruments

###### *i. Recognition and initial measurement*

The Group's trade receivables and debt instruments are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instrument.

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

###### *ii. Classification and subsequent measurement*

On initial recognition, a financial instrument is classified as specified; measured at amortized cost; those measured at fair value through other comprehensive income—investments in debt instruments, investments in equity instruments measured at fair values in other comprehensive income—or those measured at fair value through profit or loss.

After initial recognition, financial instruments are not reclassified unless the Group changes the business model used for the management of financial assets.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

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

- it is held within a business model whose objective is to hold assets to collect contractual cash flows and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

###### Financial assets – Business model assessment

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed, and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities, or expected cash outflows or realizing cash flows through the sale of the assets,
- how the performance of the portfolio is evaluated and reported to the Group's management,
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed,
- how managers of the business are compensated – e.g., whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

## HEKTAŞ GROUP

### NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2021 AND FOR THE PERIOD THEN ENDED (All amounts are indicated in Turkish Lira ("TL").)

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

##### 2.5 Summary of Significant Accounting Policies (cont'd)

###### Financial instruments (cont'd)

###### Financial assets - Assessment whether contractual cash flows are solely payments of principal and interest:

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows,
- terms that may adjust the contractual coupon rate, including variable rate features,
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g., non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract.

Additionally, for a financial asset acquired at a significant discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

###### Financial assets – Subsequent measurement and gains and losses

<b>Financial assets measured at amortized cost</b>	These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss. For derivatives defined as hedging instruments, see section (iii) below.
<b>Debt instruments measured at FVOCI</b>	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
<b>Equity instruments at FVOCI</b>	These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss.

###### Financial liabilities – Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortized cost or FVTPL.

## HEKTAŞ GROUP

### NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2021 AND FOR THE PERIOD THEN ENDED (All amounts are indicated in Turkish Lira ("TL").)

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

##### 2.5 Summary of Significant Accounting Policies (cont'd)

###### Financial instruments (cont'd)

###### (i) Derecognition

###### Financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognised in its statement of financial position but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

###### Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

###### (ii) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset, and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

###### (iii) Derivative financial instruments and hedge accounting

The Company holds derivative financial instruments to hedge its foreign currency and interest rate risk exposures. Embedded derivatives are separated from the host contract and accounted for separately if the host contract is not a financial asset and certain criteria are met.

Derivative instruments are initially recognized at their fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognised in profit or loss.

The Group designates certain derivatives as hedging instruments to hedge the variability in cash flows associated with highly probable forecast transactions arising from changes in foreign exchange rates and interest rates and certain derivatives and non-derivative financial liabilities as hedges of foreign exchange risk on a net investment in a foreign operation.

At the inception of the hedge relationship, the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. The Group also documents the economic relationship between the hedged item and the hedging instrument, including whether changes in the cash flows of the hedged item and the hedging instrument are expected to offset each other.

## HEKTAŞ GROUP

### NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2021 AND FOR THE PERIOD THEN ENDED (All amounts are indicated in Turkish Lira ("TL").)

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

##### 2.5 Summary of Significant Accounting Policies (cont'd)

###### Financial instruments (cont'd)

###### (iii) *Derivative financial instruments and hedge accounting (cont'd)*

###### Cash flow hedges

When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognised in OCI and accumulated in the hedging reserve. The ineffective portion of the change in the derivative's fair value is recognized directly in profit or loss. The effective portion of the change in the fair value of the derivative instrument determined on the present value basis from the inception of the hedging relationship recognized in other comprehensive income is limited to the cumulative effect of the change in the fair value of the hedging instrument.

The Group designates only the change in fair value of the spot element of forward exchange contracts as the hedging instrument in cash flow hedging relationships.

The change in fair value of the forward element of forward exchange contracts (forward points) is separately accounted for as a cost of hedging and recognised in a cost of hedging reserve within equity.

When the hedged forecast transaction subsequently results in the recognition of a non-financial item such as inventory, the amount accumulated in the hedging reserve and the cost of hedging reserve is included directly in the initial cost of the non-financial item when it is recognised.

For all other hedged forecast transactions, the amount accumulated in the hedging reserve and the cost of hedging reserve is reclassified to profit or loss in the same period or periods during which the hedged expected future cash flows affect profit or loss.

If the hedge no longer meets the criteria for hedge accounting or the hedging instrument is sold, expires, is terminated or is exercised, then hedge accounting is discontinued prospectively. When hedge accounting for cash flow hedges is discontinued, the amount that has been accumulated in the hedging reserve remains in equity until, for a hedge of a transaction resulting in the recognition of a non-financial item, it is included in the non-financial item's cost on its initial recognition or, for other cash flow hedges, it is reclassified to profit or loss in the same period or periods as the hedged expected future cash flows affect profit or loss.

If the hedged future cash flows are no longer expected to occur, then the amounts that have been accumulated in the hedging reserve and the cost of hedging reserve are immediately reclassified to profit or loss.

###### Capital

###### *Ordinary shares*

Transaction costs arising from equity transactions are accounted for as a deduction from the related equity item. Income taxes on distributions to shareholders of equity instruments and transaction costs arising from equity transactions are accounted for in accordance with TAS 12 Income Taxes.

###### **Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of the relevant qualifying asset, and other borrowing costs are recognized as an expense in the period in which they are incurred. As of 31 December 2021, the Group has capitalized finance expenses amounting to TL 66,161,591.

###### **Government grants**

The Group recognises an unconditional government grant in profit or loss when the grant becomes receivable. Other government grants related to assets are initially recognised as deferred income at fair value if there is reasonable assurance that they will be received and the Company will comply with the conditions associated with the grant; they are then recognised in profit or loss as other income on a systematic basis over the useful life of the asset.

Grants that compensate the Group for expenses incurred are recognised in profit or loss on a systematic basis in the periods in which the expenses are recognised.

## HEKTAŞ GROUP

### NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2021 AND FOR THE PERIOD THEN ENDED (All amounts are indicated in Turkish Lira ("TL").)

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

##### 2.5 Summary of Significant Accounting Policies (cont'd)

###### Finance income and cost

Financial income is comprised of bank deposit interest income, which is part of the cycle used for financing purposes, interest income from invested funds, receivables from related parties, foreign currency income on financial assets and liabilities (other than trade receivables and debts), and gains on derivative instruments recorded in profit or loss.

Financial expenses is comprised of interest expenses on bank loans, credit cards and letters of guarantee, commission expenses, exchange rate expenses on financial assets and liabilities (other than trade receivables and debts), and gains on derivative instruments recorded in profit or loss. Borrowing costs that cannot be matched with the acquisition, construction or production of an asset are recognized in profit or loss by using the effective interest rate.

Exchange rate incomes and expenses on financial assets and liabilities (other than trade receivables and debts) are reported separately in financing income or financing expenses according to the net position of the currency difference movements. Exchange rate difference and rediscount income on trade receivables and debts are reported in other income from operating activities, exchange rate difference and rediscount expenses are reported in other expenses from operating activities.

Interest income is calculated using the effective interest method. This income is calculated by applying the effective interest rate to the gross book value of the financial asset, except for:

(a) Financial assets with credit-impairment when purchased or created. For these types of financial assets, the entity applies the effective interest rate corrected according to credit to the amortized cost of the financial asset since it was first included in the financial statements.

(b) Financial assets that are not financial assets with credit-impairment when purchased or created, but subsequently become financial-impaired financial assets. For such financial assets, the entity applies the effective interest rate to the amortized cost of the asset in subsequent reporting periods.

An entity that calculates interest income by applying an effective interest method to the amortized cost of the financial asset in a reporting period, in the event that the credit risk in the financial instrument improves in a way that the financial asset is no longer deemed to be impaired as a credit-impairment, and this improvement can be attributed to an objectively occurring event (a debtor's credit rating increase) calculates the interest income in the next reporting periods by applying the effective interest rate to the gross book value.

Dividend income is recognized in profit or loss on the date the Group is entitled to receive payment.

###### Cash flow statement

In the statement of cash flows, cash flows are classified according to operating, investing and financing activities. The Group presents cash flows from operating activities using the indirect method, where net profit or loss is adjusted for the effects of non-cash transactions, accruals or deferrals of cash inflows and outflows related to past or future transactions, and items of income or expense related to investment or financing cash flows.

##### 2.6 Significant accounting judgments, estimates and assumptions

In the preparation of the consolidated financial statements, the Group Management makes assumptions and estimations that will affect the reported assets and liabilities, determine the possible liabilities and commitments as of the reporting date and the income and expense amounts as of the reporting period. Actual results may differ from estimates and assumptions. These estimations and assumptions are reviewed regularly, and when the need for correction arises, the corrections are reflected in the relevant period's operating result.

Considering the interpretations that may have a material effect on the amounts reflected in the consolidated financial statements and the main sources of the existing or future estimates at the reporting date, the important assumptions and assessments are presented below:

- a) Provisions for doubtful receivables reflect the amounts that the Group management believes will cover the future losses of the receivables that exist as of the reporting date but have the risk of being uncollectible within the current economic conditions. While evaluating whether the receivables are impaired or not, the past performance of the debtors other than the related parties and key customers, their credibility in the market, the guarantees received, their performance from the balance sheet date to the approval date of the financial statements and the renegotiated conditions are taken into account. As of the relevant reporting dates, the Group's provision for doubtful receivables is included in Note 8. Actual results may differ from assumptions.

## HEKTAŞ GROUP

### NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2021 AND FOR THE PERIOD THEN ENDED (All amounts are indicated in Turkish Lira ("TL").)

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

##### 2.6 Significant accounting judgements, estimates and assumptions (cont'd)

- b) The Group management made various assumptions in line with the experiences of the technical team, especially in determining the useful economic life of buildings and machinery.
- c) The amount of provisions for litigation, the probability of losing the relevant lawsuits and the probable consequences to be incurred in case of loss are determined through the estimations made by the Group Management in line with the opinions of the Group's Legal advisors (Note 22a).
- d) In the calculation of severance pay and severance incentive obligations, the Group makes various assumptions such as discount rate, inflation rate, real salary increase rate, possibility of voluntary resignation, etc. The assumptions used in the calculation of the liability are provided in detail in Note 22b.
- e) In the calculation of the provisions for the decline in the value of inventories, the Group makes various assumptions such as estimated sales price, estimated completion costs and the estimated costs required to perform sales (Note 13). Actual results may differ from the assumptions.
- f) The Group subjects the goodwill amount to impairment test every year. The recoverable amounts of cash generating units are determined based on the calculations of value in use. These calculations require the use of estimates (Note 18). The use value of the cash generating unit is calculated using the discounted cash flow method. Discounted cash flows are based on projections made in TL, which is the functional currency of the cash-generating unit. During the calculation of the projections, some assumptions and estimations have been used by the Group Management. If actual results differ from estimates, the attached consolidated financial statements may be affected.
- g) The Group recognizes deferred tax assets and liabilities for temporary timing differences arising from the differences between the legal financial statements and the financial statements prepared in accordance with TFRS. The Group's subsidiaries have 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. In the light of the data obtained, if the future taxable profit of the Group is not sufficient to cover all deferred tax assets, a provision is made for all and part of the deferred tax asset.
- h) The Group calculates the fair values of financial instruments that do not have an active market, using market data, using arm's-length similar transactions, taking the fair values of similar instruments as reference and discounted cash flow analysis (Note 6).
- i) As explained in Note 14, the Group capitalizes borrowing costs directly attributable to the purchase, construction or production of qualifying assets. The Group borrows for a general purpose, and where some of the funds are used to finance a qualifying asset, the amount of borrowing costs that can be capitalized is determined by a capitalization rate to be applied to the expenditures on the related asset. This capitalization rate is the weighted average of borrowing costs related to all borrowings of the Group during the relevant period, excluding borrowings for the purchase of qualifying assets.

#### 3. BUSINESS COMBINATIONS

##### Subsidiaries acquired

Group transferred all shares of Arma, which was acquired by its main shareholder OYAK as of 6 May 2020, on 28 July 2021 for a consideration of TL 92,000,000 and this transaction was accounted by pooling of interests method in line with the POA's policy decision on business combinations under common control. Due to this, in order to maintain comparability with the current year financial statements, prior period consolidated financial statements are restated as explained in Note 2.4. In line with POA's above mentioned policy decision, identifiable assets and liabilities due to initial acquisition by OYAK in line with TFRS 3 are also recognized by the transferor in the consolidated financial statements. Details about initial acquisition by OYAK is presented in the table below:

	Field of Activity	Acquisition Date	Share in Received Capital (%)	Consideration paid (Cash)
Arma (*)	Production of veterinary medicines	06 May 2020	100	50,485,985

(\*) Initial acquisition of OYAK ( main shareholder).

## HEKTAŞ GROUP

### NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2021 AND FOR THE PERIOD THEN ENDED (All amounts are indicated in Turkish Lira ("TL").)

#### 3. BUSINESS COMBINATIONS (cont'd)

##### Subsidiaries acquired (cont'd)

##### Assets and liabilities as of the date of acquisition

	<b>Total</b>
Cash and cash equivalents	268
Trade and other receivables	333,109
Inventories	2,412,449
Other current assets	904,565
<b>Current Assets</b>	<b>3,650,391</b>
Other receivables	3,235
Property, plant and equipment and investment properties	30,877,237
Intangible assets	6,734,879
<b>Non-Current Assets</b>	<b>37,615,351</b>
Trade and other payables	4,017,965
Financial liabilities	7,237,304
Deferred income	1,801,208
Payables related to employee benefits	527,662
<b>Current Liabilities</b>	<b>13,584,139</b>
Financial liabilities	8,241,254
Deferred tax liability	5,904,799
<b>Non-Current Liabilities</b>	<b>14,146,053</b>
<b>Net Asset Value</b>	<b>13,535,550</b>
<b>Goodwill arising at the time of acquisition</b>	
Amount paid in cash	50,485,985
Less: The value of the net assets of the acquired company	(13,535,550)
<b>Goodwill</b>	<b>36,950,435</b>

The Group acquired 100 percent of Sunset on 9 June 2020 and this transaction was accounted for using the purchase method. Within the scope of the purchase method accounting, the purchase price and the fair value of the purchased asset should be compared and the amount exceeding the fair value amount should be defined as goodwill. However, in cases where such purchasing method stages cannot be completed at the end of the reporting date at which the acquisition takes place, provisional amounts are reported for the items for which the Group accounting process could not be completed. These provisional reported amounts are adjusted for the measurement period of 1 year from the acquisition date, or an additional asset or liability is recognized to reflect new information about events and conditions that occurred at that date that may have an impact on the amounts recognized at the acquisition date. As of 31 December 2020, the amounts have been finalized.

	Field of Activity	Acquisition Date	Share in Received Capital (%)	Consideration paid (Cash)
Sunset	Wholesale and retail trade of all kinds of pesticides, production, import and export, marketing in domestic and foreign markets	9 June 2020	100	65,000,000



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#### 3. BUSINESS COMBINATIONS (cont'd)

##### Subsidiaries acquired (cont'd)

##### Assets and liabilities as of the date of acquisition

	<b>Total</b>
Cash and cash equivalents	3,048,705
Trade and other receivables	36,625,831
Inventories	146,562
Other current assets	1,643,872
<b>Current Assets</b>	<b>41,464,970</b>
Other receivables	146,037
Property, plant and equipment and investment properties	2,614,119
Intangible assets	1,714,617
Deferred tax asset	389,357
<b>Non-Current Assets</b>	<b>4,864,130</b>
Trade and other payables	12,842,135
Financial liabilities	14,364,390
Deferred income	4,441,071
Other current liabilities	209,010
<b>Current Liabilities</b>	<b>31,856,606</b>
Financial liabilities	1,839,787
Other non-current liabilities	360,939
<b>Non-Current Liabilities</b>	<b>2,200,726</b>
<b>Net Asset Value</b>	<b>12,271,768</b>

##### Goodwill arising at the time of acquisition

Total amount to be transferred	71,319,103
Less: The value of the net assets of the acquired company	(12,271,768)
<b>Goodwill</b>	<b>59,047,335</b>

##### Net amount paid on subsidiary purchase

Amount paid in cash	60,909,103
Less: Cash and cash equivalents of the acquired company	(3,048,705)
	<b>57,860,398</b>

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#### 4. CASH AND CASH EQUIVALENTS

	31 December 2021	31 December 2020
Cash	106,363	64,862
Cash at banks	84,212,763	67,268,610
<i>Demand deposits</i>	47,224,054	39,323,230
<i>Time deposits with a maturity of less than three months</i>	36,988,709	27,945,380
Other current assets (*)	12,372,149	8,267,345
Cash and cash equivalents in the consolidated statement of financial position	96,691,275	75,600,817
Less : interest accruals	(370,120)	(5,345)
Cash and cash equivalents according to the cash flow statements	96,321,155	75,595,472

(\*) Other cash and cash equivalents consist of checks and promissory notes and credit card receivables due as of 31 December 2021 and 2020.

As of 31 December 2021, the Group has no USD time deposits (As of 31 December 2020, the Group's USD time deposit amount is equivalent to TL 14,681,000, the interest rate is 3.25 percent and the maturity is less than 3 months).

As of 31 December 2021, the Group's TL time deposits amount to TL 36,988,709 and the interest rate is 16.50 and 26.00 (As of 31 December 2020, the Group's TL time deposits amount to TL 7,930,000, the interest rate is 12.00 percent and 19.00 (percent) and the maturity is less than 3 months).

#### 5. FINANCIAL INVESTMENTS

##### Financial investments designated at fair value through other comprehensive income:

Company Title	Share Rate %	31 December 2021	Share Rate %	31 December 2020
Çantaş	0.37	310,755	0.37	310,755
		310,755		310,755
Provision for impairment		(310,755)		(310,755)
		-		-

#### 6. DERIVATIVE INSTRUMENTS

	31 December 2021		31 December 2020	
	Asset	Liability	Asset	Liability
Derivative that are designated and effective as hedging instruments carried at fair value:				
<i>Cross currency swap contracts</i>	153,082,463	-	48,868,820	-
Held for trading derivatives that are not designated in hedge accounting relationship				
<i>Option loan contracts</i>	-	10,935,886	-	-
<i>Forward contracts</i>	282,628	-	-	-
<i>Swap contracts</i>	16,329,518	-	-	485,728
	169,694,609	10,935,886	48,868,820	485,728

Derivative instruments that are held for speculative purposes and that do not meet hedge accounting requirements are classified as "trading" and the fair value changes of these instruments are recognized in profit or loss.

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#### 6. DERIVATIVE INSTRUMENTS (cont'd)

As of 31 December 2021, the details of swap, option and forward transactions are as follows:

	Assets		Liabilities	
	Nominal Amount	Fair Value	Nominal Amount	Fair Value
Cross currency swap contracts				
EUR Collection / TL Payment	15,750,000	153,082,463	-	-
Option loan contracts				
TL Collection / USD Payment	-	-	3,147,895	10,935,886
Forward contracts				
USD Collection / TL Payment	1,000,000	282,628	-	-
Swap contracts				
USD Collection / TL Payment	20,000,000	16,329,518	-	-
		<u>169,694,609</u>		<u>10,935,886</u>

As of 31 December 2020, the details of swap transactions are as follows:

	Assets		Liabilities	
	Nominal Amount	Fair Value	Nominal Amount	Fair Value
Cross currency swap contracts				
EUR Collection / TL Payment	15,750,000	48,868,820	-	-
Interest rate swap contracts				
Faiz oranı swap sözleşmeleri	-	-	57,000,000	485,728
	<u>15,750,000</u>	<u>48,868,820</u>	<u>57,000,000</u>	<u>485,728</u>

#### 7. FINANCIAL LIABILITIES

	31 December 2021	31 December 2020
Short-Term Financial Liabilities		
Issued borrowing instruments	-	57,717,829
Bank loans	2,195,583,914	820,343,770
Lease liabilities	14,477,381	16,398,374
	<u>2,210,061,295</u>	<u>894,459,973</u>
Long-Term Financial Liabilities		
Bank loans	30,245,588	145,563,600
Lease liabilities	30,968,249	11,883,873
	<u>61,213,837</u>	<u>157,447,473</u>

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**7. FINANCIAL LIABILITIES (cont'd)****Short-Term Bank Loans:**

Currency	Weighted Average Interest Rate %	31 December 2021 Short-term
TL	19.06	1,991,913,464
EUR	3.00	203,670,450
		<u>2,195,583,914</u>
Currency	Weighted Average Interest Rate %	31 December 2020 Short-term
TL	10.90	818,091,795
EUR	3,00	2,251,975
		<u>820,343,770</u>

**Details of the Short-Term Debt Instruments Issued are as follows:**

Currency	Annual Simple Interest Rate %	31 December 2020 Short-term
TL	21.31	57,717,829
		<u>57,717,829</u>

**Details of Long-Term Bank Loans are as follows:**

Currency	Weighted Average Interest Rate %	31 December 2021 Long-term
TL	19.06	72,188
EUR	3.00	30,173,400
		<u>30,245,588</u>
Currency	Weighted Average Interest Rate %	31 December 2020 Long-term
TL	10.90	5,941,150
EUR	3.00	139,622,450
		<u>145,563,600</u>

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#### 7. FINANCIAL LIABILITIES (cont'd)

The maturities of lease liabilities are as follows:

	31 December 2021	31 December 2020
Payable in 1 year	14,477,381	16,398,374
Payable in 1-5 years	30,968,249	11,883,873
	<u>45,445,630</u>	<u>28,282,247</u>

The maturities of debt instruments and bank loans issued are as follows:

	31 December 2021	31 December 2020
Payable in 1 year	2,195,583,914	878,061,599
Payable in 1-2 years	30,245,588	127,547,800
Payable in 2-3 years	-	18,015,800
	<u>2,225,829,502</u>	<u>1,023,625,199</u>

As of 31 December, bank loans have spot, fixed and variable interest rates and it is assumed that their fair values and book values are close due to their short original maturities.

The reconciliation of liabilities arising from financing activities as of 1 January - 31 December 2021 and 2020 is as follows:

	31 December 2021	31 December 2020
<b>Financial liabilities as of 1 January</b>	<b>1,051,907,446</b>	<b>594,124,264</b>
Capital inflow within the period	2,270,685,395	756,722,422
Payments within the period	(1,191,647,602)	(383,322,655)
Non-cash movements	123,304,098	39,032,393
Interest expense	270,616,515	88,801,505
Paid interest expense	(253,590,720)	(71,830,588)
Effect of business combinations	-	12,175,928
Effect of common control combination	-	16,204,177
	<u>2,271,275,132</u>	<u>1,051,907,446</u>

(\*) Following the share transfer, Arma is started to be consolidated by pooling of interest method (Note 2.4).

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### NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2021 AND FOR THE PERIOD THEN ENDED (All amounts are indicated in Turkish Lira ("TL").)

#### 8. TRADE RECEIVABLES AND PAYABLES

##### a) Trade Receivables

Details of the Group's trade receivables as of 31 December 2021 and 2020 are as follows:

	31 December 2021	31 December 2020
Short-term trade receivables		
Trade receivables	884,455,365	475,908,410
Notes receivables	779,595,440	285,204,694
Trade receivables from related parties (Note 34)	523,890	666,277
Other trade receivables	235	9,258
Provision for doubtful trade receivables (-)	(10,035,993)	(9,980,940)
	<u>1,654,538,937</u>	<u>751,807,699</u>
Long-term trade receivables		
Notes receivables	8,623,198	-
	<u>8,623,198</u>	<u>-</u>

The aging of trade receivables as of 31 December 2021 and 2020 is as follows:

	31 December 2021	31 December 2020
Not overdue and impaired	1,622,628,635	711,367,359
Overdue for 1-30 days, not impaired	16,352,625	22,234,036
Overdue for 1-3 months, not impaired	12,995,947	17,469,398
Overdue for 3-12 months, not impaired	1,592,549	595,794
Overdue for 1-5 years, not impaired	9,592,379	141,112
	<u>1,663,162,135</u>	<u>751,807,699</u>

The Group evaluated the collateral status of the overdue receivables mentioned above, current financial situation of related customers and its collections after the reporting date and concluded that there is no impairment related with these receivables.

The average maturity applied by the Group for its sales is 215 days (31 December 2020: 210 days).

The provisions for doubtful receivables set aside for trade receivables were determined based on future expectations and historical collection experiences involving failure to collect receivables. The movement table of the provisions for doubtful trade receivables of the Group is as follows:

	1 January- 31 December 2021	1 January- 31 December 2020
Provision for doubtful receivables movements		
Opening balance	9,980,940	3,869,133
Charge for the period	145,915	838,190
Collections/reversed provisions	(90,862)	(40,049)
Effect of business combinations	-	5,313,666
Closing balance	<u>10,035,993</u>	<u>9,980,940</u>

Explanations on the nature and level of risks in trade receivables are given in Note 35.

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#### 8. TRADE RECEIVABLES AND PAYABLES (cont'd)

##### b) Trade Payables

Details of the Group's trade payables as of 31 December 2021 and 2020 are as follows:

	31 December 2021	31 December 2020
<u>Short-term trade payables</u>		
Trade payables (*)	799,929,850	214,749,817
Trade payables to related parties (Note 34)	15,696,283	6,033,082
Expense accruals	<u>752,305</u>	<u>733,858</u>
	<u>816,378,438</u>	<u>221,516,757</u>

(\*) As of 31 December 2021, trade payables consists of letters of credit amounting to TL 570,290,715 (31 December 2020: TL 60,237,294)

The average payment maturity for the purchase of goods is 143 days (31 December 2020: 83 days).

#### 9. PAYABLES RELATED TO EMPLOYEE BENEFITS

	31 December 2021	31 December 2020
Payables to personnel	228,621	1,367,155
Premium provisions payable to personnel	34,054,440	10,143,298
Social security premiums payable	<u>2,843,768</u>	<u>1,840,238</u>
	<u>37,126,829</u>	<u>13,350,691</u>

#### 10. OTHER RECEIVABLES AND PAYABLES

##### a) Other Receivables

	31 December 2021	31 December 2020
<u>Other Short-Term Receivables</u>		
Advance tax refund receivable	3,143	17,337,976
Refund receivable of special consumption tax ("SCT") (*)	2,277,819	692,259
Deposits and guarantees given	331,421	245,834
Other VAT	364,240	3,748,369
Other	<u>570,553</u>	<u>-</u>
	<u>3,547,176</u>	<u>22,024,438</u>

(\*) If the raw materials subject to SCT are used in manufacturing goods not subject to SCT, the Special Consumption Tax paid in the purchase of these raw materials may be refunded, if the conditions specified in the Special Consumption Tax Communiqué no. 25 fulfilled. The SCT amount requested to be refunded within this framework is TL 2,277,819 (31 December 2020: TL 692,259).

	31 December 2021	31 December 2020
<u>Other Long-Term Receivables</u>		
Deposits and guarantees given	<u>836,074</u>	<u>449,686</u>
	<u>836,074</u>	<u>449,686</u>

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**10. OTHER RECEIVABLES AND PAYABLES (cont'd)****b) Other Payables**

	31 December 2021	31 December 2020
<u>Other Short-Term Payables</u>		
Dividend payable (**)	6,930,792	7,827,733
Taxes and funds payable	5,229,535	6,138,007
Other miscellaneous liabilities (*)	13,934,875	14,092,952
	<u>26,095,202</u>	<u>28,058,692</u>

(\*) TL 11,784,948 of the relevant balance consists of the discounted portion of the payables arising from the purchase of Sunset, which has not yet been paid to the former shareholders of Sunset.

(\*\*) Consists of the portion of the previous years' and current year's dividend payments, which is not completed yet as of 31 December 2021.

**11. PREPAID EXPENSES**

	31 December 2021	31 December 2020
<u>Short-Term Prepaid Expenses</u>		
Order advances given	102,921,449	121,145,035
Prepaid expenses	4,175,173	2,242,571
Advances given to related parties (Note 34)	870,800	-
	<u>107,967,422</u>	<u>123,387,606</u>
	31 December 2021	31 December 2020
<u>Long-Term Prepaid Expenses</u>		
Advances given to related parties for the purchase of fixed assets (Note 34)	11,789,746	-
Advances given for the purchase of fixed assets	8,916,565	-
	<u>20,706,311</u>	<u>-</u>

**12. DEFERRED INCOME**

	31 December 2021	31 December 2020
<u>Short-Term Deferred Income</u>		
Order advances received	2,817,455	2,795,790
Deferred income	-	201,250
	<u>2,817,455</u>	<u>2,997,040</u>



## HEKTAŞ GROUP

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#### 13. INVENTORIES

	31 December 2021	31 December 2020
Raw material	473,666,095	150,170,122
Work in-process	44,200,235	37,173,708
Finished goods	140,921,543	111,252,689
Trade goods	64,520,860	33,217,872
Other inventories (*)	423,572,847	85,212,731
Provision for impairment on inventories (-)	(307,721)	-
	<u>1,146,573,859</u>	<u>417,027,122</u>

(\*) As of 31 December 2021, TL 423,149,922 (31 December 2020: TL 82,212,731) of other inventories is comprised of goods in transit.

	1 January- 31 December 2021	1 January- 31 December 2020
<u>Movement of allowance for impairment on inventory</u>		
Opening balance	-	(1,076,133)
Charge for the period	(307,721)	-
Provision used/reversed	-	1,076,133
Closing balance	<u>(307,721)</u>	<u>-</u>

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#### 14. PROPERTY, PLANT AND EQUIPMENT

##### Property, Plant and Equipment

Cost Value	Lands	Land improvements	Buildings	Plant, machinery and equipment	Vehicles	Furniture and fixtures	Construction in progress (**)	Total
Opening balance as of 1 January 2021	2,439,513	13,554,832	65,458,237	93,278,032	5,433,105	27,321,065	269,998,578	477,483,362
Additions	-	1,713,521	6,931,682	85,748,683	3,463,272	14,619,581	540,142,930	652,619,669
Disposals	-	-	-	(115,339)	(1,351,986)	(429,348)	-	(1,896,673)
Transfers (*)	-	1,357,110	8,798,622	76,265,184	-	1,144,564	(98,674,739)	(11,109,259)
Closing balance as of 31 December 2021	2,439,513	16,625,463	81,188,541	255,176,560	7,544,391	42,655,862	711,466,769	1,117,097,099
<u>Accumulated Depreciation</u>								
Opening balance as of 1 January 2021	-	(5,391,167)	(14,689,468)	(20,826,504)	(1,378,311)	(10,748,307)	-	(53,033,757)
Charge for the period	-	(659,887)	(1,904,472)	(17,236,580)	(1,438,568)	(4,883,887)	-	(26,123,394)
Disposals	-	-	-	35,406	460,896	288,707	-	785,009
Closing balance as of 31 December 2021	-	(6,051,054)	(16,593,940)	(38,027,678)	(2,355,983)	(15,343,487)	-	(78,372,142)
Carrying value as of 31 December 2021	2,439,513	10,574,409	64,594,601	217,148,882	5,188,408	27,312,375	711,466,769	1,038,724,957

(\*) TL 11,430,197 of the construction in progress was transferred to intangible assets (Note 16). The remaining amount of TL 320,938 was transferred from investment properties to property, plant and equipment (Note 17).

(\*\*) As of 31 December 2021, Finance expense amounting to TL 66,161,591 is capitalized as construction in progress.

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#### 14. PROPERTY, PLANT AND EQUIPMENT (cont’d)

##### Property, Plant and Equipment (cont’d)

Cost Value	Lands	Land improvements	Buildings	Plant, machinery and equipment	Vehicles	Furniture and fixtures	Construction in progress	Total
Opening balance as of 1 January 2020	483,163	11,251,310	31,785,164	46,106,598	2,305,386	17,844,505	128,360,300	238,136,426
Effect of business combinations (**)	-	-	-	1,716,993	195,548	392,691	-	2,305,232
Effect of business combination under common control (***)	1,956,350	850,000	8,620,475	17,950,000	1,487,398	13,015	-	30,877,238
Disposals	-	4,608	3,140,883	20,647,774	1,617,490	9,461,455	182,207,828	217,080,038
Transfers (*)	-	-	-	(1,773,080)	(172,717)	(400,789)	-	(2,346,586)
	-	1,448,914	21,911,715	8,629,747	-	10,188	(40,569,550)	(8,568,986)
Closing balance as of 31 December 2020	2,439,513	13,554,832	65,458,237	93,278,032	5,433,105	27,321,065	269,998,578	477,483,362
<u>Accumulated Depreciation</u>								
Opening balance as of 1 January 2020	-	(4,915,839)	(13,471,806)	(13,936,822)	(374,699)	(8,004,852)	-	(40,704,018)
Effect of business combinations (**)	-	-	-	(1,300,667)	(157,514)	(331,719)	-	(1,789,900)
Charge for the period	-	(475,328)	(1,217,662)	(7,109,349)	(902,815)	(2,676,405)	-	(12,381,559)
Disposals	-	-	-	1,520,334	56,717	264,669	-	1,841,720
Closing balance as of 31 December 2020	-	(5,391,167)	(14,689,468)	(20,826,504)	(1,378,311)	(10,748,307)	-	(53,033,757)
Carrying value as of 31 December 2020	2,439,513	8,163,665	50,768,769	72,451,528	4,054,794	16,572,758	269,998,578	424,449,605

(\*) TL 8,568,986 of the construction in progress was transferred to intangible assets (Note 16).

(\*\*) Related balances consist of fixed asset balances of Sunset, which the Group purchased on 9 June 2020.

(\*\*\*) Arma has been started to be consolidated in the accompanying consolidated financial statements of the Group after the transfer, by pooling of interests method (Note 2.4).

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**15. RIGHT-OF-USE ASSETS**

<u>Cost Value</u>	<u>Properties</u>	<u>Vehicles</u>	<u>Total</u>
Opening balance as of 1 January 2021	37,920,515	5,710,637	43,631,152
Additions	19,259,141	9,944,053	29,203,194
Closing balance as of 31 December 2021	<u>57,179,656</u>	<u>15,654,690</u>	<u>72,834,346</u>
<u>Accumulated Amortization</u>			
Opening balance as of 1 January 2021	(11,155,907)	(4,371,469)	(15,527,376)
Charge for the period	(10,927,453)	(3,364,630)	(14,292,083)
Closing balance as of 31 December 2021	<u>(22,083,360)</u>	<u>(7,736,099)</u>	<u>(29,819,459)</u>
Carrying value as of 31 December 2021	<u>35,096,296</u>	<u>7,918,591</u>	<u>43,014,887</u>

  

<u>Cost Value</u>	<u>Properties</u>	<u>Vehicles</u>	<u>Total</u>
Opening balance as of 1 January 2020	36,988,304	5,710,637	42,698,941
Additions	932,211	-	932,211
Closing balance as of 31 December 2020	<u>37,920,515</u>	<u>5,710,637</u>	<u>43,631,152</u>
<u>Accumulated Amortization</u>			
Opening balance as of 1 January 2020	(4,077,948)	(2,176,985)	(6,254,933)
Charge for the period	(7,077,959)	(2,194,484)	(9,272,443)
Closing balance as of 31 December 2020	<u>(11,155,907)</u>	<u>(4,371,469)</u>	<u>(15,527,376)</u>
Carrying value as of 31 December 2020	<u>26,764,608</u>	<u>1,339,168</u>	<u>28,103,776</u>

The amortization periods of right-of-use assets are as follows:

	<u>Useful life</u>
Properties	1-8 years
Vehicles	1-5 years

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#### 16. INTANGIBLE ASSETS

Cost Value	Rights	Development costs	Other intangible assets	Total
Opening balance as of 1 January 2021	59,146,501	6,494,095	608,561	66,249,157
Additions	43,090,272	121,678	3,593,952	46,805,902
Diposals	(54,696)	-	-	(54,696)
Transfers from construction in-progress	3,532,005	7,645,692	252,500	11,430,197
Closing balance as of 31 December 2021	105,714,082	14,261,465	4,455,013	124,430,560
<b>Accumulated Amortization</b>				
Opening balance as of 1 January 2021	(12,058,346)	(1,321,189)	(85,887)	(13,465,422)
Charge for the period	(6,395,517)	(1,674,919)	(289,368)	(8,359,804)
Diposals	19,103	-	-	19,103
Closing balance as of 31 December 2021	(18,434,760)	(2,996,108)	(375,255)	(21,806,123)
Carrying value as of 31 December 2021	87,279,322	11,265,357	4,079,758	102,624,437
<b>Cost Value</b>				
Opening balance as of 1 January 2020	44,921,829	1,429,086	86,458	46,437,373
Effect of business combinations (*)	2,372,513	-	-	2,372,513
Effect of business combination under common control (**)	6,734,879	-	-	6,734,879
Additions	1,670,812	-	522,103	2,192,915
Diposals	(57,509)	-	-	(57,509)
Transfers from construction in-progress	3,503,977	5,065,009	-	8,568,986
Closing balance as of 31 December 2020	59,146,501	6,494,095	608,561	66,249,157
<b>Accumulated Amortization</b>				
Opening balance as of 1 January 2020	(6,938,415)	(469,655)	(34,142)	(7,442,212)
Charge for the period	(4,475,933)	(851,534)	(51,745)	(5,379,212)
Effect of business combinations (*)	(657,896)	-	-	(657,896)
Diposals	13,898	-	-	13,898
Closing balance as of 31 December 2020	(12,058,346)	(1,321,189)	(85,887)	(13,465,422)
Carrying value as of 31 December 2021	47,088,155	5,172,906	522,674	52,783,735

(\*) The related balances consist of fixed asset balances of Sunset, which was purchased by the Group on 9 June 2020.

(\*\*) Arma has been started to be consolidated in the accompanying consolidated financial statements of the Group after the transfer by pooling of interests method (Note 2.4).

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### NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2021 AND FOR THE PERIOD THEN ENDED (All amounts are indicated in Turkish Lira ("TL").)

#### 17. INVESTMENT PROPERTIES

Cost Value	Lands	Land improvements	Buildings	Total
Opening balance as of 1 January 2021	373,749	585,408	5,740,849	6,700,006
Transfer	-	-	(320,938)	(320,938)
Closing balance as of 31 December 2021	373,749	585,408	5,419,911	6,379,068
<b>Accumulated Depreciation</b>				
Opening balance as of 1 January 2021	-	(252,744)	(1,225,490)	(1,478,234)
Charge for the period	-	(11,706)	(113,245)	(124,951)
Closing balance as of 31 December 2021	-	(264,450)	(1,338,735)	(1,603,185)
Carrying value as of 31 December 2021	373,749	320,958	4,081,176	4,775,883
Cost Value	Lands	Land improvements	Buildings	Total
Opening balance as of 1 January 2020	293,790	585,408	2,603,072	3,482,270
Additions	79,959	-	974,576	1,054,535
Effect of business combinations (*)	-	-	2,163,201	2,163,201
Closing balance as of 31 December 2020	373,749	585,408	5,740,849	6,700,006
<b>Accumulated Depreciation</b>				
Opening balance as of 1 January 2020	-	(241,039)	(1,070,261)	(1,311,300)
Charge for the period	-	(11,705)	(90,815)	(102,520)
Effect of business combinations (*)	-	-	(64,414)	(64,414)
Closing balance as of 31 December 2020	-	(252,744)	(1,225,490)	(1,478,234)
Carrying value as of 31 December 2020	373,749	332,664	4,515,359	5,221,772

(\*) It consists of investment property balances of Sunset, which was purchased by the Group on 9 June 2020.

The Group has leased the factory building in Urfa, which is not actively used in production as of 1 October 2012, and the factory building, which is not actively used in production, in Adana as of 23 November 2020. For this reason, the related assets are accounted for as investment property. The rental income from these properties in the current period is TL 888,857 (31 December 2020: TL 594,286 lease income) (Note 30a).

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### NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2021 AND FOR THE PERIOD THEN ENDED (All amounts are indicated in Turkish Lira ("TL").)

#### 17. INVESTMENT PROPERTIES (cont'd)

##### Fair value measurements of the Group's investment properties

As of 31 December 2021 and 2020, the fair value of the Group's investment properties has been determined by an independent valuation firm, Yetkin Gayrimenkul ve Değerleme Danışmanlık Anonim Şirketi. The relevant company is authorized by the CMB and provides real estate valuation services in accordance with the capital market legislation and has sufficient experience and qualifications in measuring the fair value of real estates in the relevant regions. The fair value of the freehold land was determined based on the market comparable approach that reflects recent transaction prices for similar properties.

As of 31 December 2021 and 2020, the Group's investment properties and the information about the fair value hierarchy are shown in the table below:

	Fair value level as of the reporting period		
	Level 1	Level 2	Level 3
	TL	TL	TL
<b>2021</b>			
Land, Land Improvements and Building	-	15,314,000	-
	Level 1	Level 2	Level 3
	TL	TL	TL
<b>2020</b>			
Land, Land Improvements and Building	-	11,721,000	-

There has been no change in the Valuation technique in the current year.

#### 18. GOODWILL

Company	Acquisition Date	31 December 2021	31 December 2020
Ferbis	2017	10,321,922	10,321,922
Sunset	2020	59,047,335	59,047,335
Arma (*)	2020	36,950,435	36,950,435
		<u>106,319,692</u>	<u>106,319,692</u>

(\*) Arma has been started to be consolidated in the accompanying consolidated financial statements of the Group after the transfer, by pooling of interests method (Note 2.4).

In accordance with the accounting policy set out in Note 2, the Group tests annually or more frequently for any impairment on goodwill. The impairment test for cash-generating units was performed as of 31 December 2021. The test was conducted in accordance with the discounted cash flow method, taking into account the "net fair value less cost to sell".

The Group Management has calculated the value in use of the cash-generating unit to which the goodwill amount is linked in the impairment study of the goodwill arising from the acquisition of Ferbis and Sunset.

The estimated fair value calculated according to the discounted cash flow method exceeds the recoverable amount as of 31 December. No impairment provision was made during 2021 and 2020.

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#### 18. GOODWILL (cont'd)

The important assumptions used in the calculation of recoverable amounts are discount rates, final growth rates and EBITDA (Earnings before interest, depreciation and tax) growth rates. The values used in the assumptions are based on Group Management's assessment of future trends in the pesticide market and internal and external sources (historical data). The main assumptions reflecting the weighted average of all cash-generating units included in the relevant operating segments are as follows:

Weighted average	31 December 2021	31 December 2020
Discount rate, gross	29%-30%	19%
Final growth rate	5%	5%
Budgeted EBITDA growth rate (average of the next five years)	23%-31%	23%

In the discounted cash flow model, estimated next five years cash flows are included. The long-term growth rate has been determined based on the long-term compound EBITDA growth rate estimated by Group Management and believed to be consistent with the assumptions made by a market participant.

Budgeted EBITDA has been determined based on expected future results, taking into account past experience, and has been adjusted for the following factors.

After determining the basic revenue figures, it is assumed that these prices will increase in line with the estimated inflation in the first five years.

The Group compared the estimated recoverable amount of the cash-generating unit with its carrying amount and concluded that there was no impairment.

#### 19. GOVERNMENT GRANTS AND INCENTIVES

The Company benefited from VAT Exemption, Insurance Premium Employer's Share Support, Tax Reduction, Customs Duty Exemption support element investment incentive certificate and tax reduction amounting to TL 36,148,742 from the TR Ministry of Economy within the scope of the production of Pesticides (Pesticide) and Other Agricultural - Chemical Products that dated 1 May 2020 and numbered 510660, starting at 30 April 2020 and ending at 30 April 2023, dated 24 May 2019 and numbered 503711, starting at 24 May 2019 and ending at 24 May 2022, dated 31 December 2019 and numbered 507656, starting at 26 December 2019 and ending at 26 December 2022, dated 3 November 2020 and numbered 516676, starting at 3 November 2020 and ending at 3 November 2023, dated 1 October 2021 and numbered 528148, starting at 29 September 2021 and ending at 29 September 2024, dated 13 May 2019 and numbered 506178, starting at 13 May 2019 and ending at 13 May 2022.

As of 31 December 2021, the Company has a tax advantage of TL 44,325,958 that can be used in the following years regarding the incentive. TL 36,148,742 of the related balance is included in the deferred tax calculation, and the remaining TL 8,177,216 is not included in the deferred tax calculation.



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### NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2021 AND FOR THE PERIOD THEN ENDED (All amounts are indicated in Turkish Lira ("TL").)

#### 20. GUARANTEES, PLEDGE AND MORTGAGES

The details of the Group's Guarantees/Pledge/Mortgages ("GPM") are as follows:

31 December 2021	TL equivalent	Turkish Lira	US Dollar	Euro
A. Total Amount of GPM's Given in the Name of Legal Entity				
-Guarantee	36,263,140	35,809,954	34,000	-
-Pledge	-	-	-	-
-Mortgage	-	-	-	-
B. GPM Given in Behalf of Fully Consolidated Companies				
-Guarantee	-	-	-	-
-Pledge	-	-	-	-
-Mortgage	-	-	-	-
-Other(*)	1,261,387,200	1,020,000,000	-	16,000,000
C. GPM Given for Continuation of Its Economic Activities on Behalf of Third Parties				
-Guarantee	-	-	-	-
-Pledge	-	-	-	-
-Mortgage	-	-	-	-
D. Total Amount of Other GPMs				
i. Total Amount of GPMs Given on Behalf of Majority Shareholder				
-Guarantee	-	-	-	-
-Pledge	-	-	-	-
-Mortgage	-	-	-	-
ii. Total Amount of GPMs Given on Behalf of Other Group Companies which are not in Scope of B and C				
-Guarantee	-	-	-	-
-Pledge	-	-	-	-
-Mortgage	-	-	-	-
iii. Total Amount of GPMs Given on Behalf of Third Parties which are not in Scope of C				
-Guarantee	-	-	-	-
-Pledge	-	-	-	-
-Mortgage	-	-	-	-
<b>Total</b>	<b>1,297,650,340</b>	<b>1,055,809,954</b>	<b>34,000</b>	<b>16,000,000</b>

(\*) The balance consists of guarantees given on behalf of the Group's subsidiaries for their financial borrowings as of 31 December 2021.

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### NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2021 AND FOR THE PERIOD THEN ENDED (All amounts are indicated in Turkish Lira ("TL").)

#### 20. GUARANTEES, PLEDGE AND MORTGAGES (cont'd)

31 December 2020	TL equivalent	Turkish Lira	US Dollar	Euro
A. Total Amount of GPM's Given in the Name of Legal Entity				
-Guarantee	22,285,774	22,285,774	-	-
-Pledge	-	-	-	-
-Mortgage	-	-	-	-
B. GPM Given in Behalf of Fully Consolidated Companies				
-Guarantee	-	-	-	-
-Pledge	-	-	-	-
-Mortgage	-	-	-	-
-Other(*)	479,126,400	335,000,000	-	16,000,000
C. GPM Given for Continuation of Its Economic Activities on Behalf of Third Parties				
-Guarantee	-	-	-	-
-Pledge	-	-	-	-
-Mortgage	-	-	-	-
D. Total Amount of Other GPMs				
i. Total Amount of GPMs Given on Behalf of Majority Shareholder				
-Guarantee	-	-	-	-
-Pledge	-	-	-	-
-Mortgage	-	-	-	-
ii. Total Amount of GPMs Given on Behalf of Other Group Companies which are not in Scope of B and C				
-Guarantee	-	-	-	-
-Pledge	-	-	-	-
-Mortgage	-	-	-	-
iii. Total Amount of GPMs Given on Behalf of Third Parties which are not in Scope of C				
-Guarantee	-	-	-	-
-Pledge	-	-	-	-
-Mortgage	-	-	-	-
<b>Total</b>	<b>501,412,174</b>	<b>357,285,774</b>	<b>-</b>	<b>16,000,000</b>

(\*) The balance consists of guarantees given on behalf of the Group's subsidiaries for their financial borrowings as of 31 December 2020.

As of 31 December, there are no guarantees, pledges and mortgages given on behalf of its own legal entity, apart from the letters of guarantee presented above.

The ratio of the Group's other GPMs to equity is 0 percent as of 31 December 2021 (2020: 0 percent).

#### 21. CURRENT TAX ASSETS

	31 December 2021	31 December 2020
Current tax assets		
Other prepaid taxes and funds	1,079,923	583,486
	<b>1,079,923</b>	<b>583,486</b>

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### NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2021 AND FOR THE PERIOD THEN ENDED (All amounts are indicated in Turkish Lira ("TL").)

#### 22. SHORT-TERM AND LONG-TERM PROVISIONS

##### a) Short-term Provisions

	31 December 2021	31 December 2020
Short-term provisions		
Provision for lawsuit (*)	1,630,818	1,738,425
Provision for unused vacation	4,175,943	2,522,688
	<u>5,806,761</u>	<u>4,261,113</u>

(\*) Contains possible liabilities relating to the reemployment lawsuits filed by employees whose employment contracts are terminated.

The movements of the provisions for litigation for the period ending on 31 December 2021 and 2020 are as follows:

	1 January- 31 December 2021	1 January- 31 December 2020
Provision as of 1 January	1,738,425	1,531,672
Provision expense for the period	371,473	414,020
Provisions released	(479,080)	(207,267)
Provision as of 31 December	<u>1,630,818</u>	<u>1,738,425</u>

The movements of the provision for unused vacation for the period ending on 31 December 2021 and 2020 are as follows:

	1 January- 31 December 2021	1 January- 31 December 2020
Provision as of 1 January	2,522,688	1,670,533
Provision expense for the period	1,653,255	852,155
Provision as of 31 December	<u>4,175,943</u>	<u>2,522,688</u>

##### b) Provisions for Employee Benefits

Long term provisions for employee benefits as of 31 December 2021 and 2020 are presented below:

	31 December 2021	31 December 2020
Long-term provisions		
Provision for employment termination benefit	18,781,884	11,161,823
Seniority incentive premium provision	2,594,768	1,255,129
	<u>21,376,652</u>	<u>12,416,952</u>

##### Provision for Seniority Incentive Premium:

The Group provides a benefit in the name of "Seniority Incentive Premium" to its employees with a certain seniority. In this respect, the Group pays one salary equivalent of seniority incentive bonus for each work period of 10 years. The current value of the severance incentive premium liability has been calculated by an independent actuary in the current year and the assumptions used in the calculation of provisions for severance pay were used.

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### NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2021 AND FOR THE PERIOD THEN ENDED (All amounts are indicated in Turkish Lira ("TL").)

#### 22. SHORT-TERM AND LONG-TERM PROVISIONS (cont'd)

##### b) Provisions for Employee Benefits (cont'd)

##### Provision for Seniority Incentive Premium (cont'd):

The movements of the provisions for severance incentive premium for the period ending on 31 December 2021 and 2020 are as follows:

	1 January- 31 December 2021	1 January- 31 December 2020
Provision as of 1 January	1,255,129	919,257
Service cost	1,223,780	334,569
Interest cost	204,849	121,268
Amount paid during the period	(88,990)	(119,965)
Provision as of 31 December	2,594,768	1,255,129

##### Provision for employment termination benefit:

Under the Effective Labor Law provisions, employees whose employment contract is terminated with eligibility for severance pay must be paid the statutory severance pays for which they are eligible. Furthermore, under the provision of the article 60 of the Social Security Law no. 506 which is still effective, amended by the laws no. 2422 dated 6 March 1981 and no. 4447 dated 25 August 1999, statutory severance pay must also be paid to those who are eligible for resigning with severance pay.

The amount payable consists of one month's salary limited to a maximum of TL 8,284.51 for each period of service as of 31 December 2021 (31 December 2020: TL 7,117.17). The severance pay liability is not legally subject to any funding.

The severance pay liability is calculated according to the estimation of the current value of the future probable obligation of the Group arising from the retirement of the employees. TAS 19 ("Benefits Provided to Employees") prescribes that the Group's liabilities are developed by using actuarial valuation methods within the scope of defined benefit plans. The severance pay liability was calculated by an independent actuary and the Projected Unit Credit Method was used in the calculation. The actuarial assumptions used in the calculation of the current value of the liabilities are specified below.

	31 December 2021	31 December 2020
Discount rate	19.00%	12.80%
Inflation rate	15.00%	8.50%
Wage increases	reel 1.5%	reel 1.5%
Employment termination benefit ceiling increase	15.00%	8.50%

The estimated rate of employment termination benefit amounts which will not be paid as a result of voluntary resignations and which will remain within the Group has been taken into account as well. It has been assumed that the voluntary resignation rates of employees would depend on their past service period; the past experience was analyzed and the assumed voluntary resignations expected prospectively were reflected in the calculation in order to calculate the total severance pay liability. In the actuarial calculations made, the voluntary resignation possibility of employees was included in the calculation at the rates which decline as the previous service period increases. Accordingly, the possibility of voluntary resignation is between 11 percent and 0 percent for personnel whose previous service period is between 0 and 15 years and above.

The important estimates used in the calculation of the severance pay liability are the discount rate and the probability of resignation possibility.

- If the discount rate is increased by 1 percent annually, the amount of severance pay decreases by 9.1 percent.
- If the discount rate is decreased by 1 percent annually, the amount of severance pay increases by 10.8 percent.
- If the annual inflation rate is increased by 1 percent, the amount of severance pay increases by 11.1 percent.
- If the annual inflation rate is decreased by 1 percent, the amount of severance pay decreases by 9.4 percent.
- If the possibility of voluntary departure is not used, the amount of severance pay increases by 6.6 percent.

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#### 22. SHORT-TERM AND LONG-TERM PROVISIONS (cont'd)

##### b) Provisions for Employee Benefits (cont'd)

The movements of provision for severance pay for the accounting period ending on 31 December 2021 and 2020 are as follows:

	1 January- 31 December 2021	1 January- 31 December 2020
Provision as of 1 January	11,161,823	9,064,208
Service cost	1,816,105	1,390,175
Interest cost	1,735,434	1,129,975
Employment termination benefit paid	(2,021,797)	(798,581)
Gain due to employee turnover /reduction in benefits	72,608	1,277
Actuarial loss/gain	6,017,711	374,769
Provision as of 31 December	18,781,884	11,161,823

#### 23. OTHER ASSETS AND LIABILITIES

	31 December 2021	31 December 2020
<u>Other Current Assets</u>		
Deferred VAT	81,338,156	29,186,482
Other current assets	7,510,930	3,793,939
	88,849,086	32,980,421

#### 24. EQUITY

##### a) Share Capital

The paid-in capital structure of the Company as of 31 December 2021 and 2020 is as follows:

Shareholders	%	31 December 2021	%	31 December 2020
Ordu Yardımlaşma Kurumu	58.8	505,843,051	53.8	122,458,564
Public	41.2	354,156,949	46.2	105,112,536
		860,000,000		227,571,100

The registered capital ceiling of the Company is TL 1,000,000,000 (31 December 2020: TL 400,000,000).

(\*) The Company decided to increase the registered capital ceiling from TL 400,000,000 to TL 1,000,000,000 with the Board of Directors decision dated 29 December 2020 and this decision was registered on 26 March 2021.

In accordance with the decision about paid and unpaid capital increase of Board of Directors at the meeting numbered 63 dated 29 December 2020, issued capital amounting to TL 227,571,100, has been increased to TL 860,000,000 with an increase of TL 632,428,900 corresponding to an increase of 378 percent and was registered on 21 June 2021. TL 400,000,000 of the increase was paid and TL 232,428,899.86 was unpaid.

The capital consists of 86,000,000,000 shares with a nominal value of TL 0.01 and there are no preferred shares.

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#### 24. EQUITY (cont'd)

##### a) Share Capital (cont'd)

After the exercise of new share purchase rights (preemptive rights), the shares corresponding to the unused new share purchase rights and with a total nominal value of TL 389,349 are exchanged on Borsa İstanbul A.Ş. for 2 (two) business days on 19-20 November 2019 in the Primary Market, with the price formed not less than nominal value and a share premium of TL 2,256,362 was obtained.

Shares with a total nominal value of TL 342,750, corresponding to unused new share purchase rights after the exercise of new share purchase rights (preemptive rights), sold in the Primary Market at Borsa İstanbul A.Ş. with the price formed on 20-21 May 2021 for 2 (two) business days, not less than the nominal value and TL 2,947,400 share premium was obtained.

##### b) Restricted Reserves Appropriated from Profit

	31 December 2021	31 December 2020
Legal Reserves	46,485,140	38,087,444
	<u>46,485,140</u>	<u>38,087,444</u>

In accordance with Turkish Commercial Law, legal reserves are classified as first and second reserves. The Group reserves 5% of the historical statutory profit as first legal reserve, until the total reserve reaches 20% of the historical paid in share capital. The other legal reserve is appropriated at the rate of 10% per annum of all cash dividend distributions after the payment of dividends to the shareholders at a rate of 5%. According to Turkish Commercial Law, general legal reserves cannot be distributed unless it exceeds 50% of the issued capital yet can be used to close the losses when the profit reserves are insufficient.

Publicly traded companies distribute their dividends in this way: in accordance with the CMB decision dated 25 February 2005 and numbered 7/242; if the entire profit distribution amount calculated in accordance with the regulations of the CMB regarding the minimum profit distribution obligation over the net distributable profit found in accordance with the CMB regulations can be met from the distributable profit in the legal records, the whole of this amount, and if not, the entire net distributable profit in the legal records will be distributed. If there is a period loss in the financial statements prepared in accordance with the CMB regulations or in any of the legal records, profit distribution will not be made.

With the decision of the Capital Markets Board dated 27 January 2010, no minimum profit distribution obligation was introduced for the dividend distribution to be made for publicly held joint stock companies whose shares are traded on the stock exchange.

Equity inflation adjustment differences and registered values of extraordinary reserves, bonus issue capital increase; cash can be used for profit distribution or loss offset. However, if the equity inflation adjustment differences are used in cash profit distribution, they will be subject to corporate tax.

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**24. EQUITY (cont'd)****c) Actuarial loss and gain fund for employee benefits**

	31 December 2021	31 December 2020
Remeasurement losses of defined benefit plans	(9,290,795)	(3,273,084)
Deferred tax	1,605,061	401,519
	<u>(7,685,734)</u>	<u>(2,871,565)</u>

**25. SALES AND COST OF SALES****a) Revenue**

	1 January- 31 December 2021	1 January- 31 December 2020
Domestic sales	1,969,523,108	990,726,388
Foreign sales	86,590,093	50,415,494
Other sales	23,425,967	5,851,020
Sales returns (-)	(6,195,288)	(6,631,614)
Sales discounts (-)	(52,625,544)	(26,642,159)
	<u>2,020,718,336</u>	<u>1,013,719,129</u>

**b) Cost of Sales**

	1 January- 31 December 2021	1 January- 31 December 2020
Raw material expenses	(690,476,737)	(493,077,592)
Personnel expenses	(56,063,455)	(42,568,420)
General production expenses	(30,360,069)	(26,686,161)
Depreciation and amortization expenses	(26,031,954)	(8,740,671)
Transportation expenses	(42,195,069)	(21,701,021)
Changes in work in-process inventories	7,026,527	12,595,798
Changes in finished goods inventories	29,668,854	2,527,208
	<u>(808,431,903)</u>	<u>(577,650,859)</u>
Cost of goods sold	(503,961,464)	(84,754,667)
Cost of trade goods sold and other sales	<u>(1,312,393,367)</u>	<u>(662,405,526)</u>

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**26. MARKETING EXPENSES, GENERAL ADMINISTRATIVE EXPENSES, RESEARCH and DEVELOPMENT EXPENSES**

	1 January- 31 December 2021	1 January- 31 December 2020
General administrative expenses (-)	(79,282,890)	(46,824,354)
Marketing expenses (-)	(87,330,503)	(50,758,497)
Research and development expenses (-)	(31,274,904)	(18,269,154)
	<u>(197,888,297)</u>	<u>(115,852,005)</u>

**a) Marketing Expenses**

	1 January- 31 December 2021	1 January- 31 December 2020
Personnel expenses	(52,570,179)	(31,121,801)
Advertising expenses	(9,014,630)	(4,402,161)
Transportation expenses	(6,438,728)	(3,923,834)
Depreciation expenses	(5,155,056)	(3,897,897)
Dealer meeting expense	(3,156,975)	(216,766)
Travel expenses	(1,439,760)	(847,884)
Tax, dues and fees expenses	(1,205,562)	(785,108)
Insurance expenses	(960,698)	(510,319)
Exhibition and fair expenses	(940,192)	(237,373)
Energy and maintenance expenses	(851,447)	(574,338)
Cleaning Expenses	(573,850)	(325,909)
Representation expenses	(498,279)	(173,550)
Phone expenses	(494,858)	(256,525)
IT expenses	(365,001)	(570,165)
Outsourced security expenses	(268,799)	(149,874)
Rent expenses	(192,344)	(58,702)
Lawsuit and consultancy expenses	(146,973)	(109,491)
Other	(3,057,172)	(2,596,800)
	<u>(87,330,503)</u>	<u>(50,758,497)</u>



**HEKTAŞ GROUP**

NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS  
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**26. MARKETING EXPENSES, GENERAL ADMINISTRATIVE EXPENSES, RESEARCH and DEVELOPMENT EXPENSES (cont'd)**

**b) General Administrative Expenses**

	1 January- 31 December 2021	1 January- 31 December 2020
Personnel expenses	(37,049,444)	(19,253,731)
Depreciation expenses	(11,407,749)	(10,311,295)
Repair, maintenance, cleaning expense	(7,231,692)	(3,816,261)
Consultancy expenses	(3,700,997)	(3,609,558)
Energy expenses	(3,143,065)	(628,424)
Lawsuit and consultancy expenses	(3,069,074)	(985,547)
Transportation expenses	(2,801,527)	(994,084)
Tax, dues and fees expenses	(1,911,334)	(1,961,520)
IT expenses	(1,595,517)	(323,935)
Outsourced security expenses	(1,188,253)	(921,760)
Insurance expenses	(1,027,127)	(179,428)
Rent expenses	(617,123)	(239,397)
Travel expenses	(428,276)	(279,842)
Announcement and general assembly expenses	(372,242)	(196,897)
Representation expenses	(232,480)	(57,107)
Stationery expenses	(193,129)	(71,834)
Contribution expenses	(82,413)	(63,127)
Provision for doubtful receivable (net)	(55,053)	(798,141)
PTT expense	(36,760)	(15,567)
Meeting expenses	(30,661)	(17,903)
Other	(3,108,974)	(2,098,996)
	<u>(79,282,890)</u>	<u>(46,824,354)</u>

**c) Research and Development Expenses**

	1 January- 31 December 2021	1 January- 31 December 2020
Personnel expenses	(10,482,077)	(5,208,828)
Depreciation expenses	(6,180,522)	(4,083,351)
License and license usage expenses	(3,851,652)	(3,093,572)
IT expenses	(3,181,379)	(1,575,712)
Repair, maintenance, cleaning expense	(2,337,461)	(955,541)
Transportation expenses	(1,630,205)	(874,024)
Consultancy expenses	(1,074,681)	(1,002,511)
Insurance expenses	(160,044)	(125,948)
Energy expenses	(148,110)	(14,116)
Tax, dues and fees expenses	(136,472)	(22,077)
Stationery expenses	(36,346)	(15,782)
PTT expense	(34,396)	(18,226)
Outsourced security expenses	(3,767)	(66,559)
Other	(2,017,792)	(1,212,907)
	<u>(31,274,904)</u>	<u>(18,269,154)</u>

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### NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2021 AND FOR THE PERIOD THEN ENDED (All amounts are indicated in Turkish Lira ("TL").)

#### 27. EXPENSES BY NATURE

The details of depreciation and amortization expenses for the years ended 31 December 2021 and 2020 are as follows:

##### a) Depreciation and Amortization Expenses

	1 January- 31 December 2021	1 January- 31 December 2020
<b>Property, plant and equipment and right-of-use assets</b>	<b>(40,415,477)</b>	<b>(21,654,002)</b>
Production cost	(23,276,211)	(8,221,314)
Marketing expenses	(4,553,922)	(3,409,019)
General administrative expenses	(10,946,921)	(8,902,953)
Research and development expenses	(1,638,423)	(1,120,716)
<b>Intangible assets</b>	<b>(8,359,804)</b>	<b>(5,379,212)</b>
Production cost	(2,755,743)	(519,357)
Marketing expenses	(601,134)	(488,878)
General administrative expenses	(460,828)	(1,408,342)
Research and development expenses	(4,542,099)	(2,962,635)
<b>Investment properties</b>	<b>(124,951)</b>	<b>(102,520)</b>
Expenses from investing activities	(124,951)	(102,520)
	<u>(48,900,232)</u>	<u>(27,135,734)</u>

##### b) Employee Benefits

	1 January- 31 December 2021	1 January- 31 December 2020
<b>Personnel Expenses</b>		
Salary and wages	(123,072,883)	(76,688,056)
Social insurance expenses	(12,474,126)	(8,199,477)
Other benefit and services	(20,618,146)	(13,265,247)
	<u>(156,165,155)</u>	<u>(98,152,780)</u>

#### 28. OTHER INCOME FROM OPERATING ACTIVITIES

Other income from operating activities for the years ended 31 December 2021 and 2020 is as follows:

	1 January- 31 December 2021	1 January- 31 December 2020
Exchange difference income	188,524	1,225,043
Provisions released	-	16,418
Interest income from sales	752,705	532,659
Damage compensation income	15,084	299,546
Other income	4,060,225	1,888,999
	<u>5,016,538</u>	<u>3,962,665</u>

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#### 29. OTHER EXPENSES FROM OPERATING ACTIVITIES

Other expenses from operating activities for the years ended 31 December 2021 and 2020 are as follows:

	1 January- 31 December 2021	1 January- 31 December 2020
Exchange difference expense (*)	(82,076,211)	(5,029,526)
Rediscount expense related to other payables	(1,287,785)	(691,857)
Other expense and losses	(2,647,173)	(2,388,769)
	<u>(86,011,169)</u>	<u>(8,110,152)</u>

(\*) Resulting from trade receivables and trade payables.

#### 30. INCOME AND EXPENSES FROM INVESTING ACTIVITIES

##### a) Income from Investing Activities

The details of income from investing activities for the year ended 31 December 2021 and 2020 are as follows:

	1 January- 31 December 2021	1 January- 31 December 2020
Fixed asset sales profit	1,689,973	1,384,966
Rents received	888,857	594,286
	<u>2,578,830</u>	<u>1,979,252</u>

##### b) Expenses from Investing Activities

The details of expenses from investing activities for the year ended 31 December 2021 and 2020 are as follows:

	1 January- 31 December 2021	1 January- 31 December 2020
Fixed asset sales loss	(56,193)	(283,697)
Depreciation of investment properties (Note 17)	(124,951)	(102,520)
	<u>(181,144)</u>	<u>(386,217)</u>

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### NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2021 AND FOR THE PERIOD THEN ENDED (All amounts are indicated in Turkish Lira ("TL").)

#### 31. FINANCE INCOME AND EXPENSES

##### a) Finance Income

The details of financing income for the years ended 31 December 2021 and 2020 are as follows:

	1 January - 31 December 2021	1 January - 31 December 2020
Interest income	16,468,467	2,507,809
Foreign exchange gains	93,804,267	10,048,069
Income from options trading	16,612,146	-
	<u>126,884,880</u>	<u>12,555,878</u>

##### b) Finance Expenses

The details of financing expenses for the years ended 31 December 2021 and 2020 are as follows:

	1 January - 31 December 2021	1 January - 31 December 2020
Bank loan interest expenses	(196,352,792)	(67,368,985)
Interest expense related to bonds	(2,310,553)	(16,844,527)
Interest expenses related to the lease liability	(5,791,581)	(4,587,993)
Employment termination benefit interest cost	(1,940,283)	(1,251,243)
Banking transaction expenses	(6,968,911)	(4,084,117)
Derivative instruments fair value losses	-	(485,728)
Expenses from options trading	(10,935,886)	-
Exchange difference expense	(94,378)	(180,666)
	<u>(224,394,384)</u>	<u>(94,803,259)</u>

#### 32. INCOME TAXES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES)

##### Corporate Tax

The Group is subject to the corporate tax effective in Turkey. The necessary provisions were set aside in the attached financial statements for the Group's estimated tax liabilities pertaining to the current period's operating results. Turkish tax legislation does not allow the parent company to file a tax return based on the consolidated financial statements of its subsidiaries. Therefore, tax liabilities reflected in these consolidated financial statements were calculated separately for all companies included in the scope of consolidation.

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

The effective tax rate applied in 2021 is 25% (2020: 22 %).

The "Law on the Amendment of Certain Tax Laws and Certain Other Laws" no. 7061 was published in the Official Gazette dated 5 December 2017 numbered 30261. Under the article 89 of this Law, the article 5 titled "Exemptions" of the Corporate Tax Law is amended. Pursuant to the clause (a) of the first paragraph of the article, the 75% exemption applied to the earnings arising from the sales of immovable property retained for two full years in the assets of corporations is reduced to 50 per cent. This regulation became effective as of 5 December 2017.

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### NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2021 AND FOR THE PERIOD THEN ENDED (All amounts are indicated in Turkish Lira ("TL").)

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

##### Corporate Tax (cont'd)

	31 December 2021	31 December 2020
Provision for current corporate tax	(4,438,104)	(227,555)
Less: Prepaid taxes and funds	1,489,710	583,486
Current tax assets / (liabilities)	<u>(2,948,394)</u>	<u>355,931</u>

##### Deferred Tax:

The Group recognizes deferred tax assets and liabilities based upon temporary differences arising between its financial statements as reported for TAS purposes and its statutory tax financial statements. These differences usually result in the recognition of revenue and expenses in different reporting periods for TAS and tax purposes and they are given below.

The tax rate used in the calculation of deferred tax assets and liabilities is 25%, 23%, and 20% over temporary timing differences that are expected to reverse in 2021, 2022 and 2023, respectively (2020: 22%).

Subsidiaries with deferred tax assets are not netted off with subsidiaries with deferred tax liabilities and are shown separately, as businesses in Turkey cannot declare consolidated tax returns.

	1 January- 31 December 2021	1 January- 31 December 2020
<u>Tax (expense) / income consists of following:</u>		
Current tax (expense)	(4,438,104)	(227,555)
Deferred tax (expense) / income	(4,135,103)	30,066,398
Total tax (expense) / income	<u>(8,573,207)</u>	<u>29,838,843</u>
	31 December 2021	31 December 2020
<u>Deferred tax assets / (liabilities):</u>		
Tax advantage from investment discount	36,148,742	29,999,453
Employment termination benefit and severance incentive premium provisions	4,275,330	2,477,963
Provision for unused vacation and premium	8,792,988	2,538,644
Differences in book values of inventories	(206,464)	(7,146)
Depreciation of property, plant and equipment/ amortization of other intangible	(21,636,111)	(11,512,259)
Fair value differences of derivative instruments	(8,714,069)	(2,038,183)
Other	(6,302,184)	(3,410,732)
	<u>12,358,232</u>	<u>18,047,740</u>

Movement of deferred tax assets/(liabilities) for the years ended as of 31 December 2021 and 2020 is as follows:

	1 January- 31 December 2021	1 January- 31 December 2020
<u>Movement of deferred tax asset / (liability):</u>		
Opening balance as of 1 January	18,047,740	(4,442,841)
(Expense) / income recognized in the statement of profit or loss	(4,135,103)	30,066,398
Income recognized in the statement of other comprehensive income	(1,554,405)	(2,060,375)
Effect of business combinations under common control (*)	-	(5,515,442)
Closing balance as of 31 December	<u>12,358,232</u>	<u>18,047,740</u>

(\*) Arma has been started to be consolidated in the accompanying consolidated financial statements of the Group after the transfer, by pooling of interests method (Note 2.4).

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### NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2021 AND FOR THE PERIOD THEN ENDED (All amounts are indicated in Turkish Lira ("TL").)

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

	1 January- 31 December 2021	1 January- 31 December 2020
<u>Reconciliation of tax provisions:</u>		
Profit before tax	334,330,223	150,659,765
Income tax rate 25% (2020: 22%)	25%	22%
Expected tax expense	(83,582,556)	(33,145,148)
Tax effect:		
- non-taxable income	1,944,855	2,086,430
- non-deductible expense	(5,896,364)	(710,652)
- change of tax rate from 20% to 25% and 23%	2,058,430	248,506
- investment incentive discount	58,797,836	65,406,669
- Cash capital interest deduction	18,608,805	-
- effect of other items exempted from tax	(504,213)	(4,046,962)
Tax provision income in the statement of profit or loss	(8,573,207)	29,838,843

(\*) As of 31 December 2021, the Group has an accumulated tax loss of TL 14,511,074 (31 December 2020: 10,578,333). The tax advantage amounting to TL 2,903,634 for these losses is not included in the deferred tax calculation (31 December 2020: TL 2,799,582).

#### 33. EARNINGS PER SHARE

	1 January- 31 December 2021	1 January- 31 December 2020
<b>Earning per share</b>		
Weighted average number of shares outstanding during the period (*)	67,208,791,215	46,000,000,014
Net profit for the period	325,757,016	180,498,608
Profit per share obtained from ongoing activities		
- a hundred ordinary stock (TL)	0.48	0.39

(\*) The weighted average number of shares has been calculated by taking into account the retrospective effects of the aforementioned share distributions.

In the current period ending as of 31 December 2021, it has been decided that the distributable profit for the 2020 accounting period will not be distributed, and the remaining amount will be recorded in extraordinary reserves, after the first legal reserves have been set aside, by evaluating the conditions stipulated in the Company's profit distribution policy. Dividends from previous periods, which have not yet been collected by the shareholders are also followed under the other payables account.

## HEKTAŞ GROUP

### NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2021 AND FOR THE PERIOD THEN ENDED (All amounts are indicated in Turkish Lira ("TL").)

#### 34. RELATED PARTY DISCLOSURES

Details of the balances and transactions between the Group and other related parties are explained below:

	31 December 2021		31 December 2020	
	Trade		Trade	
Balances with related parties	Receivables	Payables	Receivables	Payables
Oyak Grup Sigorta ve Reasürans Brokerliği A.Ş. (*)	-	3,489,466	-	495,958
OYAK Pazarlama Hizmet Turizm A.Ş. (*)	-	2,532,511	1,377	1,114,633
OYAK (**)	-	2,395,840	-	1,354,661
Oyak Biyoteknoloji San.ve Ticaret A.Ş. (*)	-	2,392,365	-	-
Omsan Lojistik A.Ş. (*)	-	2,173,785	-	1,577,647
OYAK Savunma Güvenlik Sistemleri A.Ş. (*)	-	1,653,161	-	768,626
Güzel Enerji Akaryakıt A.Ş. (*)	-	483,594	4,696	-
Tamek Grup Gıda Üretim A.Ş. (*)	-	353,017	-	-
Satem Grup Gıda Dağıtım ve Pazarlama A.Ş. (*)	-	127,021	-	-
Oyak Elektrik Enerjisi Toptan Satış A.Ş. (*)	-	78,623	-	-
Doco Petrol Ve Danışmanlık A.Ş. (*)	-	16,318	97,614	-
Mais Motorlu Araçlar İmal ve Satış A.Ş. (*)	-	582	8,349	50
Sagra Grup Gıda Üretim ve Ticaret A.Ş. (*)	220,975	-	-	-
Ereğli Demir ve Çelik Fabrikaları T.A.Ş. (*)	181,529	-	259,401	-
Kümaş Manyezit San.A.Ş. (*)	31,522	-	-	-
Oyak Gıda Ve Tarım Holding Anonim Şirketi (*)	28,661	-	-	-
Likitgaz Dağıtım Ve Endüstri A.Ş. (*)	20,527	-	35,382	-
Kaan Akaryakıt Ssnayi ve Tic. A.Ş.(*)	14,806	-	-	-
Akdeniz Chemson Kimya Sanayi ve Ticaret A.Ş. (*)	9,322	-	31,902	-
Oyak Çimento Fabrikaları A.Ş. (*)	6,580	-	16,587	-
Petrol Petrol Ür.Taş.Araç.Ve Dış Tic.A.Ş. (*)	3,615	-	-	-
Oyak Denizcilik ve Liman İşletmeleri A.Ş. (*)	3,388	-	4,003	-
Oyak Akaryakıt ve LPG Yatırımları A.Ş. (*)	2,965	-	-	-
Oyak İnşaat A.Ş. (*)	-	-	4,304	721,507
Armada Petrol Ürünleri Sanayi ve Ticaret Ltd. Şti. (*)	-	-	1,275	-
Berkim Petrol Denizcilik Ve Nakliyat A.Ş. (*)	-	-	1,042	-
Erdemir Çelik Servis Merkezi San. ve Tic. A.Ş. (*)	-	-	8,006	-
İskenderun Demir Ve Çelik A.Ş. (*)	-	-	192,339	-
	<u>523,890</u>	<u>15,696,283</u>	<u>666,277</u>	<u>6,033,082</u>

(\*) Companies managed by the parent

(\*\*) Parent of the Company

Trade receivables from related parties arise from sales of goods and services and their average maturity is 2 months. The aforementioned receivables are unsecured and no interest is charged.

Trade payables to related parties generally arise from purchase of goods and services and their average maturity is 1 month. No interest is charged for these payables.

	31 December	31 December
Fixed asset advances given to related parties	2021	2020
Oyak İnşaat A.Ş. (*)	11,789,746	-
	<u>11,789,746</u>	<u>-</u>

(\*) The company managed by the parent

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### NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2021 AND FOR THE PERIOD THEN ENDED (All amounts are indicated in Turkish Lira ("TL").)

#### 34. RELATED PARTY DISCLOSURES (cont'd)

	31 December 2021	31 December 2020
Advances given to related parties		
Oyak Elektrik Enerjisi Toptan Satış A.Ş. (*)	870,800	-
	<u>870,800</u>	<u>-</u>

	1 January - 31 December 2021		1 January - 31 December 2020	
Transactions with related parties	Purchases	Sales	Purchases	Sales
Oyak İnşaat A.Ş. (*)	30,885,057	21,895	22,938,636	22,696
Omsan Lojistik A.Ş. (*)	12,530,085	6,268	8,326,111	6,551
OYAK Pazarlama Hizmet Turizm A.Ş. (*)	11,777,208	56,177	8,068,733	55,420
OYAK Güvenlik ve Savunma Hiz. A.Ş. (*)	7,799,493	130,626	5,976,675	-
Güzel Enerji Akaryakıt A.Ş. (*)	3,070,286	43,770	1,162,204	46,452
Oyak Biyoteknoloji Sanayi ve Tic.A.Ş. (*)	2,387,200	59,790	-	-
Tamek Grup Gıda Üretim A.Ş.	577,497	174,453	-	-
Doco Petrol ve Danışmanlık A.Ş. (*)	540,830	117,207	2,138	156,048
OYAK Yatırım Menkul Değerler A.Ş. (*)	518,450	-	541,100	8,522
Oyak Elektrik Enerjisi Toptan Satış A.Ş.	391,025	-	-	-
Mais Motorlu Araçlar İmal ve Satış A.Ş. (*)	34,212	32,651	151,278	60,924
Ereğli Demir ve Çelik Fabrikaları T.A.Ş. (*)	-	732,653	-	730,225
İskenderun Demir Ve Çelik A.Ş. (*)	-	271,695	-	274,833
Akdeniz Chemson Kimya Sanayi ve Ticaret A.Ş. (*)	-	86,722	-	61,536
Ordu Yardımlaşma Kurumu (**)	-	67,315	618,914	107,558
Likitgaz Dağıtım Ve Endüstri A.Ş. (*)	-	64,369	-	49,025
Erdemir Çelik Servis Merkezi San. ve Tic. A.Ş. (*)	-	31,569	-	53,447
Oyak Çimento Fabrikaları A.Ş. (*)	-	26,790	-	46,512
Erdemir Madencilik San Ve Tic. A.Ş. (*)	-	26,101	-	35,968
Oyak Denizcilik ve Liman İşletmeleri A.Ş. (*)	-	20,428	-	15,993
Kaan Akaryakıt Sanayi ve Ticaret A.Ş. (*)	-	19,756	-	109,982
Other (*)	-	103,756	101	47,162
	<u>70,511,343</u>	<u>2,093,991</u>	<u>47,785,890</u>	<u>1,888,854</u>

(\*) Companies managed by the parent

(\*\*) Parent of the Company

Key management personnel consist of the Members of the Board of Directors, the General Manager and the Deputy General Managers. The salaries and similar benefits paid to key management personnel for their services are as follows.

	1 January- 31 December 2021	1 January- 31 December 2020
Salaries and other short-term benefits	14,861,528	8,871,631
	<u>14,861,528</u>	<u>8,871,631</u>



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### NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2021 AND FOR THE PERIOD THEN ENDED (All amounts are indicated in Turkish Lira ("TL").)

#### 35. NATURE AND LEVEL OF THE RISKS ARISING FROM FINANCIAL INSTRUMENTS

##### Capital risk management

While trying to ensure the continuity of its activities in capital management, the Group also aims to increase its profits by using the debt and equity balance in the most efficient way.

The capital structure of the Group consists of debts including the loans disclosed in Note 4 and Note 7, cash and cash equivalents, and equity items including issued capital, reserves and previous year profits disclosed respectively in Note 24.

The Board of Directors of the Group convenes regularly, reviewing the capital structure and indebtedness of the Group. The Group aims to maintain the balance of its capital structure by obtaining new loans or repaying the existing debts, based on the recommendations of the Board.

The general strategy of the Group does not differ from the previous period.

##### Financial risk factors

The Group is exposed to market risk (exchange rate risk and price risk), credit risk and liquidity risk due to its activities. The Group's risk management program is generally focused on minimizing the potential negative impacts of the uncertainty in the financial markets on the Group's financial performance. The Group also uses derivative products occasionally as protection against financial risks.

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### NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2021 AND FOR THE PERIOD THEN ENDED (All amounts are indicated in Turkish Lira (“TL”).)

#### 35. NATURE AND LEVEL OF THE RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont’d)

##### Credit risk management

##### Credit risks exposed in terms of financial instruments

Credit risks exposed in terms of financial instruments	Receivables				Deposits at Banks	Other Cash Equivalents	Derivative Instruments
	Trade Receivables		Other Receivables				
31 December 2021	Related Party	Other Party	Related Party	Other Party			
Maximum credit risk exposed as of reporting date (A+B+C+D) (*)	523,890	1,662,638,245	-	4,383,250	84,212,763	12,372,149	169,694,609
- Secured portion of the maximum risk with guarantee etc (**)	-	369,467,222	-	-	-	-	-
A. Net book value of due and non-impaired financial instruments	523,890	1,621,963,632	-	4,383,250	84,212,763	12,372,149	169,694,609
B. Net book value of overdue and non-impaired financial instruments	-	40,553,500	-	-	-	-	-
- Secured portion with guarantee etc		16,119,775					
C. Net book value of impaired assets	-	10,177,106	-	-	-	-	-
- Impairment (-)	-	(10,035,993)	-	-	-	-	-
- Secured portion of the net value with guarantee etc	-	141,113	-	-	-	-	-
- Not past due (gross book value)	-	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-	-
- Secured portion of the net value with guarantee etc	-	-	-	-	-	-	-
D. Items including off-balance sheet risk	-	-	-	-	-	-	-

(\*) The factors that increase the credit reliability, such as guarantee received are not considered in the determination of the amount.

(\*\*) Guarantees consist of the letters of guarantee, guarantee notes, and mortgages received from customers.

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### NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2021 AND FOR THE PERIOD THEN ENDED (All amounts are indicated in Turkish Lira (“TL”).)

#### 35. NATURE AND LEVEL OF THE RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

##### Credit risk management (cont'd)

##### Credit risks exposed in terms of financial instruments

Credit risks exposed in terms of financial instruments	Receivables				Deposits at Banks	Other Cash Equivalents	Derivative Instruments
	Trade Receivables		Other Receivables				
31 December 2020	Related Party	Other Party	Related Party	Other Party			
Maximum credit risk exposed as of reporting date (A+B+C+D)(*)	666,277	751,141,422	-	22,474,124	67,268,610	8,267,345	48,868,820
- Secured portion of the maximum risk with guarantee etc (**)	-	254,247,758	-	-	-	-	-
A. Net book value of due and non-impaired financial instruments	666,277	710,701,082	-	22,474,124	67,268,610	8,267,345	48,868,820
B. Net book value of overdue and non-impaired financial instruments	-	40,299,228	-	-	-	-	-
- Secured portion with guarantee etc		18,361,142					
C. Net book value of impaired assets	-	10,122,052	-	-	-	-	-
- Impairment (-)	-	(9,980,940)	-	-	-	-	-
- Secured portion of the net value with guarantee etc	-	141,112	-	-	-	-	-
- Not past due (gross book value)	-	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-	-
- Secured portion of the net value with guarantee etc	-	-	-	-	-	-	-
D. Items including off-balance sheet risk	-	-	-	-	-	-	-

(\*) The factors that increase the credit reliability, such as guarantee received are not considered in the determination of the balance.

(\*\*) Guarantees consist of the letters of guarantee, guarantee notes, and mortgages received from customers.

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#### 35. NATURE AND LEVEL OF THE RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

##### Credit risk management (cont'd)

Credit risk is defined as the risk of financial loss to the Group due to the failure of one of the parties to the financial instrument to fulfill its contractual obligations. The Group tries to conduct transactions only with parties with credit reliability and to reduce its credit risk by obtaining sufficient guarantee, where possible. The credit risks to which the Group is exposed and the credit ratings of customers are constantly monitored.

Trade receivables cover many customers distributed to various industries and geographical areas. Credit assessments are continuously carried out on customers' trade receivable balances and guarantees are received where deemed necessary. Guarantees are primarily received as letters of guarantee and mortgage.

Overdue receivables are aged as follows:

	<u>31 December 2021</u>	<u>31 December 2020</u>
	<u>Trade</u>	<u>Trade</u>
	<u>Receivables</u>	<u>Receivables</u>
1-30 days overdue	16,352,625	22,234,036
1-3 months overdue	12,995,947	17,469,398
3-12 months overdue	1,592,549	595,794
1-5 years overdue	19,769,485	10,122,052
Total overdue receivables	<u>50,710,606</u>	<u>50,421,280</u>
Secured portion with guarantee etc.	<u>16,260,888</u>	<u>18,502,254</u>

Provisions were set aside for TL 10,035,993 of the overdue receivables, as of the balance sheet date (31 December 2020: TL 9,980,940). The guarantees received for the overdue trade receivables for which no provisions were set aside are as follows:

	<u>31 December</u>	<u>31 December</u>
	<u>2021</u>	<u>2020</u>
Letter of guarantees	<u>16,260,888</u>	<u>18,502,254</u>
	<u>16,260,888</u>	<u>18,502,254</u>

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#### 35. NATURE AND LEVEL OF THE RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

##### Liquidity risk management

The main responsibility regarding liquidity risk management belongs to the Board of Directors. The Board of Directors has established a suitable liquidity risk management for the short, medium and long-term funding and liquidity requirements of the Group Management. The Group manages the liquidity risk by regularly monitoring the estimated and actual cash flows and ensuring the continuity of sufficient funds and borrowing reserves, by matching the maturities of financial assets and liabilities.

The following table demonstrates the maturity distribution of the Group's financial liabilities which are not in the nature of derivatives. The tables have been drawn up based on the undiscounted cash flows of non-derivative financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. Derivative financial liabilities on the other hand have been adjusted according to undiscounted net cash inflows and outflows. Forward instruments are paid as net amounts for future transactions which must be paid as gross amounts and are realized over the undiscounted, gross cash inflows and outflows. The amount disclosed when the receivables or payables are not fixed is determined by using the interest rate derived from the yield curves on the report date.

##### 31 December 2021

<u>Contractual maturities</u>	<u>Book Value</u>	<u>Total contractual cash outflows (I+II+III)</u>	<u>Less than 3 months (I)</u>	<u>Between 3-12 months (II)</u>	<u>Between 1-5 years (III)</u>
<b>Non-derivative financial liabilities</b>					
Financial liabilities	2,271,275,132	2,539,768,854	602,320,639	1,868,883,211	68,565,004
Trade payables	816,378,438	816,378,438	258,722,307	557,656,131	-
Payables related to employee benefits	37,126,829	37,126,829	3,072,389	34,054,440	-
Other payables	26,095,202	26,095,202	5,229,535	20,865,667	-
	<b>3,150,875,601</b>	<b>3,419,369,323</b>	<b>869,344,870</b>	<b>2,481,459,449</b>	<b>68,565,004</b>
<b>Derivative financial liabilities</b>					
Derivative cash inflows	158,758,723	552,470,888	310,709,000	210,685,766	31,076,122
Derivative cash outflows	-	(425,905,949)	(306,306,569)	(104,431,066)	(15,168,314)
	<b>158,758,723</b>	<b>126,564,939</b>	<b>4,402,431</b>	<b>106,254,700</b>	<b>15,907,808</b>

##### 31 December 2020

<u>Contractual maturities</u>	<u>Book Value</u>	<u>Total contractual cash outflows (I+II+III)</u>	<u>Less than 3 months (I)</u>	<u>Between 3-12 months (II)</u>	<u>Between 1-5 years (III)</u>
<b>Non-derivative financial liabilities</b>					
Financial liabilities	1,051,907,446	1,131,025,748	224,007,047	731,192,799	175,825,902
Trade payables	221,516,757	221,516,757	94,523,419	126,993,338	-
Payables related to employee benefits	13,350,691	13,350,691	3,207,293	10,143,398	-
Other payables	28,058,692	28,058,692	6,138,007	21,920,685	-
	<b>1,314,833,586</b>	<b>1,393,951,888</b>	<b>327,875,766</b>	<b>890,250,220</b>	<b>175,825,902</b>
<b>Derivative financial liabilities</b>					
Derivative cash inflows	48,383,092	150,858,325	6,508,208	-	144,350,117
Derivative cash outflows	-	(137,056,673)	(17,457,293)	-	(119,599,380)
	<b>48,868,820</b>	<b>13,801,652</b>	<b>(10,949,085)</b>	<b>-</b>	<b>24,750,737</b>

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### NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2021 AND FOR THE PERIOD THEN ENDED (All amounts are indicated in Turkish Lira ("TL").)

#### 35. NATURE AND LEVEL OF THE RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

##### Market risk

The Group's activities are primarily exposed to the financial risks related with the changes in foreign exchange rates. The Group occasionally uses forward foreign exchange purchase/sale contracts in order to keep the risks associated with foreign exchange rates under control.

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

##### Foreign currency risk management

Transactions in foreign currencies cause foreign currency risk. Currency risk is managed by foreign currency purchase/sale contracts based on the approved policies. The foreign currency denominated assets and liabilities of monetary and non-monetary items are as follows:

	31 December 2021		
	TL Equivalent (Functional currency)	USD Dollar	Euro
Trade Receivable	60,981,081	4,575,068	-
Monetary Financial Assets	44,194,770	1,650,515	1,471,167
Non-Monetary Financial Assets	75,805,959	5,637,261	44,205
<b>CURRENT ASSETS</b>	<b>180,981,810</b>	<b>11,862,844</b>	<b>1,515,372</b>
Non-Monetary Financial Assets	4,385,574	329,025	-
<b>NON-CURRENT ASSETS</b>	<b>4,385,574</b>	<b>329,025</b>	<b>-</b>
<b>TOTAL ASSETS</b>	<b>185,367,384</b>	<b>12,191,869</b>	<b>1,515,372</b>
Financial Liabilities	203,670,450	-	13,500,000
Trade Payables	696,593,573	49,181,892	2,720,816
<b>CURRENT LIABILITIES</b>	<b>900,264,023</b>	<b>49,181,892</b>	<b>16,220,816</b>
Financial Liabilities	30,173,400	-	2,000,000
<b>NON-CURRENT LIABILITIES</b>	<b>30,173,400</b>	<b>-</b>	<b>2,000,000</b>
<b>TOTAL LIABILITIES</b>	<b>930,437,423</b>	<b>49,181,892</b>	<b>18,220,816</b>
Net asset/ liability position of off-balance sheet derivative instruments	513,752,850	21,000,000	15,500,000
Amount of active off-balance sheet foreign currency derivatives	513,752,850	21,000,000	15,500,000
<b>Net foreign currency asset liability position</b>	<b>(231,317,189)</b>	<b>(15,990,023)</b>	<b>(1,205,444)</b>
Fair value of financial instruments used for foreign currency hedging	142,376,886	-	-
Amounts of hedged portion of foreign currency assets	513,752,850	21,000,000	15,500,000
Export	81,351,557	9,037,786	-
Import	979,925,842	83,177,726	17,858,511

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### NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2021 AND FOR THE PERIOD THEN ENDED (All amounts are indicated in Turkish Lira ("TL").)

#### 35. NATURE AND LEVEL OF THE RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

##### Foreign currency risk management (cont'd)

	31 December 2020		
	TL Equivalent (Functional currency)	USD Dollar	Euro
Trade Receivable	19,568,048	2,665,765	-
Monetary Financial Assets	42,679,715	2,807,232	2,450,430
<b>CURRENT ASSETS</b>	<b>62,247,763</b>	<b>5,472,997</b>	<b>2,450,430</b>
<b>TOTAL ASSETS</b>	<b>62,247,763</b>	<b>5,472,997</b>	<b>2,450,430</b>
Financial Liabilities	2,251,975	-	250,000
Trade Payables	167,093,504	14,363,925	6,844,560
<b>CURRENT LIABILITIES</b>	<b>169,345,479</b>	<b>14,363,925</b>	<b>7,094,560</b>
Financial Liabilities	139,622,450	-	15,500,000
<b>NON-CURRENT LIABILITIES</b>	<b>139,622,450</b>	<b>-</b>	<b>15,500,000</b>
<b>TOTAL LIABILITIES</b>	<b>308,967,929</b>	<b>14,363,925</b>	<b>22,594,560</b>
Net asset/ liability position of off-balance sheet derivative instruments	141,874,425	-	15,750,000
Amount of active off-balance sheet foreign currency derivatives	141,874,425	-	15,750,000
<b>Net foreign currency asset liability position</b>	<b>(104,845,741)</b>	<b>(8,890,928)</b>	<b>(4,394,130)</b>
Fair value of financial instruments used for foreign currency hedging	40,327,504	-	-
Amounts of hedged portion of foreign currency assets	141,874,425	-	15,750,000
Export	42,117,016	6,332,273	1,898
Import	439,545,015	47,356,804	12,397,980

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### NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2021 AND FOR THE PERIOD THEN ENDED (All amounts are indicated in Turkish Lira ("TL").)

#### 35. NATURE AND LEVEL OF THE RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

##### Foreign currency risk sensitivity

The Group is mainly exposed to foreign currency risk in USD and EURO.

The following table details the Group's sensitivity to a 10% increase and decrease in USD and Euro. 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 only includes outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. A negative number indicates a decrease in the profit/loss and other equity items.

<b>31 December 2021</b>		
Profit / Loss		
	Appreciation of foreign currency	Depreciation of foreign currency
In case USD appreciates 10% against TL		
Net asset/liability of USD	(21,313,102)	21,313,102
<b>USD net effect</b>	<b>(21,313,102)</b>	<b>21,313,102</b>
In case EUR appreciates 10% against TL		
Net asset/liability of EUR	(25,203,002)	25,203,002
Portion hedged from EUR risk (-)	23,384,385	23,384,385
<b>EUR net effect</b>	<b>(1,818,617)</b>	<b>1,818,617</b>
<b>TOTAL</b>	<b>(23,131,719)</b>	<b>23,131,719</b>

  

<b>31 December 2020</b>		
Profit / Loss		
	Appreciation of foreign currency	Depreciation of foreign currency
In case USD appreciates 10% against TL		
Net asset/liability of USD	(6,526,386)	6,526,386
<b>USD net effect</b>	<b>(6,526,386)</b>	<b>6,526,386</b>
In case EUR appreciates 10% against TL		
Net asset/liability of EUR	(18,145,631)	18,145,631
Portion hedged from EUR risk (-)	14,187,443	14,187,443
<b>EUR net effect</b>	<b>(3,958,188)</b>	<b>3,958,188</b>
<b>TOTAL</b>	<b>(10,484,574)</b>	<b>10,484,574</b>

##### Interest rate risk management

The Group keeps its risk related with the changes in the interest rate very low arising from financing activities. The financial liabilities of the Group consist of variable-interest instruments. Therefore, the Group have risks which may be from fluctuations in the interest rate.



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### NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2021 AND FOR THE PERIOD THEN ENDED (All amounts are indicated in Turkish Lira ("TL").)

#### 35. NATURE AND LEVEL OF THE RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

##### Price risk

Price risk is a combination of foreign currency, interest and market risk and is naturally managed by the Group by matching its payables and receivables in the same currency with the assets and liabilities bearing interest. Market risk is closely monitored by the Group by reviewing market information and through suitable valuation methods.

#### 36. FINANCIAL INSTRUMENTS

##### **Fair value measurements hierarchy table**

The Group classifies the fair value measurements of financial instruments, which are reflected in the financial statements at fair value, as follows, by using a three-level hierarchy, depending on the source of inputs of each financial instrument class.

Level 1: Valuation techniques where market prices traded (unadjusted) in an active market are used for the designated financial instruments

Level 2: Other valuation techniques that include direct or indirect observable input

Level 3: Valuation techniques that do not include observable market input

Financial instruments and fair values

##### Classes and fair values of financial instruments

31 December 2021	Financial assets at amortized cost	Financial assets at fair value through other comprehensive income	Financial assets at fair value through profit or loss	Financial liabilities at amortized cost	Note
<u>Financial assets</u>					
Cash and cash equivalents	96,691,275	-	-	-	4
Trade receivables	1,663,162,135	-	-	-	8a
Derivative instruments	-	153,082,463	16,612,146	-	6
<u>Financial liabilities</u>					
Financial liabilities	-	-	-	2,271,275,132	7
Trade payables	-	-	-	816,378,438	8b
Payables related to employee benefits	-	-	-	37,126,829	9
Derivative instruments	-	-	10,935,886	-	6
Other payables	-	-	-	26,095,202	10b
31 December 2020	Financial assets at amortized cost	Financial assets at fair value through other comprehensive income	Financial assets at fair value through profit or loss	Financial liabilities at amortized cost	Not
<u>Financial assets</u>					
Cash and cash equivalents	75,600,817	-	-	-	4
Trade receivables	751,807,699	-	-	-	8a
Derivative instruments	-	48,868,820	-	-	6
<u>Financial liabilities</u>					
Financial liabilities	-	-	-	1,051,907,446	7
Trade payables	-	-	-	221,516,757	8b
Payables related to employee benefits	-	-	-	13,350,691	9
Derivative instruments	-	-	485,728	-	6
Other payables	-	-	-	28,058,692	10b

The Group management believes that carrying value of its financial instruments reflect their fair values.

## HEKTAŞ GROUP

### NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2021 AND FOR THE PERIOD THEN ENDED (All amounts are indicated in Turkish Lira ("TL").)

#### 36. FINANCIAL INSTRUMENTS (cont'd)

##### Fair value measurements hierarchy table (cont'd)

###### Fair values of financial instruments

Fair values of financial assets and liabilities are determined as follows:

- The fair value of financial assets and liabilities traded in an active liquid market is determined over the quoted market price, under standard terms and conditions.
- The fair value of financial assets and liabilities other than derivatives are determined within the framework of generally accepted pricing models. These models are based on discounted cash flows based on prices from observable data market transactions.
- The fair value of derivative instruments is calculated using their quoted prices. Option pricing model is used for derivative instruments that contain options.

#### 37. FEES FOR SERVICES RECEIVED FROM THE INDEPENDENT AUDIT FIRM

The fees related to the services received by the Group from the Independent Audit Firm for the periods 1 January - 31 December 2021 and 1 January - 31 December 2020 are as follows:

	2021			2020		
	Independent Audit Firm	Other Independent Audit Firm	Total	Independent Audit Firm	Other Independent Audit Firm	Total
Independent audit fee for the reporting period	257,930	-	257,930	187,000	-	187,000
	<u>257,930</u>	<u>-</u>	<u>257,930</u>	<u>187,000</u>	<u>-</u>	<u>187,000</u>

#### 38. EVENTS AFTER THE REPORTING PERIOD

According to the Material Disclosure made by the Group on the Public Disclosure Platform on 12 January 2022:

“As stated in the PDP statement dated 28 July 2021, in order to maintain sustainable growth, enrich the Company's product portfolio, and develop new products by entering new business lines, with a portion of the fund obtained as a result of the capital increase by obtaining the necessary permissions by the CMB, which was unanimously accepted by our stakeholders at the Ordinary General Assembly Meeting for 2020 as it falls within the scope of significant transactions, the process of taking over all the shares owned by Oyak Capital Investments A.Ş., which holds 51% of the shares representing the shares of Agriventis Technologies Pty.Ltd., which is located in Australia and field of activity of which is "seed growing and seed improvement", for a consideration of TL 28,000,000 has been completed.”

In order to meet the required borrowing needs of the company, it was decided to issue debt instruments up to 1,000,000,000 TL (One Billion Turkish Lira) in Turkish Lira, once or multiple times and without public offering domestically, on a private basis and/or through sales to qualified investors on allocation basis, or by using a combination of sales methods and the decision was approved by to the Capital Market Board.

According to the Law No. 7352 Amendments to the Tax Procedure Law and the Corporate Tax Law published in the Official Gazette dated 29 January 2022 and numbered 31734, the application of inflation accounting in the financial statements based on the Tax Procedure Law was postponed to 31 December 2023.