

**HEKTAŞ TİCARET TÜRİK ANONİM ŐİRKETİ (“Hektaş” or “the Company”)
AND SUBSIDIARIES (“Hektaş Group” or “the Group”)**

CONDENSED CONSOLIDATED INTERIM
FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD
AS OF 30 SEPTEMBER 2021

(ORIGINALLY ISSUED IN TURKISH)

INDEX	PAGE
INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION	1-2
INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	3
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	4
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW.....	5
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS	6-42

HEKTAŞ GROUP

UNREVIEWED INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF 30 SEPTEMBER 2021

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

		<u>Current Period</u>	<u>Prior Period</u>
		<u>Unreviewed</u>	<u>Audited</u>
		<u>30 September</u>	<u>31 December</u>
	<u>Notes</u>	<u>2021</u>	<u>2020</u>
ASSETS			
Current Assets			
Cash and Cash Equivalents	3	2,358,675,212	1,472,280,409
Trade Receivables	6a	136,855,356	75,600,817
<i>From Related Parties</i>	19	1,484,035,536	751,807,699
<i>From Third Parties</i>		1,327,855	666,277
Other Receivables	7a	1,482,707,681	751,141,422
<i>From Third Parties</i>		2,319,021	22,024,438
<i>From Third Parties</i>		2,319,021	22,024,438
Derivative Instruments	4	64,510,123	48,868,820
Inventories	8	528,493,352	417,027,122
Prepaid Expenses		78,500,676	123,387,606
Current Tax Assets	12	1,767,464	583,486
Other Current Assets		62,193,684	32,980,421
		976,024,341	647,274,747
Non-Current Assets			
Trade Receivables	6a	118,495	-
Other Receivables	7a	671,445	449,686
Investment Properties		4,806,833	5,221,772
Property, Plant and Equipment	9	499,138,227	424,449,605
Intangible Assets		160,268,787	159,103,427
Goodwill	11	106,319,692	106,319,692
<i>Other</i>	10	53,949,095	52,783,735
Right-of-Use Assets		37,778,218	28,103,776
Prepaid Expenses		243,531,861	-
Deferred Tax Assets	17	29,710,475	29,946,481
TOTAL ASSETS		3,334,699,553	2,119,555,156

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

HEKTAŞ GROUP

UNREVIEWED INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF 30 SEPTEMBER 2021

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

	Notes	Current Period	Prior Period
		Unreviewed	Audited
		30 September 2021	31 December 2020
LIABILITIES			
Current Liabilities			
		1,862,098,828	1,166,612,678
Short-term Borrowings	5	1,573,135,039	878,061,599
Lease Liabilities	5	12,605,118	16,398,374
Trade Payables	6b	218,650,989	222,360,817
<i>To Related Parties</i>	19	10,787,631	6,033,082
<i>To Third Parties</i>		207,863,358	216,327,735
Payables Related to Employee Benefits		17,081,638	13,350,691
Other Liabilities	7b	29,924,093	28,058,692
<i>To Related Parties</i>		10,046,210	7,827,733
<i>To Third Parties</i>		19,877,883	20,230,959
Derivative Instruments	4	-	485,728
Deferred Income		3,676,280	2,997,040
Current Tax Liability	17	1,489,343	227,555
Short-term Provisions	13a	5,536,328	4,672,182
<i>Related to Employee Benefits</i>		5,107,379	3,777,817
<i>Other</i>		428,949	894,365
Non-Current Liabilities			
		209,835,329	180,508,037
Long-term Borrowings	5	159,671,310	145,563,600
Lease Liabilities	5	26,522,244	11,883,873
Long-term Provisions		12,582,963	11,161,823
<i>Related to Employee Benefits</i>	13b	12,582,963	11,161,823
Deferred Tax Liability	17	11,058,812	11,898,741
EQUITY			
Equity			
		1,262,765,396	772,434,441
Paid-in Capital		860,000,000	227,571,100
Effects of Business Combinations Under Common Control Entities		(8,764,014)	83,235,986
Premiums/Discounts Regarding Shares		5,203,762	2,256,362
Accumulated Other Comprehensive Income / (Expenses) to be Reclassified in Profit or Loss		4,514,786	8,541,316
<i>-Hedging Profit (Loss)</i>		4,514,786	8,541,316
Accumulated Other Comprehensive Income / (Expenses) not to be Reclassified in Profit or Loss		(4,324,785)	(2,871,565)
<i>- Remeasurement Losses of Defined Benefit Plans</i>		(4,324,785)	(2,871,565)
Restricted Reserves Appropriated from Profit		46,485,140	38,087,444
Prior Years' Profit/Losses		171,729,346	235,115,190
Net Profit/Loss for the Period		187,921,161	180,498,608
TOTAL LIABILITIES AND EQUITY		3,334,699,553	2,119,555,156

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

HEKTAŞ GROUP

UNREVIEWED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE INTERIM PERIOD 1 JANUARY – 30 SEPTEMBER 2021

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

		Current Period	Current Period	Prior Period	Prior Period
		Unreviewed	Unreviewed	Unreviewed	Unreviewed
				Restated	Restated
				(Note 2.7)	(Note 2.7)
		1 January- 30 September	1 July- 30 September	1 January- 30 September	1 July- 30 September
	Notes	2021	2021	2020	2020
PROFIT OR LOSS					
Revenue	14a	1,423,742,255	526,020,849	709,478,554	235,468,735
Cost of Sales (-)	14b	(945,054,327)	(326,111,293)	(449,430,554)	(138,754,513)
GROSS PROFIT/LOSS		478,687,928	199,909,556	260,048,000	96,714,222
General Administrative Expenses (-)		(49,896,075)	(15,673,642)	(33,011,645)	(10,895,777)
Marketing, Sales and Distribution Expenses (-)		(53,792,811)	(17,633,121)	(36,109,217)	(12,829,298)
Research and Development Expenses (-)		(19,472,629)	(6,692,236)	(12,400,763)	(4,237,093)
Other Operating Income	15	3,928,387	538,397	1,915,485	266,267
Other Operating Expenses (-)	16	(36,907,426)	(1,136,976)	(9,658,092)	(7,570,843)
OPERATING PROFIT/LOSS		322,547,374	159,311,978	170,783,768	61,447,478
Income from Investing Activities		1,206,059	214,322	424,152	141,384
Expenses from Investing Activities (-)		(114,128)	(43,826)	(47,820)	(15,940)
OPERATING PROFIT/LOSS BEFORE FINANCE EXPENSE		323,639,305	159,482,474	171,160,100	61,572,922
Finance Income (+)		47,907,135	4,671,667	13,750,142	9,053,606
Finance Expense (-)		(181,589,798)	(79,080,886)	(63,191,321)	(23,144,720)
PRE-TAX PROFIT/LOSS OF CONTINUING OPERATIONS		189,956,642	85,073,255	121,718,921	47,481,808
Tax (Expense) / Income from Continuing Operations		(2,035,481)	(611,228)	571,481	(2,903,389)
Tax Expense for the Period	17	(1,489,343)	(652,143)	(2,024,966)	(1,901,132)
Deferred Tax (Expense) / Income	17	(546,138)	40,915	2,596,447	(1,002,257)
PROFIT/LOSS FOR THE PERIOD		187,921,161	84,462,027	122,290,402	44,578,419
Earnings per share					
A Hundred Ordinary Stock (TL)	18	0.31		0.27	
OTHER COMPREHENSIVE INCOME / (EXPENSE):					
Items That will not be Reclassified Subsequently to Profit or Loss:		(1,453,220)	-	(1,227,647)	-
Remeasurement Gains/Losses of Defined Benefit Plans	13b	(1,816,525)	-	(1,573,906)	-
Remeasurement Gains (Losses) of Defined Benefit Plans, Tax Effect		363,305	-	346,259	-
Items That will be Reclassified Subsequently to Profit or Loss		(4,026,530)	(2,999,680)	967,209	472,203
Variations in Fair Value of the Financial Liability Depending on the Variation in Credit Risk		(4,813,286)	(3,895,688)	1,240,011	605,387
Tax Effect of Variations in Fair Value of the Financial Liability Depending on the Variation in Credit Risk		786,756	896,008	(272,802)	(133,184)
OTHER COMPREHENSIVE INCOME / (EXPENSE)		(5,479,750)	(2,999,680)	(260,438)	472,203
TOTAL COMPREHENSIVE INCOME		182,441,411	81,462,347	122,029,964	45,050,622

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

HEKTAŞ GROUP

UNREVIEWED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE INTERIM PERIOD 1 JANUARY – 30 SEPTEMBER 2021

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

Effects of Business Combinations Under Common Control Entities	Paid-in Capital	Effects of business combinations under common control entities	Share Issue Premiums / Discounts	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	Restricted Reserves Appropriated from Profit	Prior Years' Profit / Losses	Net Profit / Loss for the Period	Total Equity
				Accumulated Remeasurement Gains/Losses of Defined Benefit Plans	Hedging Profit/Loss				
Balances as of 1 January 2020 (Opening Balance)	227,571,100	-	2,256,362	(2,571,750)	-	30,759,303	103,784,236	145,571,250	507,370,501
Transfers	-	-	-	-	-	7,328,141	138,243,109	(145,571,250)	-
Total Comprehensive Income / (Expense)	-	-	-	(1,227,647)	967,209	-	-	122,290,402	122,029,964
Effects of Business Combinations Under Common Control Entities	-	57,985,987	-	-	-	-	-	-	57,985,987
Dividends	-	-	-	-	-	-	(6,912,155)	-	(6,912,155)
Balances as of 30 September 2020 (Restated-Note 2.7)	227,571,100	57,985,987	2,256,362	(3,799,397)	967,209	38,087,444	235,115,190	122,290,402	680,474,297
Balances as of 1 January 2021 (Restated-Note 2.7)	227,571,100	83,235,986	2,256,362	(2,871,565)	8,541,316	38,087,444	235,115,190	180,498,608	772,434,441
Transfers	-	-	-	-	-	8,397,696	172,100,912	(180,498,608)	-
Total Comprehensive Income / (Expenses)	-	-	-	(1,453,220)	(4,026,530)	-	-	187,921,161	182,441,411
Effects of Business Combinations Under Common Control Entities	-	(92,000,000)	-	-	-	-	-	-	(92,000,000)
Capital Increase	632,428,900	-	2,947,400	-	-	-	(232,428,900)	-	402,947,400
Dividends	-	-	-	-	-	-	(3,057,856)	-	(3,057,856)
Balances as of 30 September 2021	860,000,000	(8,764,014)	5,203,762	(4,324,785)	4,514,786	46,485,140	171,729,346	187,921,161	1,262,765,396

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

HEKTAŞ GROUP

UNREVIEWED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW FOR THE INTERIM PERIOD 1 JANUARY – 30 SEPTEMBER 2021

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

		<u>Current Period</u>	<u>Prior Period</u>
		<u>Unreviewed</u>	<u>Unreviewed</u>
		<u>1 January- 30 September 2021</u>	<u>1 January- 30 September 2020</u>
	Notes		Restated (Note 2.7)
CASH FLOWS FROM OPERATING ACTIVITIES		(653,429,433)	(239,621,794)
Profit/Loss for the Period		187,921,161	122,290,402
Adjustments Related to Reconciliation of Net Profit/Loss of the Period		199,961,751	78,701,595
Adjustments Related to Depreciation and Amortization Expense		34,825,793	19,020,851
Adjustments Related to Impairment (Reversal)		56,718	(907,134)
- Adjustments Related to Impairment for Receivables	6a	56,718	168,999
- Adjustments Related to Impairment for Inventories	8	-	(1,076,133)
Adjustments Related to Provisions		2,437,010	3,204,144
- Provisions Related to Employee Benefits		2,902,426	2,991,079
- Provision for / (Reversal of) Lawsuit	13a	(465,416)	213,065
Adjustments Related to Interest (Income)/Expenses		161,134,946	57,999,958
- Adjustments Related to Interest Income		(14,351,875)	(1,456,910)
- Adjustments Related to Interest Expenses		175,486,821	59,456,868
Adjustments Related to Tax Expense	17	2,035,481	(571,481)
Adjustments Related to Loss/Gains on Disposal of Fixed Assets		(528,197)	(44,743)
Changes in Working Capital		(1,051,959,769)	(473,415,095)
Adjustments Related to Increase/Decrease in Trade Receivables		(732,434,312)	(259,175,948)
Adjustments Related to the Increase / Decrease in Other Receivables Related to Operations		(208,018,605)	(186,706,443)
Adjustments Related to Increase/Decrease in Inventories		(111,466,230)	(64,897,546)
Adjustments for Increase/Decrease in Trade Payables		(3,709,828)	21,979,231
Increase / (Decrease) in Payables Related to Employee Benefits		3,730,947	4,221,220
Adjustments Related to Increase/Decrease in Other Operating Payables		(61,741)	11,164,391
Cash Flows from Operations		10,647,424	32,801,304
Interest Received		14,351,875	1,456,910
Payments Made Related to Provisions for Employee Benefits		(1,968,249)	(787,447)
Collections from Doubtful Receivables	6a	31,262	16,242
Tax Payments / Returns		(1,767,464)	32,115,599
CASH FLOWS FROM INVESTING ACTIVITIES		(191,755,657)	(125,943,616)
Cash Outflows for the Acquisition of Shares of Other Businesses or Funds or Debt Instruments		(92,000,000)	(57,860,399)
Cash Inflows from Sales of Property, Plant and Equipment and Intangible Assets		709,712	131,688
- Cash Inflows from Sale of Property, Plant and Equipment		706,791	88,077
- Cash Inflows from Sale of Intangible Assets		2,921	43,611
Cash Outflows from the Purchase of Property, Plant and Equipment and Intangible Assets		(100,465,369)	(75,635,644)
- Cash Outflows from the Purchase of Property, Plant and Equipment	9	(98,051,861)	(73,713,576)
- Cash Outflows from the Purchase of Intangible Assets	10	(2,413,508)	(1,922,068)
Cash Outflows from the Purchase of Investment Properties		-	(79,529)
Other cash inflows / outflows		-	7,500,268
CASH FLOWS FROM FINANCING ACTIVITIES		906,016,094	239,330,951
Cash Inflows from Borrowing		1,284,653,777	668,985,966
Cash Outflows Related to Payments of Borrowings		(621,959,924)	(379,699,893)
Interest Paid		(146,050,001)	(40,382,287)
Cash Outflows Related to Debt Payments Arising from Lease Contracts		(12,700,149)	(9,353,036)
Paid Capital Increase		402,947,400	-
Dividends Paid		(875,009)	(219,799)
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS		60,831,004	(126,234,459)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	3	75,595,472	176,941,069
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	3	136,426,476	50,706,610

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

HEKTAŞ GROUP

NOTES TO UNREVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 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 pesticides 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. 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. It 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 are available on its official web site at the address (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 included FNC within the scope of the consolidation based on its periodic statements of 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 included Akça within the scope of consolidation based on its financial statements pertaining to the period ending on 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 and has a capital of TL 15,750,000.

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.

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 included Sunset within the scope of consolidation based on its financial statements pertaining to the period ending on 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 Bor district of Niğde. Its capital is in the amount of TL 2,000,000.

Arma İlaç Sanayi ve Ticaret A.Ş. ("Arma") was acquired by OYAK Group as of 6 May 2020. Main field of activity is "production of veterinary drugs", and all of the shares representing the capital of Arma, controlled by our main partner, were taken over for a consideration of TL 92,000,000 as of 28 July 2021. The headquarters of Arma is in the Sincan district of Ankara. Its capital is in the amount of 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.

The Company's shares have been quoted on Borsa İstanbul ("BİST") since 1986. The Group's parent shareholder and principal controller is OYAK.

As of 30 September 2021, the number of employees of the Group is 648 in total, 230 of them being blue-collar and 418 being white-collar (31 December 2020: 529 employees).

The Group carries out its activities at its headquarters at the address Gebze Organize Sanayi Bölgesi, İhsandede Caddesi, 700. Sokak 41400 Gebze, Kocaeli.

HEKTAŞ GROUP

NOTES TO UNREVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 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 pesticides
Çantaş Çankırı Tuz Ürünleri Üretim ve Dağıtım Anonim Şirketi ("Çantaş")	inactive
Ferbis	Production, import and marketing of 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 pesticides, import and export, marketing in domestic and foreign markets
Arma	Production of veterinary drugs

Details of the Company's subsidiaries and its financial investments as of 30 September 2021 and 31 December 2020 are as follows:

Title of the Company	Location of activity	Functional currency	Group's share rate in capital and voting rate (%)	
			30 September 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 took over from its parent on 28 July 2021, is included in the attached consolidated financial statements by applying the pooling of interest method, in line with a policy decision of KGK numbered 75935942-050.01.04-[04/177] dated 11 October 2018 ("Principle Decision"). presented.

Due to the limited activity of Çantaş, the registered acquisition costs do not indicate their realizable values. Therefore, provisions for impairment at the rate of 100% have been allocated for these financial assets.

2. BASIS OF PRESENTATION OF THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

2.1 Basis of Presentation

Statement of Compliance with TFRS

The Company and its Turkish subsidiaries maintain their books of account and prepare their statutory financial statements in accordance with accounting principles in the Turkish Commercial Code and tax legislation.

The accompanying condensed 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 condensed 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.

The Group has prepared its interim consolidated financial statements as of 30 September 2021 by preferring condensed presentation in accordance with TAS 34 "Interim Financial Statements" and the explanations and notes required to be included in the annual financial statements prepared in accordance with TAS 34 are summarized or not included. Therefore, these interim condensed consolidated financial statements should be read together with the Group's consolidated financial statements as of 31 December 2020.

HEKTAŞ GROUP

NOTES TO UNREVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2021 AND FOR THE PERIOD THEN ENDED

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

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

2.1 Basis of Presentation (cont’d)

Approval of consolidated financial statements:

The condensed consolidated financial statements were approved by the Board of Directors of Hektaş on 8 November 2021. The General Assembly of Hektaş has the right to amend and the related regulatory authorities have the right to demand the amendment of these condensed consolidated financial statements.

Functional and Reporting Currency

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

2.2 Changes in accounting policies

The accounting policies used in the preparation of these interim condensed consolidated financial statements are the same as those used in the most recent annual consolidated financial statements.

2.3 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 rearranged. No material changes have occurred in the Group’s accounting estimations within the current year.

2.4 Significant accounting judgements, estimates and assumptions

In the preparation of consolidated financial statements, the Group Management must make assumptions and estimations that determine the income and expense accounts as of the reporting period and the liabilities and commitments that may take place as of the reporting date, which would affect the reported asset and liability amounts. Actual results may differ from the estimations and assumptions. These estimations and assumptions are regularly reviewed and corrections are reflected in the operating result of the related period, if there is need for correction.

Interpretations which may significantly affect the amounts reflected in consolidated financial statements and the important assumptions and evaluations made by considering the actual sources of the estimations which exist on the reporting date or which may occur in the future are provided below:

The provisions for doubtful receivables reflect the amounts that the Group management believes to cover the future losses pertaining to receivables which exist as of the reporting date, but which are under the risk of not being collectible under the current economic circumstances. In the determination of whether the receivables are impaired, the previous performances of the debtors other than related parties and key customers, their credibilities in the market, guarantees obtained, their performances from the balance sheet date until the date of approval of the financial statements and the renegotiated conditions are taken into account. The Group’s provisions for doubtful receivables as of the related reporting dates are provided in the Note 6. Actual results may differ from the assumptions.

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.

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 13a).

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 13b.

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 8). Actual results may differ from the assumptions.

HEKTAŞ GROUP

NOTES TO UNREVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2021 AND FOR THE PERIOD THEN ENDED

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

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

2.4 Summary of significant accounting judgements, estimates and assumptions (cont’d)

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 11). 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.

The Group has applied IFRS 3 “Business Combinations”.

Goodwill is not included in the financial statements due to the recognition of business combinations subject to joint control by merging rights. When applying the method of merging rights, the financial statements should be corrected and presented comparatively as of the beginning of the reporting period when the joint control occurred, as if the combination began from the beginning of that period. As it is appropriate to consider in the sense of the parent in the presentation of the business combinations subject to joint control in the financial statements, on and after the date of the acquisition of control by the entity having control of the group in the consolidation process over the entities under common control, the financial statements are restated as if that is done according to TAS, in accordance with the provisions of TAS including combination accounting. “The Effects of Business Combinations Under Common Control Entities” account is used as an equalizing account under shareholders' equity in order to eliminate the possible asset - liability mismatch resulting from business combination subject to common control. The effects of the aforementioned policy implementation on the Group's prior period consolidated financial statements are presented in Note 2.7.

2.5 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 situation. The Group's production activities have not been stopped during the pandemic.

While preparing its interim consolidated financial statements as of 30 September 2021, the Group evaluated the possible effects of the ongoing COVID19 outbreak on its financial statements and reviewed the estimates and assumptions used in the preparation of the condensed 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 interim condensed consolidated financial statements dated 30 September 2021 and no impairment has been detected.

2.6 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.

2.7 Comparative Information and Restatement of Previous Periods' Financial Statements

The Group's condensed 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 92.000.000 TL. In this context, as explained in Note 2.4, the previous period consolidated financial statements have been restated in order to compare with the current year consolidated financial statements. As a result of this transaction, the details of the consolidated financial statements that have been reorganized by applying the pooling of interest method are as follows:

HEKTAŞ GROUP

UNREVIEWED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW FOR THE INTERIM PERIOD 1 JANUARY – 30 SEPTEMBER 2021

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

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

2.7 Comparative Information and Restatement of Previous Periods’ Financial Statements (cont’d)

	<u>Previously reported 31 December 2020</u>	<u>Elimination ve Merger Effect (*)</u>	<u>Restated 31 December 2020</u>
ASSETS			
Current Assets	1,459,883,213	12,397,196	1,472,280,409
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
Non-Current Assets	573,775,431	73,499,316	647,274,747
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	69,369,257	36,950,435	106,319,692
<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
TOTAL ASSETS	<u>2,033,658,644</u>	<u>85,896,512</u>	<u>2,119,555,156</u>

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

HEKTAŞ GROUP

NOTES TO UNREVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2021 AND FOR THE PERIOD THEN ENDED

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

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

2.7 Comparative Information and Restatement of Previous Periods’ Financial Statements (cont’d)

	Previously reported		Restated
	31 December 2020	Elimination ve Merger Effect (*)	31 December 2020
LIABILITIES			
Current Liabilities	1,161,648,716	4,963,962	1,166,612,678
Short-term Borrowings	878,061,599	-	878,061,599
Lease Liabilities	16,398,374	-	16,398,374
Trade Payables	217,457,232	4,903,585	222,360,817
<i>To Related Parties</i>	6,033,082	-	6,033,082
<i>To Third Parties</i>	211,424,150	4,903,585	216,327,735
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>	7,827,733	-	7,827,733
<i>To Third Parties</i>	20,170,582	60,377	20,230,959
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	-	4,672,182
<i>Related to Employee Benefits</i>	3,777,817	-	3,777,817
<i>Other</i>	894,365	-	894,365
Non-Current Liabilities	174,979,114	5,528,923	180,508,037
Long-term Borrowings	145,563,600	-	145,563,600
Lease Liabilities	11,883,873	-	11,883,873
Long-term Provisions	11,161,823	-	11,161,823
<i>Related to Employee Benefits</i>	11,161,823	-	11,161,823
Deferred Tax Liability	6,369,818	5,528,923	11,898,741
EQUITY			
Equity	697,030,814	75,403,627	772,434,441
Paid-in Capital	227,571,100	-	227,571,100
Effects of business combinations under common control entities	-	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>	8,541,316	-	8,541,316
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>	(2,871,565)	-	(2,871,565)
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
TOTAL LIABILITIES AND EQUITY	2,033,658,644	85,896,512	2,119,555,156

HEKTAŞ GROUP

NOTES TO UNREVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2021 AND FOR THE PERIOD THEN ENDED

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

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

2.7 Comparative Information and Restatement of Previous Periods' Financial Statements (cont'd)

	Previously reported		Restated
	30 September 2020	Elimination ve Merger Effect (*)	30 September 2020
PROFIT OR LOSS			
Revenue	709,478,554	-	709,478,554
Cost of Sales (-)	(449,430,554)	-	(449,430,554)
GROSS PROFIT/LOSS	260,048,000	-	260,048,000
General Administrative Expenses (-)	(28,576,112)	(4,435,533)	(33,011,645)
Marketing, Sales and Distribution Expenses (-)	(36,109,217)	-	(36,109,217)
Research and Development Expenses (-)	(12,400,763)	-	(12,400,763)
Other Operating Income	1,915,485	-	1,915,485
Other Operating Expenses (-)	(9,658,092)	-	(9,658,092)
OPERATING PROFIT/LOSS	175,219,301	(4,435,533)	170,783,768
Income from Investing Activities	424,152	-	424,152
Expenses from Investing Activities (-)	(47,820)	-	(47,820)
OPERATING PROFIT/LOSS BEFORE FINANCE EXPENSE	175,595,633	(4,435,533)	171,160,100
Finance Income (+)	13,750,142	-	13,750,142
Finance Expense (-)	(62,489,791)	(701,530)	(63,191,321)
PRE-TAX PROFIT/LOSS OF CONTINUING OPERATIONS	126,855,984	(5,137,063)	121,718,921
Tax Income from Continuing Operations	320,186	251,295	571,481
Tax Expense for the Period	(2,024,966)	-	(2,024,966)
Deferred Tax Income	2,345,152	251,295	2,596,447
PROFIT/LOSS FOR THE PERIOD	127,176,170	(4,885,768)	122,290,402

(*) Arma has been started to be consolidated in the accompanying financial statements of the Group after the takeover, and in the previous period 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 UNREVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2021 AND FOR THE PERIOD THEN ENDED

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

2.8 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 assessed that the adoption of this amendment does not have any 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 UNREVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2021 AND FOR THE PERIOD THEN ENDED

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

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

2.8 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.

HEKTAŞ GROUP

NOTES TO UNREVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2021 AND FOR THE PERIOD THEN ENDED

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

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

2.8 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 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.

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 over 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 UNREVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2021 AND FOR THE PERIOD THEN ENDED

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

3. CASH AND CASH EQUIVALENTS

	30 September 2021	31 December 2020
Cash	67,671	64,862
Cash at banks	126,640,924	67,268,610
<i>Demand deposits</i>	12,820,446	39,323,230
<i>Time deposits with a maturity of less than three months</i>	113,820,478	27,945,380
Other current assets (*)	10,146,761	8,267,345
Cash and cash equivalents in the consolidated statement of financial position	<u>136,855,356</u>	<u>75,600,817</u>
Less : interest accruals	(428,880)	(5,345)
Cash and cash equivalents according to the cash flow statements	<u><u>136,426,476</u></u>	<u><u>75,595,472</u></u>

As of 30 September 2021, the Group's time deposit amount in USD corresponds to TL 57,710,250 and the interest rate is 1.00 percent. (As of 31 December 2020, the Group's time deposit amount in USD corresponds to TL 14,681,000 and the interest rate is 3.25 percent.).

As of 30 September 2021, the Group's time deposit amount in Euro corresponds to TL 25,733,250 and the interest rate is 0.30 percent (as of 31 December 2020, there is no Euro time deposit amount).

As of 30 September 2021, the Group's TL time deposit amount is TL 30,376,978 and the interest rate is 17.00 and 19.30 percent (As of 31 December 2020, the Group's TL time deposit amount is TL 13,264,380 and the interest rate is 12.00, 15.00 and 19.00 percent.).

(*) Other cash and cash equivalents consist of checks and promissory notes and credit card receivables due as of 30 September 2021 and 31 December 2020.

4. DERIVATIVE INSTRUMENTS

	30 September 2021		31 December 2020	
	Asset	Liability	Asset	Liability
Derivative instruments for fair value hedge:				
<i>Cross currency swap contracts</i>	64,300,583	-	48,868,820	-
<i>Option loan contracts</i>	209,540	-	-	-
<i>Interest rate swap contracts</i>	-	-	-	485,728
	<u>64,510,123</u>	<u>-</u>	<u>48,868,820</u>	<u>485,728</u>

Derivative instruments to hedge fair value risk

Details of the swap transactions conducted to hedge fair value risk as of 30 September 2021 are as follows:

	Assets		Liabilities	
	Nominal Amount	Fair Value	Nominal Amount	Fair Value
Cross currency swap contracts				
<i>EUR Collection / TL Payment</i>	15,750,000	64,300,583	-	-
Interest rate swap contracts				
<i>TL Collection / USD Payment</i>	3,147,895	209,540	-	-
	<u>18,897,895</u>	<u>64,510,123</u>	<u>-</u>	<u>-</u>

HEKTAŞ GROUP

NOTES TO UNREVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2021 AND FOR THE PERIOD THEN ENDED

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

4. DERIVATIVE INSTRUMENTS (cont'd)

Derivative instruments to hedge fair value risk (cont'd)

Details of the swap transactions conducted to hedge fair value risk as of 31 December 2020 are as follows:

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

5. FINANCIAL LIABILITIES

	30 September 2021	31 December 2020
<u>Short-Term Financial Liabilities</u>		
Issued borrowing instruments	-	57,717,829
Bank loans	1,573,135,039	820,343,770
Lease liabilities	12,605,118	16,398,374
	<u>1,585,740,157</u>	<u>894,459,973</u>
<u>Long-Term Financial Liabilities</u>		
Bank loans	159,671,310	145,563,600
Lease liabilities	26,522,244	11,883,873
	<u>186,193,554</u>	<u>157,447,473</u>

Short-term Bank Loans:

Currency	Annual Simple Interest Rate %	30 September 2021 Short-term
TL	7.50-20.00	1,570,561,714
Euro	3.00	2,573,325
		<u>1,573,135,039</u>
<u>Currency</u>	<u>Annual Simple Interest Rate %</u>	<u>31 December 2020 Short-term</u>
TL	5.50-19.50	818,091,795
Euro	3.00	2,251,975
		<u>820,343,770</u>

HEKTAŞ GROUP

NOTES TO UNREVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2021 AND FOR THE PERIOD THEN ENDED

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

5. FINANCIAL LIABILITIES (cont'd)

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	Annual Simple Interest Rate %	30 September 2021 Long-term
TL	7.50	125,160
Euro	3.00	159,546,150
		<u>159,671,310</u>

Currency	Annual Simple Interest Rate %	31 December 2020 Long-term
TL	7.50-20.00	5,941,150
Euro	3.00	139,622,450
		<u>145,563,600</u>

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

	30 September 2021	31 December 2020
Payable in 1 year	1,573,135,039	878,061,599
Payable in 1-2 years	139,084,710	127,547,800
Payable in 2-3 years	20,586,600	18,015,800
	<u>1,732,806,349</u>	<u>1,023,625,199</u>

The maturities of lease liabilities are as follows:

	30 September 2021	31 December 2020
Payable in 1 year	12,605,118	16,398,374
Payable in 1-5 years	26,522,244	11,883,873
	<u>39,127,362</u>	<u>28,282,247</u>

HEKTAŞ GROUP

NOTES TO UNREVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2021 AND FOR THE PERIOD THEN ENDED

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

5. FINANCIAL LIABILITIES (cont’d)

The reconciliation of liabilities arising from financing activities as of 1 January - 30 September 2021 and 2020 is as follows:

	30 September 2021	30 September 2020
Financial Liabilities as of January 1	1,051,907,446	594,124,264
Capital inflow within the period	1,284,653,777	668,985,966
Payments within the period	(634,660,073)	(389,052,929)
Non-cash movements	40,595,741	41,833,415
Interest expense	175,486,821	59,456,868
Paid interest expense	(146,050,001)	(40,382,287)
Effects of business combinations under common control entities (*)	-	12,175,928
Effect of business combinations	-	16,205,506
	<u>1,771,933,711</u>	<u>963,346,731</u>

(*) Arma has been started to be consolidated in the accompanying financial statements of the Group after the takeover, and in the previous period consolidated financial statements prepared by the pooling of interest method (Note 2.7).

6. TRADE RECEIVABLES AND PAYABLES

a) Trade Receivables

Details of the Group’s trade receivables as of 30 September 2021 and 31 December 2020 are as follows:

	30 September 2021	31 December 2020
Short-term trade receivables		
Trade receivables	1,179,798,490	475,908,410
Notes receivables	312,871,060	285,204,694
Trade receivables from related parties (Note 19)	1,327,855	666,277
Other trade receivables	44,527	9,258
Provision for doubtful trade receivables (-)	(10,006,396)	(9,980,940)
	<u>1,484,035,536</u>	<u>751,807,699</u>
Long-term trade receivables		
Notes receivables	118,495	-
	<u>118,495</u>	<u>-</u>

The aging study of short-term and long-term trade receivables as of 30 September 2021 and 31 December 2020 is as follows:

	30 September 2021	31 December 2020
Not overdue and impaired	1,444,257,710	711,367,359
Overdue for 1-30 days, not impaired	20,859,787	22,234,036
Overdue for 1-3 months, not impaired	6,055,001	17,469,398
Overdue for 3-12 months, not impaired	12,840,421	595,794
Overdue for 1-5 years, not impaired	141,112	141,112
	<u>1,484,154,031</u>	<u>751,807,699</u>

HEKTAŞ GROUP

NOTES TO UNREVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2021 AND FOR THE PERIOD THEN ENDED

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

6. TRADE RECEIVABLES AND PAYABLES (cont'd)

a) Trade Receivables (cont'd)

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 236 days (31 December 2020: 224 days).

The provisions for doubtful receivables set aside for trade receivables were determined based on previous experiences involving failure to collect receivables. The movement table relating to the provisions for doubtful trade receivables of the Group is as follows:

	1 January- 30 September 2021	1 January- 30 September 2020
<u>Movement of provision for doubtful trade receivables</u>		
Opening balance	9,980,940	3,869,133
Charge for the period	56,718	168,999
Collections/reversed provisions	(31,262)	(16,242)
Effect of business combinations	-	3,572,430
Closing balance	<u>10,006,396</u>	<u>7,594,320</u>

b) Trade Payables

Details of the Group's trade payables as of 30 September 2021 and 31 December 2020 are as follows:

	30 September 2021	31 December 2020
<u>Short-term trade payables</u>		
Trade payables	205,963,719	214,749,817
Trade payables to related parties (Note 19)	10,787,631	6,033,082
Expense accruals	1,899,639	1,577,918
	<u>218,650,989</u>	<u>222,360,817</u>

The average payment maturity for the purchase of goods is 89 days in internal purchases (31 December 2020: 25 days) and 131 days in external purchases (31 December 2020: 71 days).

7. OTHER RECEIVABLES AND PAYABLES

a) Other Receivables

	30 September 2021	31 December 2020
<u>Other Short-term Receivables</u>		
Advance tax refund receivable	910	17,337,976
Refund receivable of special consumption tax ("SCT")(*)	75,416	692,259
Deposits and guarantees given	361,911	245,834
Other VAT	1,724,262	3,748,369
Other	156,522	-
	<u>2,319,021</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. The SCT amount requested to be refunded within this framework is TL 75,416 (31 December 2020: TL 692,259).

HEKTAŞ GROUP

NOTES TO UNREVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2021 AND FOR THE PERIOD THEN ENDED

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

7. OTHER RECEIVABLES AND PAYABLES (cont'd)

a) Other Receivables (cont'd)

	30 September 2021	31 December 2020
<u>Other Long-term Receivables</u>		
Deposits and guarantees given	671,445	449,636
	<u>671,445</u>	<u>449,636</u>

b) Other Payables

	30 September 2021	31 December 2020
<u>Other Short-term Payables</u>		
Dividend payable (**)	10,046,210	7,827,733
Taxes and funds payable	5,040,072	6,138,007
Other miscellaneous liabilities (*)	14,837,811	14,092,952
	<u>29,924,093</u>	<u>28,058,692</u>

(*) TL 12,051,609 of the related balance consists of the discounted portion of the amount arising from the purchase of Sunset, which has not yet been paid to the former partners of Sunset.

(**) As of 30 September 2021 and 31 December 2020, it consists of the part of the previous years and current year dividend payments that have not been completed yet.

8. INVENTORIES

	30 September 2021	31 December 2020
Raw materials	233,565,876	150,170,122
Work in-process	31,260,895	37,173,708
Finished goods	106,903,159	111,252,689
Trade goods	64,385,145	33,217,872
Other inventories (*)	92,378,277	85,212,731
	<u>528,493,352</u>	<u>417,027,122</u>

(*) As of 30 September 2021, TL 91,513,410 (31 December 2020: TL 85,212,731) of other inventories is comprised of goods in transit.

	1 January- 30 September 2021	1 January- 30 September 2020
<u>Movement of allowance for impairment on inventory</u>		
Opening balance	-	(1,076,133)
Provision used/reversed	-	1,076,133
Closing balance	<u>-</u>	<u>-</u>

HEKTAŞ GROUP

NOTES TO UNREVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2021 AND FOR THE PERIOD THEN ENDED

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

9. PROPERTY, PLANT AND EQUIPMENT

a) 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	-	544,691	1,426,327	16,289,306	2,673,176	9,178,997	67,939,364	98,051,861
Disposals	-	-	-	(35,089)	(281,189)	(277,824)	-	(594,102)
Transfers (*)	-	856,653	1,727,076	75,827,767	-	805,097	(83,141,994)	(3,925,401)
Closing balance as of 30 September 2021	2,439,513	14,956,176	68,611,640	185,360,016	7,825,092	37,027,335	254,795,948	571,015,720
<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	-	(480,000)	(1,402,316)	(12,997,436)	(952,021)	(3,427,471)	-	(19,259,244)
Disposals	-	-	-	5,124	229,111	181,273	-	415,508
Closing balance as of 30 September 2021	-	(5,871,167)	(16,091,784)	(33,818,816)	(2,101,221)	(13,994,505)	-	(71,877,493)
Carrying value as of 30 September 2021	2,439,513	9,085,009	52,519,856	151,541,200	5,723,871	23,032,830	254,795,948	499,138,227

(*) TL 4,246,340 of the construction in progress was transferred to intangible assets (Note 10). The remaining amount of TL 320,939 was transferred from investment properties to construction in progress.

HEKTAŞ GROUP

NOTES TO UNREVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2021 AND FOR THE PERIOD THEN ENDED

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

9. PROPERTY, PLANT AND EQUIPMENT (cont’d)

a) 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 (**)	-	-	76,001	1,716,993	195,548	392,691	-	2,381,233
Effects of business combinations under common control entities(***)	1,956,350	850,000	8,620,475	17,950,000	1,487,398	13,015	-	30,877,238
Additions	-	5,964	444,927	11,874,690	1,482,105	4,261,090	55,644,800	73,713,576
Disposals	-	-	-	(374,495)	(27,717)	(170,836)	-	(573,048)
Transfers (*)	-	1,448,914	1,433,057	8,629,747	-	10,188	(18,947,029)	(7,425,123)
Closing balance as of 30 September 2020	2,439,513	13,556,188	42,359,624	85,903,533	5,442,720	22,350,653	165,058,071	337,110,302
<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 (**)	-	-	(45,600)	(1,408,348)	(174,889)	(245,827)	-	(1,874,664)
Charge for the period	-	(347,375)	(683,809)	(4,495,701)	(744,703)	(2,139,211)	-	(8,410,799)
Disposals	-	-	-	362,607	27,717	139,390	-	529,714
Closing balance as of 30 September 2020	-	(5,263,214)	(14,201,215)	(19,478,264)	(1,266,574)	(10,250,500)	-	(50,459,767)
Carrying value as of 30 September 2020	2,439,513	8,292,974	28,158,409	66,425,269	4,176,146	12,100,153	165,058,071	286,650,535

(*) TL 7,425,123 of the investments in progress has been transferred to intangible assets (Note 10).

(**) 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 financial statements of the Group after the takeover, and in the previous period consolidated financial statements prepared by the pooling of interest method (Note:2.7).

Depreciation periods of property, plant and equipment are as follows:

	Useful Life
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

HEKTAŞ GROUP

NOTES TO UNREVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2021 AND FOR THE PERIOD THEN ENDED

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

10. INTANGIBLE ASSETS

<u>Cost Value</u>	<u>Rights</u>	<u>Leasehold improvements</u>	<u>Other intangible assets</u>	<u>Total</u>
Opening balance as of 1 January 2021	59,146,501	6,494,095	608,561	66,249,157
Additions	825,041	-	1,588,467	2,413,508
Diposals	(5,316)	-	-	(5,316)
Transfers from construction in-progress	2,110,948	1,882,892	252,500	4,246,340
Closing balance as of 30 September 2021	<u>62,077,174</u>	<u>8,376,987</u>	<u>2,449,528</u>	<u>72,903,689</u>
<u>Accumulated Amortization</u>				
Opening balance as of 1 January 2021	(12,058,346)	(1,321,189)	(85,887)	(13,465,422)
Charge for the period	(4,164,624)	(1,115,421)	(211,522)	(5,491,567)
Diposals	2,395	-	-	2,395
Closing balance as of 30 September 2021	<u>(16,220,575)</u>	<u>(2,436,610)</u>	<u>(297,409)</u>	<u>(18,954,594)</u>
Carrying value as of 30 September 2021	<u>45,856,599</u>	<u>5,940,377</u>	<u>2,152,119</u>	<u>53,949,095</u>
<u>Cost Value</u>	<u>Rights</u>	<u>Leasehold improvements</u>	<u>Other intangible assets</u>	<u>Total</u>
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
Effects of business combinations under common control entities(**)	6,734,879	-	-	6,734,879
Additions	1,493,179	-	428,890	1,922,069
Diposals	(57,509)	-	-	(57,509)
Transfers from construction in-progress	2,413,590	5,011,533	-	7,425,123
Closing balance as of 30 September 2020	<u>57,878,481</u>	<u>6,440,619</u>	<u>515,348</u>	<u>64,834,448</u>
<u>Accumulated Amortization</u>				
Opening balance as of 1 January 2020	(6,938,415)	(469,655)	(34,142)	(7,442,212)
Charge for the period	(3,039,608)	(544,981)	(23,732)	(3,608,321)
Diposals	13,898	-	-	13,898
Closing balance as of 30 September 2020	<u>(9,964,125)</u>	<u>(1,014,636)</u>	<u>(57,874)</u>	<u>(11,036,635)</u>
Carrying value as of 30 September 2020	<u>47,914,356</u>	<u>5,425,983</u>	<u>457,474</u>	<u>53,797,813</u>

(*) 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 financial statements of the Group after the takeover, and in the previous period consolidated financial statements prepared by the pooling of interest method (Note 2.7).

Depreciation 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

HEKTAŞ GROUP

NOTES TO UNREVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2021 AND FOR THE PERIOD THEN ENDED

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

11. GOODWILL

Company	Purchase Date	30 September 2021	31 December 2020
Ferbis	2017	10,321,922	10,321,922
Sunset	2020	59,047,335	59,047,335
Arma (*)	2021	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 financial statements of the Group after the takeover, and in the previous period consolidated financial statements prepared by the pooling of interest method (Note 2.7).

12. CURRENT TAX ASSETS

Current tax assets	30 September 2021	31 December 2020
Prepaid taxes and funds	1,767,464	583,486
	<u>1,767,464</u>	<u>583,486</u>

13. SHORT-TERM AND LONG-TERM PROVISIONS

a) Short-term Provisions

Short-term provisions	30 September 2021	31 December 2020
Provision for lawsuit (*)	428,949	894,365
Provision for seniority incentive premium	1,593,315	1,255,129
Provision for unused vacation	3,514,064	2,522,688
	<u>5,536,328</u>	<u>4,672,182</u>

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

Transactions of the provisions for litigation in the fiscal period ending on 30 September 2021 and 2020 are presented below:

	1 January- 30 September 2021	1 January- 30 September 2020
Provision as of 1 January	894,365	687,612
Provision expense for the period	-	414,020
Provision released	(465,416)	(200,955)
Provision as of 30 September	<u>428,949</u>	<u>900,677</u>

HEKTAŞ GROUP

NOTES TO UNREVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2021 AND FOR THE PERIOD THEN ENDED

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

13. SHORT-TERM AND LONG-TERM PROVISIONS (cont’d)

a) Short-term Provisions (cont’d)

Provision for Severance Incentive Bonus:

The Group provides a benefit in the name of “Seniority Incentive Bonus” 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.

Transactions of the provisions for severance incentive premium in the fiscal period ending on 30 September 2021 and 2020 are presented below:

	1 January- 30 September 2021	1 January- 30 September 2020
Provision as of 1 January	1,255,129	919,257
Service cost	281,987	341,114
Interest cost	140,213	53,388
Amount paid within the period	(84,014)	(100,750)
Provision as of 30 September	<u>1,593,315</u>	<u>1,213,009</u>

b) Long-term Provisions

Long-term provisions for employee benefits as of 30 September 2021 and 31 December 2020 are presented below:

	30 September 2021	31 December 2020
Long-term provisions		
Provision for employment termination benefit	<u>12,582,963</u>	<u>11,161,823</u>
	<u>12,582,963</u>	<u>11,161,823</u>

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 employment termination benefit payable as of 30 September 2021 is subject to a monthly cap of TL 8,284.51 (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.

	30 September 2021	31 December 2020
Discount rate	17.90%	12.80%
Inflation rate	14.50%	8.50%
Wage increases	reel 1.5%	reel 1.5%
Employment termination benefit ceiling increase	14.50%	8.50%

HEKTAŞ GROUP

NOTES TO UNREVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2021 AND FOR THE PERIOD THEN ENDED

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

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

b) Long-term Provisions (cont'd)

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 per cent and 0 per cent for personnel whose previous service period is between 0 and 15 years and above.

Transactions of the provisions for severance pay in the fiscal period ending on 30 September 2021 and 2020 are presented below:

	1 January- 30 September 2021	1 January- 30 September 2020
Provision as of 1 January	11,161,823	9,064,208
Service cost	300,560	1,295,924
Interest cost	1,180,080	502,343
Employment termination benefit paid	(1,884,235)	(686,697)
Reduction of earnings/(gains) due to layoffs	8,210	(50)
Actuarial loss/gain	1,816,525	1,573,906
Provision as of 30 September	<u>12,582,963</u>	<u>11,749,634</u>

14 SALES AND COST OF SALES

a) Revenue

	1 January- 30 September 2021	1 July- 30 September 2021	1 January- 30 September 2020	1 July- 30 September 2020
Domestic sales	1,398,078,436	518,313,808	698,724,780	214,888,466
Foreign sales	56,985,596	18,595,857	39,683,737	3,470,182
Other sales	4,774,616	50,482	5,375,778	3,021,375
Sales returns (-)	(5,017,659)	(2,648,762)	(8,142,040)	(3,223,788)
Sales discounts (-)	(31,078,734)	(8,290,536)	(26,163,701)	17,312,500
	<u>1,423,742,255</u>	<u>526,020,849</u>	<u>709,478,554</u>	<u>235,468,735</u>

b) Cost of Sales

	1 January- 30 September 2021	1 July- 30 September 2021	1 January- 30 September 2020	1 July- 30 September 2020
Raw material expenses	(465,958,081)	(147,691,039)	(331,011,253)	(115,627,003)
Personnel expenses	(36,070,926)	(14,485,523)	(26,478,244)	(11,012,682)
General production expenses	(20,157,073)	(8,070,366)	(20,663,075)	(7,085,470)
Depreciation and amortization expenses	(19,344,448)	(9,467,316)	(6,089,997)	(2,391,655)
Transportation expenses	(28,662,173)	(7,183,720)	(15,637,187)	(4,110,976)
Changes in work in-process inventories	(5,912,813)	(11,076,559)	11,367,923	9,188,889
Changes in finished goods inventories	(4,349,530)	(9,595,577)	(23,242,144)	6,546,056
Cost of goods sold	(580,455,044)	(207,570,100)	(411,753,977)	(124,492,841)
Cost of trade goods sold and other sales	(364,599,283)	(118,541,193)	(37,676,577)	(14,261,672)
	<u>(945,054,327)</u>	<u>(326,111,293)</u>	<u>(449,430,554)</u>	<u>(138,754,513)</u>

HEKTAŞ GROUP

NOTES TO UNREVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2021 AND FOR THE PERIOD THEN ENDED

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

15. OTHER OPERATING INCOME

Other operating income for the years ended 30 September 2021 and 2020 is as follows:

	1 January- 30 September 2021	1 July- 30 September 2021	1 January- 30 September 2020	1 July- 30 September 2020
Exchange difference income	208,284	(206,095)	191,173	183,349
Provisions released	-	-	16,418	-
Interest income from sales	382,386	241,143	435,400	353,250
Damage compensation income	9,095	738	34,313	29,281
Other income	3,328,622	502,611	1,238,181	(299,613)
	<u>3,928,387</u>	<u>538,397</u>	<u>1,915,485</u>	<u>266,267</u>

16. OTHER OPERATING EXPENSES

Other operating expenses for the years ended 30 September 2021 and 2020 are as follows:

	1 January- 30 September 2021	1 July- 30 September 2021	1 January- 30 September 2020	1 July- 30 September 2020
Exchange difference expense (*)	(34,452,881)	(554,865)	(8,691,500)	(6,736,300)
Interest expense	(949,752)	(328,811)	-	-
Other expense and losses	(1,504,793)	(253,300)	(966,592)	(834,543)
	<u>(36,907,426)</u>	<u>(1,136,976)</u>	<u>(9,658,092)</u>	<u>(7,570,843)</u>

(*) Results from trade receivables and trade payables.

17. 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.

The corporate tax rate to be accrued on the taxable corporate profits is calculated over the tax base remaining after addition of non-deductible expenses that are booked as expense in the determination of business profits and after deduction of non-taxable incomes and other deductions (previous years’ losses, if any, and investment allowances used if preferred).

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.

HEKTAŞ GROUP

NOTES TO UNREVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2021 AND FOR THE PERIOD THEN ENDED

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

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

Corporate Tax (cont'd)

	30 September 2021	31 December 2020
Provision for current corporate tax	(1,489,343)	(227,555)
Less: Prepaid taxes and funds	1,767,464	583,486
Current tax assets / (liabilities)	<u>278,121</u>	<u>355,931</u>
	1 January- 30 September 2021	1 January- 30 September 2020
<u>Tax (expense)/income consists of following:</u>		
Current tax (expense) / income	(1,489,343)	(2,024,966)
Deferred tax income	(546,138)	2,596,447
Total tax (expense) /income	<u>(2,035,481)</u>	<u>571,481</u>
	30 September 2021	31 December 2020
<u>Deferred tax assets / (liabilities):</u>		
Tax advantage from investment discount	26,996,468	29,999,453
Employment termination benefit and severance incentive premium provisions	2,835,255	2,477,963
Provision for unused vacation and premium	4,278,275	2,538,644
Differences in book values of inventories	(34,854)	(7,146)
Depreciation of property, plant and equipment /amortization of other intangible assets	(11,868,934)	(11,512,259)
Fair value differences of derivative instruments	(1,348,573)	(2,038,183)
Other	(2,205,974)	(3,410,732)
	<u>18,651,663</u>	<u>18,047,740</u>

Transactions relating to deferred tax assets/liabilities pertaining to the years ending on 30 September 2021 and 2020 are as follows:

	1 January- 30 September 2021	1 January- 30 September 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	(546,138)	2,596,447
Income recognized in the statement of other comprehensive income	1,150,061	73,457
Effects of business combinations under common control entities(*)	-	(5,904,799)
Closing balance as of 30 September	<u>18,651,663</u>	<u>(7,677,736)</u>

(*) Arma has been started to be consolidated in the accompanying financial statements of the Group after the takeover, and in the previous period consolidated financial statements prepared by the the pooling of interest method (Note 2.7).

HEKTAŞ GROUP

NOTES TO UNREVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2021 AND FOR THE PERIOD THEN ENDED

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

17. INCOME TAXES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (cont’d)

	1 January- 30 September 2021	1 January- 30 September 2020
<u>Reconciliation of tax provisions:</u>		
Profit before tax	189,956,642	121,718,921
Income tax rate 25% (2020: 22%)	25%	22%
Expected tax expense	<u>(47,489,161)</u>	<u>(26,778,163)</u>
Tax effect:		
- non-taxable income	1,194,825	1,576,857
- non-deductible expense	(2,471,858)	(556,659)
- change of tax rate from 20% to 25% and 23%	(465,138)	-
- investment incentive discount	47,868,286	26,045,673
- effect of other items exempted from tax	<u>(672,435)</u>	<u>283,773</u>
Tax provision income in the statement of profit or loss	<u>(2,035,481)</u>	<u>571,481</u>

18. EARNINGS PER SHARE

	1 January- 30 September 2021	1 January- 30 September 2020
Earning per share		
Weighted average number of shares outstanding during the period (*)	60,852,941,185	46,000,000,014
Net profit for the period	<u>187,921,161</u>	<u>122,290,402</u>
Profit per share obtained from ongoing activities		
- A hundred ordinary stock (TL)	0.31	0.27

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

In the interim fiscal period ending as of 30 September 2021, the conditions prescribed in the Company’s profit distribution policy were evaluated and it was decided not to distribute the distributable profit of the period pertaining to FY 2020 and to book the amount, which remains after making provision for gross dividends amounting to TL 3,057,856 for Privileged Shareholders and primary reserves, under extraordinary reserves. The dividend amounts pertaining to previous periods which have not been demanded by the shareholders yet are also recognized under the other payables account.

HEKTAŞ GROUP

NOTES TO UNREVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2021 AND FOR THE PERIOD THEN ENDED

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

19. RELATED PARTY DISCLOSURES

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

Balances with related parties	30 September 2021		31 December 2020	
	Trade		Trade	
	Receivables	Payables	Receivables	Payables
Oyak İnşaat A.Ş. (*)	5,079	6,252,886	4,304	721,507
Omsan Lojistik A.Ş. (*)	-	1,866,949	-	1,577,647
OYAK Pazarlama Hizmet Turizm A.Ş. (*)	2,793	1,143,086	1,377	1,114,633
OYAK Savunma Güvenlik Sistemleri A.Ş. (*)	-	479,441	-	768,626
OYAK (**)	-	446,782	-	1,354,661
Güzel Enerji Akaryakıt A.Ş. (*)	4,875	350,223	4,696	-
Oyak Grup Sigorta ve Reasürans Brokerliği A.Ş. (*)	-	154,283	-	495,958
Doco Petrol Ve Danışmanlık A.Ş. (*)	37,450	62,164	97,614	-
Oyak Biyoteknoloji San.ve Ticaret A.Ş. (*)	659	29,348	-	-
Mais Motorlu Araçlar İmal ve Satış A.Ş. (*)	5,879	2,469	8,349	50
Oyak Elektrik Enerjisi Toptan Satış A.Ş. (*)	465,874	-	-	-
Tamek Grup Gıda Üretim A.Ş. (*)	262,605	-	-	-
Sagra Grup Gıda Üretim ve Ticaret A.Ş. (*)	178,170	-	-	-
Satem Grup Gıda Dağıtım ve Pazarlama A.Ş. (*)	157,353	-	-	-
Ereğli Demir ve Çelik Fabrikaları T.A.Ş. (*)	93,279	-	259,401	-
Oyak Gıda Ve Tarım Holding Anonim Şirketi (*)	26,745	-	-	-
Erdemir Madencilik San Ve Tic. A.Ş. (*)	20,002	-	-	-
Likitgaz Dağıtım Ve Endüstri A.Ş. (*)	18,175	-	35,382	-
Akdeniz Chemson Kimya Sanayi ve Ticaret A.Ş. (*)	9,322	-	31,902	-
Oyka Kağıt Ambalaj San.Tic.A.Ş. (*)	7,575	-	-	-
Oyak Çimento Fabrikaları A.Ş. (*)	6,621	-	16,587	-
Kümaş Manyezit San.A.Ş. (*)	6,219	-	-	-
Armada Petrol Ürünleri Sanayi ve Ticaret Ltd. Şti. (*)	3,961	-	1,275	-
Berkim Petrol Denizcilik Ve Nakliyat A.Ş. (*)	3,961	-	1,042	-
Petrol Petrol Ür.Taş.Araç.Ve Dış Tic.A.Ş. (*)	3,961	-	-	-
Oyak Akaryakıt ve LPG Yatırımları A.Ş. (*)	2,965	-	-	-
Erdemir Çelik Servis Merkezi San. ve Tic. A.Ş. (*)	2,638	-	8,006	-
Oyak Nyk Ro-Ro Liman İşletmeleri A.Ş. (*)	1,694	-	-	-
Oyak Denizcilik ve Liman İşletmeleri A.Ş. (*)	-	-	4,003	-
İskenderun Demir Ve Çelik A.Ş. (*)	-	-	192,339	-
	<u>1,327,855</u>	<u>10,787,631</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.

HEKTAŞ GROUP

NOTES TO UNREVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2021 AND FOR THE PERIOD THEN ENDED

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

19. RELATED PARTY DISCLOSURES (cont'd)

Transactions with related parties	1 January - 30 September 2021		1 January - 30 September 2020	
	Purchases	Sales	Purchases	Sales
Oyak İnşaat A.Ş. (*)	11,076,887	20,494	5,661,092	15,959
Omsan Lojistik A.Ş. (*)	8,887,585	3,315	5,811,939	5,159
OYAK Pazarlama Hizmet Turizm A.Ş. (*)	8,025,163	13,990	4,920,298	23,156
OYAK Güvenlik ve Savunma Hiz. A.Ş. (*)	4,988,874	-	2,119,728	-
Güzel Enerji Akaryakıt A.Ş. (*)	2,019,947	36,265	-	36,470
OYAK Yatırım Menkul Değerler A.Ş. (*)	518,450	-	341,100	-
Doco Petrol ve Danışmanlık A.Ş. (*)	267,836	85,068	-	-
Tamek Grup Gıda Üretim A.Ş.	116,667	174,237	-	-
Oyak Elektrik Enerjisi Toptan Satış A.Ş.	77,649	-	-	-
Oyak Biyoteknoloji Sanayi ve Tic.A.Ş. (*)	-	44,839	-	-
Mais Motorlu Araçlar İmal ve Satış A.Ş. (*)	22,027	28,372	10,643	39,039
Ereğli Demir ve Çelik Fabrikaları T.A.Ş. (*)	-	586,361	-	437,517
İskenderun Demir Ve Çelik A.Ş. (*)	-	271,695	-	83,083
Ordu Yardımlaşma Kurumu (**)	-	59,670	-	91,618
Akdeniz Chemson Kimya Sanayi ve Ticaret A.Ş. (*)	-	63,022	-	32,436
Likitgaz Dağıtım Ve Endüstri A.Ş. (*)	-	46,973	-	12,696
Erdemir Madencilik San Ve Tic. A.Ş. (*)	-	26,101	-	22,646
Erdemir Çelik Servis Merkezi San. ve Tic. A.Ş. (*)	-	25,733	-	35,703
Oyak Çimento Fabrikaları A.Ş. (*)	-	21,214	-	32,456
Oyak Denizcilik ve Liman İşletmeleri A.Ş. (*)	-	13,251	-	12,601
Other (*)	-	70,298	-	10,521
	<u>36,001,085</u>	<u>1,590,898</u>	<u>18,864,800</u>	<u>891,060</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- 30 September 2021	1 January- 30 September 2020
Salaries and other short-term benefits	11,647,586	6,422,850
	<u>11,647,586</u>	<u>6,422,850</u>

HEKTAŞ GROUP

NOTES TO UNREVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2021 AND FOR THE PERIOD THEN ENDED

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

20 NATURE AND LEVEL OF THE RISKS ARISING FROM FINANCIAL INSTRUMENTS

Capital risk management

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

The capital structure of the Group consists of debts including the loans disclosed in Note 3 and Note 5, cash and cash equivalents, and equity items including issued capital, reserves and previous year profits.

The Board of Directors of the Group convenes regularly, reviewing the capital structure and indebtedness of the Group. During these reviews, the Board evaluates the risks associated with each capital class together with the cost of capital. 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.

HEKTAŞ GROUP

NOTES TO UNREVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2021 AND FOR THE PERIOD THEN ENDED

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

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

Credit risk management

Credit risks exposed in terms of financial instruments

	Receivables				Deposits at Banks	Other Cash Equivalents	Derivative Instruments
	Trade Receivables		Other Receivables				
<u>30 September 2021</u>	Related Party	Other Party	Related Party	Other Party			
Maximum credit risk exposed as of reporting date (A+B+C+D)(*)	1,327,855	1,482,826,176	-	2,990,466	126,640,924	10,146,761	64,510,123
- Secured portion of the maximum risk with guarantee etc (**)	-	301,892,778	-	-	-	-	-
A. Net book value of due and non-impaired financial instruments	1,327,855	1,442,929,855	-	2,990,466	126,640,924	10,146,761	64,510,123
B. Net book value of overdue and non-impaired financial instruments	-	39,755,209	-	-	-	-	-
- Secured portion with guarantee etc	-	15,884,990	-	-	-	-	-
C. Net book value of impaired assets	-	10,147,508	-	-	-	-	-
- Impairment (-)	-	(10,006,396)	-	-	-	-	-
- 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 amount.

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

HEKTAŞ GROUP

NOTES TO UNREVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2021 AND FOR THE PERIOD THEN ENDED

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

20. 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

31 December 2020	Receivables				Deposits at Banks	Other Cash Equivalents	Derivative Instruments
	Trade Receivables		Other Receivables				
	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.

HEKTAŞ GROUP

NOTES TO UNREVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2021 AND FOR THE PERIOD THEN ENDED

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

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

Credit risk management (cont'd)

The risk of financial loss caused for the Group due to the failure of one of the parties to the financial instruments to fulfill their contractual liability is described as credit risk. 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>30 September 2021</u>	<u>31 December 2020</u>
	<u>Trade Receivables</u>	<u>Trade Receivables</u>
1-30 days overdue	20,859,787	22,234,036
1-3 months overdue	6,055,001	17,469,398
3-12 months overdue	12,840,421	595,794
1-5 years overdue	10,147,508	10,122,052
Total overdue receivables	<u>49,902,717</u>	<u>50,421,280</u>
- Secured portion with guarantee etc	<u>16,026,102</u>	<u>18,502,254</u>

As of 30 Eylül 2021, provisions were set aside for TL 10,006,396 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>30 September 2021</u>	<u>31 December 2020</u>
Letter of guarantees	<u>16,026,102</u>	<u>18,502,254</u>
	<u>16,026,102</u>	<u>18,502,254</u>

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.

HEKTAŞ GROUP

NOTES TO UNREVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2021 AND FOR THE PERIOD THEN ENDED

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

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

Liquidity risk management (cont'd)

The following table demonstrates the maturity distribution of the Group's financial liabilities which are not in the nature of derivatives. The following tables have been prepared based on the earliest dates when payment should be made and without discounting the Group's liabilities. Interests payable over the liabilities in question are included in the table below. Derivative financial liabilities on the other hand have been arranged 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.

30 September 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>
Non-derivative financial liabilities					
Financial liabilities	1,771,933,711	1,933,408,833	547,692,523	1,188,804,110	196,912,200
Trade payables	218,650,989	218,650,989	93,930,569	124,720,420	-
Payables related to employee benefits	17,081,638	17,081,638	2,282,389	14,799,249	-
Other payables	29,924,093	29,924,093	5,040,071	24,884,022	-
	2,037,590,431	2,199,065,553	648,945,552	1,353,207,801	196,912,200
Derivative financial liabilities					
Derivative cash inflows	64,510,123	172,385,349	7,436,909	-	164,948,440
Derivative cash outflows	-	(137,056,673)	(17,457,293)	-	(119,599,380)
	64,510,123	35,328,676	(10,020,384)	-	45,349,060

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>
Non-derivative financial liabilities					
Financial liabilities	1,051,907,446	1,131,025,748	224,007,047	731,192,799	175,825,902
Trade payables	222,360,817	222,360,817	94,523,419	127,837,398	-
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	-
	1,315,677,646	1,394,795,948	327,875,766	891,094,280	175,825,902
Derivative financial liabilities					
Derivative cash inflows	48,868,820	150,858,325	6,508,208	-	144,350,117
Derivative cash outflows	-	(137,056,673)	(17,457,293)	-	(119,599,380)
	48,868,820	13,801,652	(10,949,085)	-	24,750,737

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.

In the current year, there has been no changes in the market risk to which the Group is exposed or the management and measurement methods for the risks, compared to the previous year.

HEKTAŞ GROUP

NOTES TO UNREVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2021 AND FOR THE PERIOD THEN ENDED

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

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

Exchange rate risk management

Transactions in foreign currency result in exchange rate risks. Exchange rate risk is managed through the forward foreign exchange purchase / sale contracts concluded based on approved policies. Distribution of the Group’s monetary assets and monetary liabilities in foreign currency as of the reporting date is as follows:

	30 September 2021		
	TL Equivalent (Functional currency)	USD Dollar	Euro
Trade Receivable	34,616,597	3,898,924	-
Monetary Financial Assets	87,095,239	6,617,014	2,753,838
Non-Monetary Financial Assets	6,319,459	711,771	-
CURRENT ASSETS	128,031,295	11,227,709	2,753,838
Non-Monetary Financial Assets	26,635,500	3,000,000	-
NON-CURRENT ASSETS	26,635,500	3,000,000	-
TOTAL ASSETS	154,666,795	14,227,709	2,753,838
Financial Liabilities	2,573,325	-	250,000
Trade Payables	148,129,863	11,489,142	4,480,926
CURRENT LIABILITIES	150,703,188	11,489,142	4,730,926
Financial Liabilities	159,546,150	-	15,500,000
NON-CURRENT LIABILITIES	159,546,150	-	15,500,000
TOTAL LIABILITIES	310,249,338	11,489,142	20,230,926
Net asset/ liability position of off-balance sheet derivative instruments	162,119,475	-	15,750,000
Amount of active off-balance sheet foreign currency derivatives	162,119,475	-	15,750,000
Net foreign currency asset liability position	6,536,932	2,738,567	(1,727,088)
Fair value of financial instruments used for foreign currency hedging	59,995,337	-	-
Amounts of hedged portion of foreign currency assets	162,119,475	-	15,750,000
Export	53,679,207	6,531,030	-
Import	590,257,976	56,437,897	15,722,932

HEKTAŞ GROUP

NOTES TO UNREVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2021 AND FOR THE PERIOD THEN ENDED

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

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

Exchange rate 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
CURRENT ASSETS	62,247,763	5,472,997	2,450,430
TOTAL ASSETS	62,247,763	5,472,997	2,450,430
Financial Liabilities	2,251,975	-	250,000
Trade Payables	167,093,504	14,363,925	6,844,560
CURRENT LIABILITIES	169,345,479	14,363,925	7,094,560
Financial Liabilities	139,622,450	-	15,500,000
NON-CURRENT LIABILITIES	139,622,450	-	15,500,000
TOTAL LIABILITIES	308,967,929	14,363,925	22,594,560
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
Net foreign currency asset liability position	(104,845,741)	(8,890,928)	(4,394,130)
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

HEKTAŞ GROUP

NOTES TO UNREVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2021 AND FOR THE PERIOD THEN ENDED

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

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

Sensitivity to exchange rate risk

The Group is exposed to exchange rate risk, primarily in USD and Euro.

The following table shows the Group's sensitivity to a 10% increase and decrease in USD and Euro rates. The 10% rate refers to the rate used while reporting the exchange rate risk to senior managers within the Group. The sensitivity analysis only covers the monetary items in open foreign currency at the end of the year and shows the effects of the 10% change in exchange rates at the end of the year for these items. A negative value signifies a decline in the profit/loss and other equity items.

	30 September 2021	
	Profit / Loss	
	Appreciation of foreign currency	Depreciation of foreign currency
In case USD appreciates 10% against TL		
Net asset/liability of USD	2,431,437	(2,431,437)
USD net effect	2,431,437	(2,431,437)
In case EUR appreciates 10% against TL		
Net asset/liability of EUR	(17,989,691)	17,989,691
Portion hedged from EUR risk (-)	16,211,948	16,211,948
EUR net effect	(1,777,743)	1,777,743
TOTAL	653,693	(653,693)

	31 December 2020	
	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
USD net effect	(6,526,386)	6,526,386
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
EUR net effect	(3,958,188)	3,958,188
TOTAL	(10,484,574)	10,484,574

Interest rate risk management

The Group keeps its risk related with the changes in the interest rate very low in order to provide financing. The financial liabilities of the Group consist of fixed-interest instruments. Therefore, the Group does not have any risks which may be from fluctuations in the interest rate.

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.

HEKTAŞ GROUP

NOTES TO UNREVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2021 AND FOR THE PERIOD THEN ENDED

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

21. 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.

Classes and fair values of financial instruments

	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
30 September 2021				
<u>Financial assets</u>				
Cash and cash equivalents	136,855,356	-	-	-
Trade receivables	1,484,154,031	-	-	-
Derivative instruments	-	64,510,123	-	-
<u>Financial liabilities</u>				
Financial liabilities	-	-	-	1,771,933,711
Trade payables	-	-	-	218,650,989
Other payables	-	-	-	29,924,093
31 December 2020				
<u>Financial assets</u>				
Cash and cash equivalents	75,600,817	-	-	-
Trade receivables	751,807,699	-	-	-
Derivative instruments	-	48,868,820	-	-
<u>Financial liabilities</u>				
Financial liabilities	-	-	-	1,051,907,446
Trade payables	-	-	-	222,360,817
Derivative instruments	-	-	485,728	-
Other payables	-	-	-	28,058,692

The Group is of the opinion that the booked values of financial instruments reflect their fair values.

The 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.

HEKTAŞ GROUP

NOTES TO UNREVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2021 AND FOR THE PERIOD THEN ENDED

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

22. EVENTS AFTER THE REPORTING PERIOD

None.