

**ANADOLU ISUZU OTOMOTİV SANAYİ VE TİCARET A.Ş.
AND ITS SUBSIDIARY**

**CONVENIENCE TRANSLATION INTO ENGLISH OF
CONSOLIDATED FINANCIAL STATEMENTS AND NOTES FOR THE YEAR ENDED
DECEMBER 31, 2022
TOGETHER WITH INDEPENDENT AUDITOR'S REPORT
(ORIGINALLY ISSUED IN TURKISH)**



**CONVENIENCE TRANSLATION INTO ENGLISH OF
INDEPENDENT AUDITOR’S REPORT
ORIGINALLY ISSUED IN TURKISH**

INDEPENDENT AUDITOR’S REPORT

To the General Assembly of Anadolu Isuzu Otomotiv Sanayi ve Ticaret A.Ş.

A. Audit of the consolidated financial statements

1. Our opinion

We have audited the accompanying consolidated financial statements of Anadolu Isuzu Otomotiv Sanayi ve Ticaret A.Ş. (the “Company”) and its subsidiaries (collectively referred to as the “Group”) which comprise the consolidated statement of financial position as at 31 December 2022, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements comprising a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2022, and its financial performance and its cash flows for the year then ended in accordance with Turkish Financial Reporting Standards (“TFRS”).

2. Basis for opinion

Our audit was conducted in accordance with the Standards on Independent Auditing (the “SIA”) that are part of Turkish Standards on Auditing issued by the Public Oversight Accounting and Auditing Standards Authority (the “POA”). Our responsibilities under these standards are further described in the “Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements” section of our report. We hereby declare that we are independent of the Group in accordance with the Ethical Rules for Independent Auditors (including Independence Standards) (the “Ethical Rules”) and the ethical requirements regarding independent audit in regulations issued by POA that are relevant to our audit of the financial statements. We have also fulfilled our other ethical responsibilities in accordance with the Ethical Rules and regulations. We believe that the audit evidence we have obtained during the independent audit provides a sufficient and appropriate basis for our opinion.



3. Key audit matters

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

Key Audit Matters	How the key audit matter was addressed in the audit
Revenue recognition	
In the consolidated statement of profit or loss and other comprehensive for the –year ended 31 December 2022, revenues amounting to 6,269,881,603 TRY were recognized by the Group. The Group's revenues mainly consist of the sales of vehicle and spare part. Revenue is measured by the amount remaining after deducting discounts and returns from the amount received or to be received in exchange for the goods or services provided. Revenue is one of the most significant indicators in the performance evaluation of the Group. Revenue has been selected as a key audit matter because it is of great importance in terms of evaluating the results of the strategies implemented during the year and monitoring performance and it has significant, decisive impact on more than one financial statement item. Disclosures regarding the Group's revenue-related accounting policies and amounts are included in Notes 2 and 20 of the attached financial statements.	During our audit, the following audit procedures were performed for the recognition of revenue: - Evaluated the understanding of the controls and processes the Group applied in recording revenue and the appropriateness of its accounting policies in terms of TFRS - Performed the revenue testing using the sampling method and supporting documents such as invoices, sales orders, contracts and dispatch notes - Evaluated performance obligations by comparing with sales contracts - Tested the revenue items belong to period ending and the beginning of the following period with the sampling method regarding the cut-off of the revenue, - Tested the completeness and accuracy of the sales discount using the sampling method - Tested the balances of trade receivables using the sampling method by sending confirmation letters - Evaluated the accuracy and adequacy of the revenue related disclosures included in footnotes 2 and 20 of the attached financial statements in terms of TFRS.



4. Other matters

The consolidated financial statements of the Group for the period of 1 January - 31 December 2021 were audited by another audit firm whose audit report dated 21 February 2022 expressed an unqualified opinion.

5. Responsibilities of management and those charged with governance for the consolidated financial statements

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

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

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

6. Auditor's responsibilities for the audit of the consolidated financial statements

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

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

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

- Identify and assess the risks of material misstatement in the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.



- Assess the internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our independent auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion

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

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

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



B. Other responsibilities arising from regulatory requirements

1. No matter has come to our attention that is significant according to subparagraph 4 of Article 402 of Turkish Commercial Code (“TCC”) No. 6102 and that causes us to believe that the Company’s bookkeeping activities concerning the period from 1 January to 31 December 2022 period are not in compliance with the TCC and provisions of the Company’s articles of association related to financial reporting.
2. In accordance with subparagraph 4 of Article 402 of the TCC, the Board of Directors submitted the necessary explanations to us and provided the documents required within the context of our audit.
3. In accordance with subparagraph 4 of Article 398 of the TCC, the auditor’s report on the early risk identification system and committee was submitted to the Company’s Board of Directors on 28 February 2023.

Additional explanation for convenience translation into English

Turkish Financial Reporting Standards differ from International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board with respect to the application of IAS 29 - Financial Reporting in Hyperinflationary Economies by 31 December 2022. Accordingly, the accompanying consolidated financial statements are not intended to present fairly the consolidated financial position and results of operations of the Group in accordance with IFRS.

PwC Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik A.Ş.

Salim Alyanak, SMMM
Partner

Istanbul, 28 February 2023

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ANADOLU ISUZU OTOMOTİV SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARY
AUDITED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF 31 DECEMBER 2022 AND 31 DECEMBER 2021
(Currency expressed in Turkish Lira unless otherwise indicated.)

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	Notes	Audited Current Period 31 December 2022	Audited Prior Period 31 December 2021
ASSETS			
Current Assets		4.937.764.188	2.102.108.159
Cash and Cash Equivalents	4	1.476.302.718	639.182.504
Financial Investments	5	251.671.891	-
Trade Receivables		1.095.951.611	754.433.641
<i>Trade Receivables from Related Parties</i>	7-28	114.976.064	298.393.667
<i>Trade Receivables from Third Parties</i>	7	980.975.547	456.039.974
Other Receivables		86.480.075	72.559.442
<i>Other Receivables from Third Parties</i>	8	86.480.075	72.559.442
Inventories	10	1.492.162.513	469.735.947
Derivative Instruments	9	4.840.568	105.351.238
Prepaid Expenses	18	421.211.839	37.262.001
Current Tax Assets	26	569.042	356.665
Other Current Assets	18	108.573.931	23.226.721
Non-Current Assets		3.396.785.871	1.505.138.953
Financial Investments	5	837.400	-
Other Receivables		4.892	3.642
<i>Other Receivables from Third Parties</i>	8	4.892	3.642
Property, Plant and Equipment	11	3.008.156.907	1.268.360.271
Right of Use Assets	13	16.607.141	5.829.849
Intangible Assets		369.954.053	227.585.132
<i>Goodwill</i>	14	2.340.995	2.340.995
<i>Other Intangible Assets</i>	12	367.613.058	225.244.137
Prepaid Expenses	18	1.225.478	3.360.059
TOTAL ASSETS		8.334.550.059	3.607.247.112

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

ANADOLU ISUZU OTOMOTİV SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARY
AUDITED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF 31 DECEMBER 2022 AND 31 DECEMBER 2021
(Currency expressed in Turkish Lira unless otherwise indicated.)

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	Notes	Audited Current Period 31 December 2022	Audited Prior Period 31 December 2021
LIABILITIES			
Current Liabilities		4.245.293.969	1.565.401.869
Current Borrowings		1.071.109.203	161.500.843
<i>Current Borrowings from Third Parties</i>	6	1.071.109.203	161.500.843
<i>Bank Loans</i>	6	1.071.109.203	161.500.843
Current Portions of Non-Current Borrowings		533.762.952	256.657.543
<i>Current Portions of Non-Current Borrowings from</i>			
<i>Third Parties</i>	6	533.762.952	256.657.543
<i>Bank Loans</i>	6	525.205.503	252.098.062
<i>Lease Liabilities</i>	6	8.557.449	4.559.481
Trade Payables		2.199.208.113	1.011.249.834
<i>Trade Payables to Related Parties</i>	7-28	1.169.241.865	639.836.656
<i>Trade Payables to Third Parties</i>	7	1.029.966.248	371.413.178
Other Payables		11.445.740	5.952.401
<i>Other Payables to Related Parties</i>	28	9.109	9.109
<i>Other Payables to Third Parties</i>	8	11.436.631	5.943.292
Derivative Instruments	9	40.269.448	2.675.660
Employee Benefits Obligations	8	38.577.623	14.666.030
Liabilities Arising from Contracts with Customers	18	4.160.229	10.863.604
Deferred Income	18	201.078.887	21.646.612
Current Provisions		145.681.774	80.189.342
<i>Current Provisions for Employee Benefits</i>	17	5.435.506	15.495.235
<i>Other Current Provisions</i>	16	140.246.268	64.694.107
Non-Current Liabilities		699.012.995	649.574.373
Non-Current Borrowings		412.719.029	515.289.683
<i>Non-Current Borrowings from Third Parties</i>		412.719.029	515.289.683
<i>Bank Loans</i>	6	402.652.819	509.576.183
<i>Lease Liabilities</i>	6	10.066.210	5.713.500
Liabilities Arising from Contracts with Customers	18	58.763.620	35.813.919
Deferred Income	18	2.466.936	5.386.275
Non-Current Provisions for Employee Benefits	17	125.769.433	47.235.042
Deferred Tax Liability	26	99.293.977	45.849.454
EQUITY		3.390.243.095	1.392.270.870
Equity Attributable to Equity Holders of the Parent	19	3.390.243.095	1.392.270.870
Issued Capital		84.000.000	84.000.000
Adjustments to Share Capital		30.149.426	30.149.426
Revaluation and Remeasurement Earnings/Losses that will not be			
Reclassified in Profit or Loss		2.420.462.240	1.009.877.215
<i>Gain on Revaluation of Property, Plant and Equipment</i>		2.475.663.739	1.022.267.501
<i>Gain/Loss on Remeasurement of Defined Benefit Plans</i>		(55.201.499)	(12.390.286)
Restricted Reserves Appropriated from Profits		26.784.678	23.784.678
Accumulated Profit		211.459.551	33.032.805
Current Period Net Profit		617.387.200	211.426.746
TOTAL LIABILITIES		8.334.550.059	3.607.247.112

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

ANADOLU ISUZU OTOMOTİV SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARY
AUDITED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME FOR THE PERIODS ENDED 31 DECEMBER 2022 AND 31 DECEMBER 2021
(Currency expressed in Turkish Lira unless otherwise indicated.)

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	Notes	Audited 1 January- Current Period 31 December 2022	Audited 1 January- Prior Period 31 December 2021
PROFIT			
Revenue	20	6.269.881.603	2.678.041.855
Cost of Sales (-)	20	(4.846.659.534)	(2.113.442.723)
GROSS PROFIT		1.423.222.069	564.599.132
General Administrative Expenses (-)	21	(164.595.575)	(86.660.344)
Marketing Expenses (-)	21	(331.873.974)	(156.133.363)
Research and Development Expenses (-)	21	(21.133.008)	(11.839.308)
Other Income from Operating Activities	23	109.223.850	228.029.648
Other Expenses from Operating Activities (-)	23	(311.352.161)	(302.405.536)
PROFIT FROM OPERATING ACTIVITIES		703.491.201	235.590.229
Income from Investing Activities	24	17.883.883	384.471
PROFIT BEFORE FINANCE EXPENSE		721.375.084	235.974.700
Finance Income	25	416.280.004	382.331.014
Finance Expenses (-)	25	(645.764.222)	(415.155.737)
PROFIT FROM CONTINUING OPERATIONS BEFORE TAX		491.890.866	203.149.977
Tax Income From Continuing Operations		125.496.334	8.276.769
Current Tax Expense	26	(1.412.587)	(1.102.061)
Deferred Tax Income	26	126.908.921	9.378.830
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		617.387.200	211.426.746
PROFIT FOR THE YEAR	27	617.387.200	211.426.746
Profit for the Year Attributable to:		617.387.200	211.426.746
Owners of The Parent		617.387.200	211.426.746
Earnings Per 100 Share from Continuing Operations	27	7,3498	2,5170
Items That Will Not Be Reclassified to Profit or Loss			
Gains on on Revaluation of Property, Plant and Equipment		1.644.452.485	687.694.389
Gains (Losses) on Remeasurement of Defined Benefit Plans		(53.514.016)	1.003.924
Losses on on Revaluation of Property, Plant and Equipment, Tax Effect		(191.056.247)	(82.799.933)
Gains (Losses) on Remeasurement of Defined Benefit Plans, Tax Effect		10.702.803	(200.785)
OTHER COMPREHENSIVE INCOME		1.410.585.025	605.697.595
TOTAL COMPREHENSIVE INCOME		2.027.972.225	817.124.341
Owners of the Parent		2.027.972.225	817.124.341

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

ANADOLU ISUZU OTOMOTİV SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARY
AUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE PERIODS ENDED 31 DECEMBER 2022 AND 31 DECEMBER 2021
(Currency expressed in Turkish Lira unless otherwise indicated.)

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Prior Period	Notes	Issued Capital	Adjustments to Share Capital	Gain / Loss on Revaluation and Remeasurement That Will Not Be Reclassified to Profit or Loss		Restricted Reserves Appropriated from Profits	Retained Earnings		Total Equity of the Parent	Non Controlling Interest	Total Equity
				Gain on Revaluation of Property, Plant and Equipment	Gain/Loss on Remeasurement of Defined Benefit Plans		Accumulated Profit	Current Period Net Profit			
Balances as of 1 January 2021	19	84.000.000	30.149.426	417.373.045	(13.193.425)	23.784.678	19.384.487	13.648.318	575.146.529	-	575.146.529
Total Comprehensive Income		-	-	604.894.456	803.139	-	-	211.426.746	817.124.341	-	817.124.341
<i>Loss for the Period</i>		-	-	-	-	-	-	211.426.746	211.426.746	-	211.426.746
<i>Other Comprehensive Income</i>		-	-	604.894.456	803.139	-	-	-	605.697.595	-	605.697.595
<i>Transfers</i>		-	-	-	-	-	13.648.318	(13.648.318)	-	-	-
Balances as of 31 December 2021	19	84.000.000	30.149.426	1.022.267.501	(12.390.286)	23.784.678	33.032.805	211.426.746	1.392.270.870	-	1.392.270.870
Current Period											
Balances as of 1 January 2022	19	84.000.000	30.149.426	1.022.267.501	(12.390.286)	23.784.678	33.032.805	211.426.746	1.392.270.870	-	1.392.270.870
Total Comprehensive Income		-	-	1.453.396.238	(42.811.213)	-	-	617.387.200	2.027.972.225	-	2.027.972.225
<i>Profit for the Period</i>		-	-	-	-	-	-	617.387.200	617.387.200	-	617.387.200
<i>Other Comprehensive Income</i>		-	-	1.453.396.238	(42.811.213)	-	-	-	1.410.585.025	-	1.410.585.025
<i>Dividend</i>		-	-	-	-	-	(30.000.000)	-	(30.000.000)	-	(30.000.000)
<i>Transfers</i>		-	-	-	-	3.000.000	208.426.746	(211.426.746)	-	-	-
Balances as of 31 December 2022	19	84.000.000	30.149.426	2.475.663.739	(55.201.499)	26.784.678	211.459.551	617.387.200	3.390.243.095	-	3.390.243.095

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

ANADOLU ISUZU OTOMOTİV SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARY
AUDITED CONSOLIDATED STATEMENTS OF CASH FLOW
FOR THE PERIODS ENDED 31 DECEMBER 2022 AND 31 DECEMBER 2021
(Currency expressed in Turkish Lira unless otherwise indicated.)

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	Notes	Audited Current Period 31 December 2022	Audited Prior Period 31 December 2021
Cash Flows from Operating Activities		582.309.699	392.430.562
Current Period Net Profit	27	617.387.200	211.426.746
Adjustments to Reconcile Profit for The Year		442.175.796	199.554.133
Adjustments Related to Depreciation and Amortization Expenses	11-12-13	80.430.664	54.206.902
Adjustments Related to Provision for Employee Benefits (Released)	17	43.910.586	21.895.665
Adjustments Related to Tax (Income) Expense	26	(125.496.334)	(8.276.769)
Adjustments Related to Provisions for Litigations	16-23	28.192.450	3.468.562
Adjustments Related to Interest Income	23-25	(61.096.802)	(15.185.387)
Adjustments Related to Interest Expenses	25	192.499.041	71.830.775
Adjustments Related to Unrealized Currency Translation Differences of Financial Debts		115.864.458	147.978.446
Adjustments Related to Fair Value Losses (Gains)	9-24	120.345.146	(123.949.745)
Other Adjustments to Profit/(Loss) Reconciliation		(56.180.043)	(16.748.553)
Adjustments Related to Other Provisions (Released)	16	103.831.201	64.718.708
Adjustments Related to Loss (Gain) on Disposal of Property, Plant and Equipment	24	(124.571)	(384.471)
Changes in Working Capital		(401.738.312)	15.309.369
Adjustments Related to Decrease (Increase) in Trade Receivables	7	(339.805.404)	(330.778.587)
Adjustments Related to Decrease (Increase) in Inventories	10	(1.022.426.566)	(79.072.665)
Adjustments Related to Decrease (Increase) in Other Receivables from Operations		(483.430.058)	(66.609.926)
Adjustments Related to Increase (Decrease) in Trade Payables	7	1.190.351.049	490.220.560
Adjustments Related to Increase (Decrease) in Other Payables from Operations		453.770.152	58.499.939
Adjustments Related to Increase (Decrease) in Other Working Capital from Operations		(200.197.485)	(56.949.952)
Cash Generated from Operations		657.824.684	426.290.248
Income Tax Returns (Paid)	26	(1.981.629)	(1.458.726)
Payments Related to Other Provisions	16	(56.471.490)	(27.608.261)
Payments to Provision of Employee Benefits	17	(17.061.866)	(4.792.699)
Cash Flows from Investing Activities		(550.039.122)	(116.965.726)
Proceeds from Sale of Property, Plant and Equipment	11	359.100	653.024
Payments for Purchase of Property, Plant and Equipment	11	(126.731.141)	(31.520.386)
Payments for Purchase of Intangible Assets	12	(188.917.100)	(86.098.364)
Proceeds from Other Activities		(234.749.981)	-
Cash Flows from Financing Activities		798.973.459	96.944.540
Dividend Payments		(30.000.000)	-
Interest Received		55.220.624	15.185.387
Interest Paid	6	(166.473.003)	(69.477.974)
Proceeds from Borrowings	6	2.319.748.510	506.637.641
Cash Outflows from Repayment of Borrowings	6	(1.384.372.340)	(351.681.632)
Cash Outflows Related to Debt Payments arising from Lease Agreements	6	4.849.668	(3.718.882)
Net Increase (Decrease) in Cash and Cash Equivalents		831.244.036	372.409.376
Cash and Cash Equivalents at The Beginning of The Year		639.139.631	266.730.255
Cash and Cash Equivalents at The End of The Year	4	1.470.383.667	639.139.631

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

NOTE 1 - ORGANIZATION AND OPERATIONS OF THE GROUP

Anadolu Isuzu Otomotiv Sanayi ve Ticaret Anonim Şirketi (the “Company”) was established in 1980. Principal activities of the Company are comprised mainly of manufacturing, assembling, import and sales of commercial vehicles and also procure and sales of related spare parts regarding to after sales service. The Company is registered to Capital Markets Board of Turkey and the percentage of 15 of the Company’s shares have been traded on Borsa Istanbul A.Ş. since 1997.

The Company carries out its operations as a partnership formed by Isuzu Motors Ltd. Itochu Corporation and Anadolu Group Companies. The Company runs its manufacturing operations in a factory which is established in Çayırova/Kocaeli. The average number of employees as of 31 December 2022 is 970 (31 December 2021: 828).

The Company has been registered in Turkey, and the address of the Company is Fatih Sultan Mehmet Mahallesi Balkan Caddesi No: 58 Buyaka E Blok Tepeüstü Ümraniye, İstanbul.

The company is controlled by AG Anadolu Grubu Holding A.Ş., the parent company. AG Anadolu Grubu Holding A.Ş. is controlled by AG Sınai Yatırım ve Yönetim A.Ş. and AG Sınai Yatırım ve Yönetim A.Ş. is a management company, which is ultimately managed by the Özilhan Family and Süleyman Kamil Yazıcı Family in accordance with equal representation and equal management principle and manages AG Anadolu Grubu Holding A.Ş.’s companies.

As of 31 December 2022 and 31 December 2021, details about the company’s subsidiary, which is subject to consolidation, is below:

Company Name	Principal Activity	Capital	31 December 2022 Participation Rate (%)	31 December 2021 Participation Rate (%)
Ant Sınai ve Ticari Ürünleri Pazarlama A.Ş.	Trade of spare parts	716.000	100	100

Approval of Financial Statements

Consolidated financial statements for the period 1 January – 31 December 2022 approved by the Board of Directors on 28 February 2023 and signed by Independent Member of the Board of Director Ahmet Murat SELEK (Audit Committee Chairman) and Orhan ÖZER (Audit Committee Member), General Manager Yusuf Tuğrul ARIKAN and Finance Director Neşet Fatih VURAL.

The Company and its subsidiary will be referred as (the “Group”) in the condensed consolidated financial statements and notes to the consolidated financial statements.

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Basis of Presentation

2.1.1 Statement of Compliance TAS

The enclosed 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”, promulgated in Official Gazette No. 28676 dated 13 June 2013. Pursuant to Article 5 of the Communiqué, Turkish Accounting Standards / Turkish Financial Reporting Standards (“TAS/IFRS”) enforced by Public Oversight Accounting and Auditing Standards Authority (“POA”), and their relevant appendices and interpretations (“TAS/IFRS”) have been taken as basic.

In addition, the financial statements and disclosures are presented in accordance with the publication by CMB dated 15 October 2022.

The Company (and its Subsidiary registered in Turkey) takes the Turkish Commercial Code (“TCC”), tax legislation and Uniform Chart of Accounts introduced by Turkish Ministry of Finance as basic for book keeping and preparation of the statutory financial statements. Consolidated financial statements have been prepared in Turkish Lira based on the historical costs, as well as the financial assets and liabilities presented in their fair values. Historical costs are generally based on the fair value of the amount paid for the assets. Consolidated financial statements have been arranged by applying the required adjustments and classifications to the statutory records prepared on historical cost basis in order to provide accurate presentation in line with TAS/IFRS. The most important adjustment records are the application of consolidation accounting, deferred tax calculation, calculation of employee termination benefit and other provisions.

Currency Used

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

NOTE 2 -BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (cont'd)

2.1 Basis of Presentation (cont'd)

2.1.2 Consolidation principles

Subsidiaries

Subsidiaries, including structured entities, are companies in the Group's control. The Group's control is provides for exposure to variable returns from these companies, being eligible for these benefits, and the power to direct them. Subsidiaries are consolidated using the full consolidation method starting from the date when the control is transferred to the Group. They are excluded from the scope of consolidation as of the date when the control is lost.

The purchasing method is used in accounting for group business combinations. The cost of acquisition includes the fair value of the assets transferred at the acquisition date, the liabilities incurred by the former owner of the company, and costs, consisting of equity instruments issued by the Group. The acquisition cost includes the fair value of the assets and liabilities transferred as a result of the contingent acquisition agreement.

The identifiable assets, liabilities, and contingent liabilities taken over during a business combination are measured at their fair value on the acquisition date. For each purchase, non-controlling shares of the acquired company are recognised either at their fair value or according to their proportional share in the net assets of the acquired company.

The table below sets out the subsidiaries and their ownership interests as of 31 December 2022 and 31 December 2021.

Subsidiary	Voting power held by the Group (%)		Proportion of ownership interest (%)	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021
Ant Sınai ve Ticari Ürünleri Pazarlama A.Ş.	100	100	100	100

2.1.3 Adjustment of Financial Statements during High Inflation Periods

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

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

2.1.4 Offsetting

The financial assets and liabilities in the consolidated financial statements are shown at their net value when a legal system that allows clarification of relevant values and there is an intention to demonstrate the values clearly or the realization of the asset and the settlement of the debt are at the same time.

2.1.5 Comparatives and Adjustment of Prior Periods' Financial Statements

The Group's consolidated financial statements for the current period are prepared in comparison with the previous periods in order to be able to determine the financial position and performance trends. The comparative information is reclassified when necessary with the aim of ensuring consistency with the presentation of the current period's consolidated financial statements and significant differences are disclosed.

Reclassifications and adjustments made in the Financial Statements dated 31 December 2021

Land amounting to TRY 292.361.554 included in the "Buildings" account in the financial statements dated 31 December 2021 has been reclassified to the "Lands" account. The said reclassification has no effect on previous year losses and net profits for the related period.

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (cont'd)

2.1 Basis of Presentation (cont'd)

2.1.6 Amendments in Standards and Interpretations

a) Standards, amendments, and interpretations applicable as of 31 December 2022

Amendment to IFRS 16, 'Leases' – Covid-19 related rent concessions Extension of the practical expedient (effective 1 April 2021); As a result of the coronavirus (COVID-19) pandemic, rent concessions have been granted to lessees. In May 2020, the IASB published an amendment to IFRS 16 that provided an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification. On 31 March 2021, the IASB published an additional amendment to extend the date of the practical expedient from 30 June 2021 to 30 June 2022. Lessees can elect to account for such rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as variable lease payments in the period(s) in which the event or condition that triggers the reduced payment occurs.

A number of narrow-scope amendments to IFRS 3, IAS 16, IAS 37 and some annual improvements on IFRS 1, IFRS 9, IAS 41 and IFRS 16; effective from annual periods beginning on or after 1 January 2022.

Amendments to IFRS 3, 'Business combinations' update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.

Amendments to IAS 16, 'Property, plant and equipment' prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.

Amendments to IAS 37, 'Provisions, contingent liabilities and contingent assets' specify which costs a company includes when assessing whether a contract will be loss-making.

Annual improvements make minor amendments to IFRS 1, 'First-time Adoption of IFRS', IFRS 9, 'Financial Instruments', IAS 41, 'Agriculture' and the Illustrative Examples accompanying IFRS 16, 'Leases'.

b) Standards, amendments, and interpretations that are issued but not effective as of 31 December 2022:

Narrow scope amendments to IAS 1, Practice statement 2 and IAS 8; effective from annual periods beginning on or after 1 January 2023. The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies.

Amendment to IAS 12 – Deferred tax related to assets and liabilities arising from a single transaction; effective from annual periods beginning on or after 1 January 2023. These amendments require companies to recognise deferred tax on transactions that, on initial recognition give rise to equal amounts of taxable and deductible temporary differences.

Amendment to IFRS 16 – Leases on sale and leaseback; effective from annual periods beginning on or after 1 January 2024. These amendments include requirements for sale and leaseback transactions in IFRS 16 to explain how an entity accounts for a sale and leaseback after the date of the transaction. Sale and leaseback transactions where some or all the lease payments are variable lease payments that do not depend on an index or rate are most likely to be impacted.

Amendment to IAS 1 – Non current liabilities with covenants; effective from annual periods beginning on or after 1 January 2024. These amendments clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability.

IFRS 17, 'Insurance Contracts', as amended in December 2021; effective from annual periods beginning on or after 1 January 2023. This standard replaces IFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features.

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (cont'd)

2.2 Effect of Revised Accounting Policies

Accounting policy changes resulting from the first application of a new standard, if any, are applied retrospectively or prospectively in accordance with the transition terms. Changes without any transition requirement, optional significant changes in accounting policies or significant accounting errors are applied retrospectively and the previous period's consolidated financial statements are restated. Changes in accounting estimates are applied in the current period if the change is related to only one period, and if they are related to future periods, they are applied both in the period in which the change is made and prospectively.

2.3 Summary of Significant Accounting Policies

2.3.1 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. Cash and cash equivalents include cash on hand, deposits at banks and highly liquid short-term investments, with maturity periods of less than three months, which has insignificant risk of change in fair value.

2.3.2 Trade receivables and provision for allowance

Trade receivables as a result of providing goods or services by the Group directly to a debtor are carried at amortised cost using original effective interest rates.

Provision for impairment of trade receivables is established if there is objective evidence that the Group will not be able to collect all amounts due. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of all cash flows, including amounts recoverable from guarantees and collateral, discounted based on the original effective interest rate of the originated receivables at inception.

If the impairment amount decreases due to an event occurring after the write-down, the release of the provision is credited to other income in the current period.

The Group collects most of the receivables from domestic vehicles sales through the "Direct Debit System" (DDS). Within this system which is also named as Direct Collection System; the contracted banks warrant the collection of the receivables within the limits granted to the dealers. Trade receivables are transferred by the contracted banks to the Group's bank accounts at the due dates.

2.3.3 Inventories

Inventories are stated at the lower of cost or net realizable value. The inventories of the Group mainly composed of trucks, small trucks, midi buses, pickups and spare parts which belong to those vehicles. The cost of inventories is determined on the monthly weighted moving average method. Cost of the finished and work in process good include raw materials, direct labour cost, related general production expenses and exclude the cost of borrowing. Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses. The allocation of fixed production overheads to the costs of conversion is based on the normal capacity of the production facilities. Idle time expenses arising from the ceases in production other than planned in the factory's annual production plan are not associated with inventories and are recognised as cost of finished goods.

2.3.4 Property, plant and equipment and related depreciation

While property, plant and equipment are presented on financial statement according to the adjusted values based on the effects of inflation as of 31 December 2004 for the assets acquired before 1 January 2005, they are presented on the financial statements by deducting accumulated depreciation from cost values for the assets acquired after 2005. As of 31 December 2017, lands and buildings have been monitored by revaluation method. Depreciation is calculated using the straight-line method based on their economic lives. The following rates, determined in accordance with the economic lives of the fixed assets, are used in calculation of depreciation:

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (cont'd)

2.3 Summary of Significant Accounting Policies (cont'd)

2.3.4 Property, plant and equipment and related depreciation (cont'd)

Type	Useful Lives
Land Improvements	5-15
Buildings	2-50
Machinery and Equipment	10-15
Motor Vehicles	4-10
Furnitures and Fixtures	5-10
Other Property, Plant and Equipment	10-20

Revaluation Method

Land and buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the consolidated statement of financial position at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at the end of each reporting period.

Any revaluation increase arising on the revaluation of such land and buildings is recognized in other comprehensive income and accumulated in equity, except to the extent that it reverses a revaluation decrease for the same asset previously recognized in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously expensed. A decrease in the carrying amount arising on the revaluation of such land and buildings is recognized in profit or loss to the extent that it exceeds the balance, if any, held in the properties revaluation reserve relating to a previous revaluation of that asset.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognized impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalized in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation on revalued buildings is charged to profit or loss. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the properties revaluation reserve is transferred directly to retained earnings.

Cost Method

Property, plant and equipment are carried at cost less accumulated depreciation and accumulated impairment losses. Freehold land is not depreciated. Fixtures and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Except for land and investments in progress, cost or valued amounts of property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. Expected useful life, residual value and depreciation method are reviewed every year for the possible effects of the changes in estimates and accounted for prospectively if there is a change in the estimates.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (cont'd)

2.3 Summary of Significant Accounting Policies (cont'd)

2.3.4 Property, plant and equipment and related depreciation (cont'd)

Cost Method (cont'd)

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

2.3.5 Intangible assets and related amortisation

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

Intangible assets are comprised of software programme rights, brand and patent rights and development expenses.

Type	Useful Lives
Rights	5-15
Development Expenses	5
Other Intangible Assets	3-15

2.3.6 Impairment of assets

All assets are reviewed for impairment losses including property, plant and equipment and intangible assets whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If such an indication exists, the recoverable amount of the asset is presumed. The recoverable amount is presumed in each year-end for unusable intangible assets. An impairment loss is recognised for the amount by which the carrying amount of the asset or a cash-generating unit related to the asset exceeds its recoverable amount, which is the higher of an asset's net selling price and value in use. Impairment losses are recognised in the statement of income. Impairment losses on assets can be reversed, to the extent of previously recorded impairment losses, in cases where increases in the recoverable value of the asset can be associated with events that occur subsequent to the period when the impairment loss was recorded.

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (cont'd)

2.3 Summary of Significant Accounting Policies (cont'd)

2.3.7 Bank loans and borrowing costs

Borrowings are recognised initially at the proceeds received, net of transaction costs incurred. In subsequent periods, borrowings are stated at amortised cost using the effective yield method; any difference between proceeds (net of transaction costs) and the redemption value is recognised in the statement of income as financing cost over the period of the borrowings. When it comes to the assets which take long time to get ready to usage and sales, borrowing costs related to production or construction are integrated to the cost of the asset.

2.3.8 Taxes on income

Tax liability on current period's profit or loss includes current period tax and deferred tax. Current year tax liability consists of tax liability on the taxable income calculated according to currently enacted tax rates and to the effective tax legislation as of balance sheet date.

Deferred tax is provided, using the liability method, on the temporary differences between the carrying values of assets and liabilities and their carrying. The tax value of assets and liabilities represent the amounts that will affect the tax base in the future periods related to the assets and liabilities within the framework of tax legislation. Deferred tax is calculated over the tax rates that are expected to apply in the period when the tax asset or the liability will be realized by taking into consideration the tax rates and tax legislation in effect as of the balance sheet date.

Deferred tax liabilities are recognised for all taxable temporary differences, where deferred tax assets resulting from deductible temporary differences are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary difference can be utilised. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future. Deferred tax assets and liabilities related to income taxes levied by the same taxation authority are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities.

2.3.9 Provision for employee benefits

The Group is obliged to pay termination indemnities to employees whose employment is terminated due to retirement or due to reasons other than resignation or behavior specified in the Labor Code, in accordance with the applicable law. The retirement benefit obligation recognized in the consolidated statement of financial position represents the present value of the defined benefit obligation.

2.3.10 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. If the provision amount decreases, in the case of an event occurring after the provision is accounted for, the related amount is classified as other income in the current period.

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (cont'd)

2.3 Summary of Significant Accounting Policies (cont'd)

2.3.11 Research and development expenses

Research expenditure is recognised as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when it is probable that the project will be a success considering its commercial and technological feasibility, and only if the cost can be measured reliably. Other development expenditures are recognised as expense as incurred. Subsidies received from Tübitak are accounted for as deferred income by Group and are offset with amortisation expenses in the income statements in line with the useful life of the completed projects. Development costs are directly recognised as expense. Development expenses recognised as expense in prior periods are not subject to capitalisation in subsequent periods.

2.3.12 Warranty provision expenses

Warranty expenses are recognised on an accrual basis for amounts estimated based on prior periods' realization.

2.3.13 Related parties

For the purpose of these consolidated financial statements, shareholders, key management personnel and board members, in each case together with their families and companies controlled by/or affiliated with them and associated companies are considered and referred to as related parties. The transactions with related parties for operating activities are made with prices which are convenient with market prices.

2.3.14 Foreign currency transactions

Transactions in foreign currencies during the year have been translated at the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies have been translated into TRY at the Central Bank of Turkey's exchange rates prevailing at the balance sheet dates. Foreign currency exchange gains or losses arising from the settlement of such transactions and from the translation of monetary assets and liabilities are recognised in the statement of income.

2.3.15 Earnings per share

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

In Turkey, companies can increase their share capital by making a pro-rata distribution of shares ("no-par shares") to existing shareholders from retained earnings and the revaluation surplus. For the purpose of earnings per share computations, the weighted average number of shares outstanding during the year has been adjusted in respect of bonus shares issues without a corresponding change in resources, by giving them retroactive effect for the year in which they were issued and for each earlier year.

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (cont'd)

2.3 Summary of Significant Accounting Policies (cont'd)

2.3.16 Revenue recognition

Commercial vehicle and spare part sales

The Group recognizes income according to the accrual basis, when the Group reasonably determines the income and economic benefit is probable. Group's revenues are comprised of sales of commercial vehicles and the spare parts of those commercial vehicles. Net sales is determined by reducing customer returns and sales discounts.

Revenue from the sale of goods is recognized when all the following conditions are gratified:

- The significant risks and the ownership of the goods are transferred to the buyer,
- The Group refrains the managerial control over the goods and the effective control over the goods sold,
- The revenue can be measured reasonably,
- It is probable that the economic benefits related to transaction will flow to the entity,
- The costs incurred or will be incurred in conjunction with the transaction can be measured reliably.

Warranties given for sales cannot be purchased separately. These warranties are assured that the products sold are in compliance with the pre-determined conditions. In this respect, the Group will continue to recognize the warranty provisions in accordance with the provisions of the existing TAS 37 Provisions, Contingent Liabilities and Conditional Assets.

Revenue from extended warranty sales

For the products it sells, the Group sells extended warranty for the periods starting from the end of the legal warranty periods. The price of the additional commitments given is considered as a different service promised within the contract, apart from the products sold. Therefore, the Group accounts for the service to be provided due to extended warranty sales as a separate performance obligation.

Service rendering

When the revenue from services can be measured reliably, the revenue is recorded in accordance with its completion level. If the revenue cannot be measured reliably, revenues are recognized as much as the recoverable amount of expenses that are associated with these revenues.

Dividend income

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

2.3.17 Reporting of cash flows

In the statement of cash flows, cash flows during the period are classified under operating, investing or financing activities.

The cash flows raised from operating activities indicate cash flows due to the Group's operations.

The cash flows due to investing activities indicate the Group cash flows that are used for and obtained from investments (investments in property, plant and equipment and financial investments).

The cash flows due to financing activities indicate the cash obtained from financial arrangements and used in their repayment.

Cash and cash equivalents include cash and bank deposits and the investments that are readily convertible into cash and highly liquid assets with less than three months to maturity.

2.3.18 Contingent assets and liabilities

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

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (cont'd)

2.3 Summary of Significant Accounting Policies (cont'd)

2.3.19 Government Grants

Government grants are not recognized until there is reasonable assurance that the entity will comply with the conditions attaching to them and the grants will be received. Government grants are recognized as income over the periods necessary to match them with the related costs, which they are intended to compensate, on a systematic basis. Government grants and assistance received for R&D purposes of the Group are explained in Note 15.

2.3.20 TFRS 9 Financial Instruments

TFRS 9, Financial instruments; effective from annual periods beginning on or after 1 January 2018. This standard replaces the guidance in TAS 39. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the current incurred loss impairment model. Group has carried out valuation studies to determine the cumulative effect of the first transition and concluded that no changes should be made to the consolidated financial statements.

Financial assets

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

In the initial measurement of financial assets except at fair value through profit or loss, transaction costs directly attributable to the acquisition or export of such assets are added to or deducted from the fair value. Financial assets that are traded in the normal course are recognized at the date of the transaction (delivery date).

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

Financial assets measured at amortized cost

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

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

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

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

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

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (cont'd)

2.3 Summary of Significant Accounting Policies (cont'd)

2.3.20 TFRS 9 Financial Instruments (cont'd)

Financial assets measured at amortized cost (cont'd)

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

Financial assets measured at fair value through other comprehensive income

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

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

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

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

Financial assets measured at fair value through profit or loss

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

Financial assets that are not designated as an effective hedging instrument against financial risk are also classified as financial assets at fair value through profit or loss. The related financial assets are presented with their fair values and the gains and losses arising from the valuation are recognized in profit or loss.

Impairment

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

The Group applies the impairment requirements for the recognition and measurement of a loss allowance for financial assets that are measured at fair value through other comprehensive income. However, the loss allowance is recognised in other comprehensive income and does not reduce the carrying amount of the financial asset in the statement of financial position.

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

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

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

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (cont'd)

2.3 Summary of Significant Accounting Policies (cont'd)

2.3.20 TFRS 9 Financial Instruments (cont'd)

Financial liabilities

Financial liabilities are initially measured at fair value. During initial recognition of financial liabilities not designated fair value through profit or loss, all directly attributable transaction costs related to underwriting of financial liabilities, added to this fair value.

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

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

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

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

The Group does not reclassify any financial liability.

Recognition and derecognition of financial assets

The Group recognises a financial asset or a financial liability in the statement of financial position when the Group becomes party to the contractual provisions of the instrument. The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received. The Group only derecognizes the obligation if the obligation defined in the contract is lifted or canceled or if it expires on time.

2.3.21 Events after the reporting period

Subsequent events and announcements related to net profit or even declared after other selective financial information has been publicly announced, include all events that take place between the balance sheet date and the date when the balance sheet is authorised for issue.

In the case that events requiring an adjustment to the consolidated financial statements occur subsequent to the balance sheet date, the Group makes the necessary corrections on the consolidated financial statements.

2.4 Changes in Accounting Estimates and Errors

Accounting estimates are made based on reliable information and using appropriate estimation methods. However, if new or additional information becomes available or the circumstances, which the initial estimates based on, change, then the estimates are reviewed and revised, if necessary. If the change in the accounting estimates is only related to a sole period, then only that period's financial statements are adjusted. If the amendments are related to the current as well as the forthcoming periods, then both current and forthcoming periods' financial statements are adjusted.

Significant accounting errors are applied retrospectively and the consolidated financial statements of the previous period are restated. There has been no significant change in the accounting estimates of the Group in the current year.

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

2.5 Other Accounting Estimates

In instances where the accounting estimates affect both current and forthcoming periods, then description and monetary value of the estimate is disclosed in the notes to the financial statements except instances where the estimation of the effect related to upcoming periods are not possible.

a) Deferred Tax

There are previous year losses, research and development expenditures and investment incentive certificates that the Group can gain tax advantage in the future. Deferred tax assets can only be recognized if it is probable that sufficient taxable profit will be generated in future periods. In each reporting period, the Group management evaluates the taxable profit that may occur in the future periods, and during its evaluations, future profit projections and unused losses are taken into account within the scope of tax legislation. For the year ended December 31, 2022, the Group has recorded deferred tax assets up to the part that it finds sufficient indications of taxable profit in the foreseeable future.

b) Warranty Cost Provisions

The Group determined the warranty provision based on warranty costs for each vehicle model in previous years and the remaining warranty periods for each vehicle.

c) Useful lives of property, plant and equipment:

The Group reviews the estimated useful lives of property, plant and equipment at the end of each reporting period. The Company may shorten or prolong the useful lives and related depreciation of property, plant and equipment by taking into consideration the intended use of property, plant and equipment, technological progress according to their types and other factors.

d) Revaluation of land improvements and buildings:

Land improvements, evaluation of buildings and machinery have been made by taking into consideration the current market conditions. A significant increase / (decrease) in the market value of the lands and lands where the market approach (peer comparison) method is used will cause a significant increase / (decrease) in the fair value of the immovables in the relevant region and under similar conditions. As a result of the revaluation, provision for impairment of the fixed assets with fair value lower than the cost value is made.

The Group's land improvements and buildings have been revalued at 31 December 2022 by independent appraisals accredited by the Capital Markets Board. The Group's land improvements and buildings have been revalued by independent appraisals accredited by the Capital Markets Board. The revaluation fund which is composed of the difference between the book value and the fair value is offset with deferred tax and shown under the equity as revaluation fund. Revaluation is performed periodically.

e) Provision for Employment Termination Benefits

Provision for employment termination benefits is calculated by taking into account the severance pay ceiling and actuarial informations recognized into the consolidated financial statements. Provision for employment termination benefits represents the estimated present value of the amount of retirement pay liability that the Group is liable to pay in the future.

NOTE 3 –SEGMENT REPORTING

The field of activity of the Group established in Turkey is the manufacture, assembly, import and sale of motor vehicles and spare parts. The field of activity of the Group, the nature and economic properties of products, production processes, classification according to customer risks and methods used in the distribution of products are similar. Moreover, the Group is structured on an activity basis rather than being managed under separate divisions including different activities. Thus, the operations of the Group are considered as a single activity division, and the outputs of the Group's activities, determination of the resources to be allocated to these activities, and review of the performance of these activities are evaluated accordingly.

NOTE 4 - CASH AND CASH EQUIVALENTS

Cash and equivalent values as of the end of the period are presented below:

	<u>31 December 2022</u>	<u>31 December 2021</u>
Cash	-	1.471
Banks-Demand Deposits	416.606.154	19.562.954
Banks-Time Deposits	1.058.000.485	619.210.951
Other Liquid Assets (*)	1.696.079	407.128
Total	1.476.302.718	639.182.504

(*) As of 31 December 2022 and 31 December 2021, the balance in "Other Liquid Assets" is consist of credit card receivables in bank of the group.

There are no restricted deposits as of 31 December 2022 and 31 December 2021.

Cash and cash equivalents presented in the consolidated cash flow statements as of 31 December 2022 and 31 December 2021 are as follows:

	<u>31 December 2022</u>	<u>31 December 2021</u>
Liquid Assets	1.476.302.718	639.182.504
Interest Accruals (-)	(5.919.051)	(42.873)
Total (Excluding interest accruals)	1.470.383.667	639.139.631

The details of time deposits are as follows:

	<u>31 December 2022</u>		<u>31 December 2021</u>	
	<u>Amount</u> <u>(TRY</u> <u>Equivalent)</u>	<u>Annual Average</u> <u>Interest Rate (%)</u>	<u>Amount</u> <u>(TRY Equivalent)</u>	<u>Annual Average</u> <u>Interest Rate (%)</u>
TRY	1.058.000.485	16,80	75.952.873	18,73
Euro	-	-	451.984.437	0,33
US Dollar	-	-	91.273.641	0,75
Total	1.058.000.485		619.210.951	

The Group does not have any time deposits with maturities longer than three months and the time deposits are composed of fixed interest rates.

NOTE 5 - FINANCIAL INVESTMENTS

The details of short term financial investments as follows:

	<u>31 December 2022</u>			<u>31 December 2021</u>		
	<u>Carrying</u> <u>Amount</u>	<u>Interest</u> <u>Accrual</u>	<u>Fair Value</u>	<u>Carrying</u> <u>Amount</u>	<u>Interest</u> <u>Accrual</u>	<u>Fair Value</u>
Currency Protected Deposit	-	10.722.329	251.671.891	-	-	-
Total	-	10.722.329	251.671.891	-	-	-

The details of long term financial investments as follows:

	<u>31 December 2022</u>			<u>31 December 2021</u>		
	<u>Carrying</u> <u>Amount</u>	<u>Interest</u> <u>Accrual</u>	<u>Fair Value</u>	<u>Carrying</u> <u>Amount</u>	<u>Interest</u> <u>Accrual</u>	<u>Fair Value</u>
Investment Fund	-	-	837.400	-	-	-
Total	-	-	837.400	-	-	-

NOTE 6 - FINANCIAL LIABILITIES

The details of bank loans as of 31 December 2022 and 31 December 2021 are as follows:

a) Short-term Borrowings

Bank Loans

	<u>Average Effective Interest Rate %</u>		<u>Original Currency</u>		<u>Amount in TRY Including Interest</u>	
	<u>31 December</u>	<u>31 December</u>	<u>31 December</u>	<u>31 December</u>	<u>31 December</u>	<u>31 December</u>
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
TR	17,21	16,38	1.071.109.203	161.500.843	1.071.109.203	161.500.843
Y						
Total					1.071.109.203	161.500.843

b) Short-term Portions of Long Term Borrowings

Bank Loans

	<u>Average Effective Interest Rate %</u>		<u>Original Currency</u>		<u>Amount in TRY Including Interest</u>	
	<u>31 December</u>	<u>31 December</u>	<u>31 December</u>	<u>31 December</u>	<u>31 December</u>	<u>31 December</u>
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Euro	4,38	1,08	11.221.443	8.652.339	224.101.200	130.379.500
TR	15,84	15,64	301.104.303	121.718.562	301.104.303	121.718.562
Y						
Total					525.205.503	252.098.062

Finance Lease Liabilities

	<u>Average Effective Interest Rate %</u>		<u>Original Currency</u>		<u>Amount in TRY Including Interest</u>	
	<u>31 December</u>	<u>31 December</u>	<u>31 December</u>	<u>31 December</u>	<u>31 December</u>	<u>31 December</u>
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Euro	3,20	4,35	49.253	91.935	981.855	1.385.341
TR	28,05	20,00	7.575.594	3.174.140	7.575.594	3.174.140
Y						
Total					8.557.449	4.559.481

a) Long-term Borrowings

Bank Loans

	<u>Average Effective Interest Rate %</u>		<u>Original Currency</u>		<u>Amount in TRY Including Interest</u>	
	<u>31 December</u>	<u>31 December</u>	<u>31 December</u>	<u>31 December</u>	<u>31 December</u>	<u>31 December</u>
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Euro	5,45	3,26	8.645.973	19.153.591	172.666.990	288.619.714
TR	12,29	18,82	229.985.829	220.956.468	229.985.829	220.956.469
Y						
Total					402.652.819	509.576.183

(Currency expressed in Turkish Lira unless otherwise indicated.)

NOTE 6- FINANCIAL LIABILITIES (cont'd)

a) Long-term Borrowings (cont'd)

As of 31 December 2022 and 31 December 2021, the payment schedule of long-term loans is as follows:

	31 December 2022	31 December 2021
1 to 2 years	232.381.180	348.861.588
2 to 3 years	42.214.247	35.641.646
3 to 4 years	37.356.083	31.317.988
4 to 5 years	31.234.338	27.777.068
More than 5 years	59.466.971	65.977.893
Total	402.652.819	509.576.183

Finance Lease Liabilities

	Average Effective Interest Rate %		Original Currency		Amount in TRY Including Interest	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021	31 December 2022	31 December 2021
Euro	3,20	4,35	105.306	344.980	2.099.264	5.198.400
TRY	28,05	20,00	7.966.946	515.100	7.966.946	515.100
Total					10.066.210	5.713.500

Financial net debt reconciliation as of 31 December 2022 and 31 December 2021 is as follows:

	31 December 2022	31 December 2021
Opening balance	933.448.069	628.560.029
Interest expense	192.293.075	70.420.770
Cash outflows from debt payments arising from lease agreements	4.849.668	(3.718.882)
TFRS 16 changes in lease liabilities	2.232.747	4.729.671
Interest paid	(166.473.003)	(69.477.974)
Newly obtained credits	2.319.748.510	506.637.641
Loans repaid	(1.384.372.340)	(351.681.632)
Exchange difference	115.864.458	147.978.446
Closing balance	2.017.591.184	933.448.069

NOTE 7- TRADE RECEIVABLES AND PAYABLES

Trade receivables at period ends are as follows:

a) Short-term Trade Receivables

	31 December 2022	31 December 2021
Trade Receivables from Third Parties	983.067.273	459.844.266
Trade Receivables from Related Parties	114.976.064	298.393.667
Rediscount Expenses (-)	(2.091.726)	(3.804.292)
Doubtful Receivables	480.040	522.097
Allowance for Doubtful Receivables (-)	(480.040)	(522.097)
Total	1.095.951.611	754.433.641

As of 31 December 2022, the average term for trade receivables is 76 days (31 December 2021: 102 days).

Movements of provision for doubtful receivables are as follows:

	31 December 2022	31 December 2021
Opening Balance	522.097	762.710
Collections in the Period	(42.057)	(240.613)
Closing Balance	480.040	522.097

Disclosures on the nature and level of risks in trade receivables are given in Note 28.

Trade payables at period ends are as follows:

b) Short-term Trade Payables

	31 December 2022	31 December 2021
Trade Payables to Third Parties	1.036.170.439	375.224.599
Trade Payables to Related Parties	1.169.241.865	639.836.656
Rediscount Incomes(-)	(6.204.191)	(3.811.421)
Total	2.199.208.113	1.011.249.834

As of 31 December 2022, the average term for trade payables is 115 days (31 December 2021: 127 days).

Disclosures on the nature and level of risks in trade payables are given in Note 28.

NOTE 8- OTHER RECEIVABLES AND PAYABLES

a) Other Short-term Receivables

	31 December 2022	31 December 2021
Receivables from Tax Office (*)	84.644.136	71.505.661
Due from Personnel	1.805.193	1.016.446
Deposits and Guarantees Given	30.746	37.335
Total	86.480.075	72.559.442

(*) As of 31 December 2022, the amount of Group's receivables was TRY 84.111.751 which consists of the receivables related to the VAT refund request (31 December 2021: TRY 71.505.661).

b) Other Long-term Receivables

	31 December 2022	31 December 2021
Deposits and Guarantees Given	4.892	3.642
Total	4.892	3.642

Disclosures on the nature and level of risks in other receivables are given in Note 28.

(Currency expressed in Turkish Lira unless otherwise indicated.)

NOTE 8- OTHER RECEIVABLES AND PAYABLES (cont'd)

c) Other Short-term Payables

	31 December 2022	31 December 2021
Payables Under Employee Benefit	38.577.623	14.666.030
Tax and Funds Payables	10.918.011	4.098.897
Other Miscellaneous Payables	518.620	1.844.395
Total	50.014.254	20.609.322

NOTE 9- DERIVATIVE INSTRUMENTS

Derivative instruments at period ends are as follows:

Foreign Currency Forward Transactions

	31 December 2022			31 December 2021		
	Fair Value			Fair Value		
	Nominal Value	Asset	Liability	Nominal Value	Asset	Liability
Interest Rate Swap	75.000.000	-	(2.437.805)	75.000.000	-	1.458.151
Forward Contracts	1.202.378.578	4.840.568	(37.811.643)	703.181.296	105.351.238	(4.133.811)
Total	1.277.378.578	4.840.568	(40.269.448)	778.181.296	105.351.238	(2.675.660)

NOTE 10- INVENTORIES

Inventory balances as of period ends are as follows:

	31 December 2022	31 December 2021
Raw Materials	955.821.041	233.713.070
Work in Process Goods	1.701.708	930.633
Finished Goods	259.769.534	116.972.621
Trade Goods	138.181.970	66.439.881
Other Inventory	12.316.827	7.712.306
Goods in Transit	124.859.435	44.455.438
Impairment in Finished Goods and Trade Goods	(488.002)	(488.002)
Total Inventories	1.492.162.513	469.735.947

Movement of Provision for Inventory Impairment	31 December 2022	31 December 2021
Opening Balance	488.002	488.002
Current Period Provision (+)	-	-
Closing Balance	488.002	488.002

As at 31 December 2022, total cost of sales which recognized in statement of profit or loss is TRY 4.496.411.093 (31 December 2021: TRY 1.956.424.125)

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NOTE 11- PROPERTY, PLANT AND EQUIPMENT**31 December 2022**

Cost Value	Land	Land Improvements	Buildings	Plant, Machinery and Equipment	Vehicles	Furniture and Fixtures	Other Tangible Fixed Assets	Construction in Progress	Total
Opening Balance as at 1 January 2022	933.915.000	13.334.513	307.654.634	252.797.325	6.544.007	4.007.650	644.296	1.793.071	1.520.690.496
Additions	-	4.696.989	924.754	46.727.310	3.513.654	2.212.272	-	68.656.162	126.731.141
Transfers from Construction in Progress	-	-	-	57.852.444	-	-	-	(57.852.444)	-
Disposals	-	-	-	(522.864)	(97.726)	-	-	-	(620.590)
Revaluation Increases	1.378.342.500	-	266.109.985	-	-	-	-	-	1.644.452.485
Closing Balance as at 31 December 2022	2.312.257.500	18.031.502	574.689.373	356.854.215	9.959.935	6.219.922	644.296	12.596.789	3.291.253.532

Accumulated Depreciation

Opening Balance as at 1 January 2022	-	(8.754.723)	(65.270.601)	(170.239.422)	(4.385.813)	(3.038.011)	(641.655)	-	(252.330.225)
Charge for the year	-	(719.782)	(10.571.913)	(18.586.357)	(857.316)	(416.443)	(650)	-	(31.152.461)
Disposals	-	-	-	288.681	97.380	-	-	-	386.061
Closing Balance as at 31 December 2022	-	(9.474.505)	(75.842.514)	(188.537.098)	(5.145.749)	(3.454.454)	(642.305)	-	(283.096.625)

Net Book Value

Opening Balance as at 1 January 2022	933.915.000	4.579.790	242.384.033	82.557.903	2.158.194	969.639	2.641	1.793.071	1.268.360.271
Closing Balance as at 31 December 2022	2.312.257.500	8.556.997	498.846.859	168.317.117	4.814.186	2.765.468	1.991	12.596.789	3.008.156.907

TRY 21.104.804 of the depreciation expenses has been charged to cost of sales and TRY 594.851 to research and development expenses and TRY 1.416.489 to marketing expenses, TRY 3.184.201 to general administrative expenses and TRY 4.852.116 to development capitalization as of 31 December 2022.

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NOTE 11- PROPERTY, PLANT AND EQUIPMENT (cont'd)

31 December 2021

Cost Value	Land	Land Improvements	Buildings	Plant, Machinery and Equipment	Vehicles	Furniture and Fixtures	Other Tangible Fixed Assets	Construction in Progress	Total
Opening Balance as at 1 January 2021	386.525.554	12.496.857	165.909.535	225.090.297	6.020.376	3.836.373	644.296	1.793.071	802.316.359
Additions	-	837.656	1.440.156	27.954.000	1.104.449	184.125	-	-	31.520.386
Transfers from Construction in Progress	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	(246.972)	(580.818)	(12.848)	-	-	(840.638)
Revaluation Increases	547.389.446	-	140.304.943	-	-	-	-	-	687.694.389
Closing Balance as at 31 December 2021	933.915.000	13.334.513	307.654.634	252.797.325	6.544.007	4.007.650	644.296	1.793.071	1.520.690.496
Accumulated Depreciation									
Opening Balance as at 1 January 2021	-	(8.271.745)	(61.118.917)	(157.505.643)	(4.012.622)	(2.789.912)	(629.398)	-	(234.328.237)
Charge for the year	-	(482.978)	(4.151.684)	(12.976.435)	(704.056)	(258.077)	(843)	-	(18.574.073)
Disposals	-	-	-	242.656	330.865	9.978	(11.414)	-	572.085
Closing Balance as at 31 December 2021	-	(8.754.723)	(65.270.601)	(170.239.422)	(4.385.813)	(3.038.011)	(641.655)	-	(252.330.225)
Net Book Value									
Opening Balance as at 1 January 2021	386.525.554	4.225.112	104.790.618	67.584.654	2.007.754	1.046.461	14.898	1.793.071	567.988.122
Closing Balance as at 31 December 2021	933.915.000	4.579.790	242.384.033	82.557.903	2.158.194	969.639	2.641	1.793.071	1.268.360.271

TRY 11.504.622 of the depreciation expenses has been charged to cost of sales and TRY 830.207 to research and development expenses and TRY 921.589 to marketing expenses, TRY 1.776.847 to general administrative expenses and TRY 3.540.808 to development capitalization as of 31 December 2021.

An independent valuation on the Group's land and buildings was done as at 31 December 2022. Fair values of the Group's land and buildings were estimated based on valuation techniques which take into account comparable fair market value of land and buildings that share similar characteristics to the Group's assets. The gains/(loss) on revaluation of land and buildings in the amount of TRY 1.644.452.485, net of taxes of TRY 1.453.396.238 has been included as a component of other comprehensive income. The revaluation surplus net of applicable deferred income taxes was credited to other comprehensive income. There are no restrictions on the distribution of the revaluation surplus to the equity holders of the Group.

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NOTE 12 – INTANGIBLE ASSETS

31 December 2022

Cost Value	Rights	Development Expenses	Other Intangible Assets	Construction in Progress and Advances (*)	Total
Opening Balance as at 1 January 2022	963.008	239.932.131	42.941.246	83.976.818	367.813.203
Additions	-	-	18.025.314	170.891.786	188.917.100
Transfer from Construction in Progress	217.413	115.647.065	1.818.436	(117.682.914)	-
Closing balance as at 31 December 2022	1.180.421	355.579.196	62.784.996	137.185.690	556.730.303
<u>Accumulated Amortization</u>					
Opening Balance as at 1 January 2022	(312.081)	(112.519.289)	(29.737.696)	-	(142.569.066)
Charge for the period	(74.174)	(37.445.838)	(9.028.167)	-	(46.548.179)
Closing balance as at 31 December 2022	(386.255)	(149.965.127)	(38.765.863)	-	(189.117.245)
<u>Net Book Value</u>					
Opening Balance as at 1 January 2022	650.927	127.412.842	13.203.550	83.976.818	225.244.137
Closing balance as at 31 December 2022	794.166	205.614.069	24.019.133	137.185.690	367.613.058

(*) As of 31 December 2022, TRY 133.907.589 of the “Construction in Progress” amount is related to R&D projects and the remaining part is related to other intangible asset investments.

TRY 38.430.367 of the depreciation expenses of intangible assets has been charged to cost of sales and TRY 55.257 to research and development expenses and TRY 404.431 to marketing expenses, TRY 3.119.133 to general administrative expenses and TRY 4.538.991 to development capitalization as of 31 December 2022.

31 December 2021

Cost Value	Rights	Development Expenses	Other Intangible Assets	Construction in Progress and Advances (*)	Total
Opening Balance as at 1 January 2021	837.305	176.145.816	32.807.023	71.924.695	281.714.839
Additions	-	-	10.106.023	75.992.341	86.098.364
Transfer from Construction in Progress	125.703	63.786.315	28.200	(63.940.218)	-
Closing balance as at 31 December 2021	963.008	239.932.131	42.941.246	83.976.818	367.813.203
<u>Accumulated Amortization</u>					
Opening Balance as at 1 January 2021	(244.620)	(86.845.598)	(23.564.902)	-	(110.655.120)
Charge for the period	(67.461)	(25.673.691)	(6.172.794)	-	(31.913.946)
Closing balance as at 31 December 2021	(312.081)	(112.519.289)	(29.737.696)	-	(142.569.066)
<u>Net Book Value</u>					
Opening Balance as at 1 January 2021	592.685	89.300.218	9.242.121	71.924.695	171.059.719
Closing balance as at 31 December 2021	650.927	127.412.842	13.203.550	83.976.818	225.244.137

(*) As of 31 December 2021, TRY 79.114.463 of the “Construction in Progress” amount is related to R&D projects, TRY 167.220 is related to property, plant and equipments and the remaining part is related to other intangible asset investments.

TRY 26.802.870 of the depreciation expenses of intangible assets has been charged to cost of sales and TRY 72.570 to research and development expenses and TRY 351.982 to marketing expenses, TRY 2.631.437 to general administrative expenses and TRY 2.055.087 to development capitalization as of 31 December 2021..

(Amounts expressed in Turkish Lira unless otherwise indicated.)

NOTE 13 – RIGHT OF USE ASSETS

As of 31 December 2022 and 31 December 2021, the right of use assets' balances of depreciation assets and depreciation expenses in the relevant period are as follows:

<u>Cost Value</u>	<u>Total</u>
Opening Balance as at 1 January 2022	13.852.693
Additions	13.507.316
Disposals	(6.781.933)
Closing balance as at 31 December 2022	20.578.076

Accumulated Amortization

Opening Balance as at 1 January 2022	(8.022.844)
Charge for the Period	(2.730.024)
Disposals	6.781.933
Closing balance as at 31 December 2022	(3.970.935)

Net Book Value

Opening Balance as at 1 January 2022	5.829.849
Closing balance as at 31 December 2022	16.607.141

TRY 691.449 of depreciation expenses has been charged to cost of sales, and TRY 2.038.575 to general administration expenses as of 31 December 2022.

<u>Cost Value</u>	<u>Total</u>
Opening Balance as at 1 January 2021	9.123.022
Additions	4.729.671
Closing balance as at 31 December 2021	13.852.693

Accumulated Amortization

Opening Balance as at 1 January 2021	(4.303.961)
Charge for the Period	(3.718.883)
Closing balance as at 31 December 2021	(8.022.844)

Net Book Value

Opening Balance as at 1 January 2021	4.819.061
Closing balance as at 31 December 2021	5.829.849

TRY 910.198 of depreciation expenses has been charged to cost of sales, and TRY 2.808.685 to general administration expenses as of 31 December 2021.

NOTE 14 - GOODWILL

As of 31 December 2022, there is goodwill amounted to TRY 2.340.995 (31 December 2021: TRY 2.340.995). The Group has calculated the recoverable amount of goodwill and no impairment is recognized. In this calculation, a discount rate of 20% (2021: 20% per annum) was used with 5-year cash flows prepared based on the budgets approved by the management.

NOTE 15- GOVERNMENT GRANTS AND INCENTIVES

The cash support amount, which was collected from TUBITAK in relation to R&D activities in 2022 was the TRY 1.736.050. (TRY 272.521 as of 31 December 2021).

The Group has R&D expenses which can be utilized for tax calculations with an amount of TRY 484.005.500 as of 31 December 2022. As per amendment made in Article 35 of the Law on Supporting Research and Development No. 5746 which became effective on 1 April 2008. R&D deduction rate from which will be benefited for the expenses of R&D has been increased from 40% to 100% (TRY 390.303.320 as of 31 December 2021).

(Amounts expressed in Turkish Lira unless otherwise indicated.)

NOTE 15- GOVERNMENT GRANTS AND INCENTIVES (cont'd)

In order to benefit from the incentives and exemptions provided in line with the Law No. 5746, the Group applied to the Ministry of Industry and Commerce to become an R&D centre. On 3 June 2009, the Group was entitled to become an R&D centre.

The Group realizes fixed asset investments with incentives within the scope of the "Council of Ministers Decisions on State Aids in Investments" numbered 2009/15199 and 2012/3305, which regulates the investment legislation.

The investment projects in which the Group has completed the investment process and continue to benefit from the deserved investment contribution amounts are as follows;

Within the scope of the incentive certificate numbered 5487, TRY 51.670.512 was spent.(31 December 2021: TRY 51.670.512) The contribution rate to the investment is 20%.

The investment projects that the Group continues to invest in and continue to benefit from the investment contribution amounts are as follows;

Within the scope of the incentive certificate numbered 129788, TRY 87.752.164 was spent. (31 December 2021: TRY 13.666.518) The contribution rate to the investment is 45%.

Within the scope of the incentive certificate numbered 535509, TRY 57.822.404 was spent. (31 December 2021: None) The contribution rate to the investment is 30%.

Within the scope of the incentive certificate numbered 541650, incentive certificate's amount is TRY 1.008.119.769 and no expenditure was spent. (31 December 2021: None) The contribution rate to the investment is 55%.

NOTE 16 – PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

a) Other Short-term Provisions

	31 December 2022	31 December 2021
Warranty Provisions	44.979.730	21.418.335
Provision for Lawsuits	36.735.741	8.543.291
Provision for Premium and Commission	58.530.797	34.732.481
Total	140.246.268	64.694.107

Movements of provisions during the period are as follows:

	Warranty Provisions	Provision for Lawsuits	Provision for Premium and Commission	Total
Opening Balance as at 1 January 2022	21.418.335	8.543.291	34.732.481	64.694.107
Additions During The Period	54.840.056	28.192.450	48.991.145	132.023.651
Paid During The Period (-)	(31.278.661)	-	(25.192.829)	(56.471.490)
Closing Balance as at 31 December 2022	44.979.730	36.735.741	58.530.797	140.246.268

	Warranty Provisions	Provision for Lawsuits	Provision for Premium and Commission	Total
Opening Balance as at 1 January 2021	13.412.222	6.249.729	4.453.147	24.115.098
Additions During The Period	29.986.227	3.468.562	34.732.481	68.187.270
Paid During The Period (-)	(21.980.114)	(1.175.000)	(4.453.147)	(27.608.261)
Closing Balance as at 31 December 2021	21.418.335	8.543.291	34.732.481	64.694.107

Lawsuits against the Group:

As of 31 December 2022, there are 71 ongoing lawsuits filed against the Group due to the cancellation of employment termination and other claims for employment and other compensation. Based on these lawsuits, TRY 36.735.741, which is recognized based on assessments of the lawyers, was reserved as lawsuit provision (as of 31 December 2021, the lawsuit provisions amount is TRY 8.543.291).

(Amounts expressed in Turkish Lira unless otherwise indicated.)

NOTE 16 – PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (cont'd)

Mortgages and guarantees on assets:

There are not any mortgages and guarantees on assets.

Contingent liabilities which are not shown in liabilities listed are as follows:

Type	31 December 2022	31 December 2021
Given Letters of Guarantee	649.576.356	544.273.486
Total	649.576.356	544.273.486
A. CPMs given in the name of its own legal personality	649.576.356	544.273.486
i. Letter of Guarantee	649.576.356	544.273.486
B. CPMs given on behalf of fully consolidated companies		-
C. CPMs given in the normal course of business activities on behalf of third parties	-	-
D. Total amount of other CPMs	-	-
i. Total amount of CPMs given on behalf of the parent	-	-
ii. Total amount of CPMs given to on behalf of other Group companies which are not in scope of B and C	-	-
iii. Total amount of CPMs given on behalf of third parties which are not in scope of C	-	-
Total	649.576.356	544.273.486

The ratio of other CPM is given by the Group to the Group's equity is 0% as of 31 December 2022 (0% as of 31 December 2021).

The Group is exposed to foreign currency risk since its foreign currency denominated assets and liabilities are formed of different currencies. In order to hedge its foreign currency position due to the fluctuations in the foreign exchange parities, the Group enters into forward contracts.

NOTE 17 – EMPLOYEE BENEFITS

a) Short-Term Provisions for Employee Benefits

	31 December 2022	31 December 2021
Provision for Employee Rights and Salaries	276.247	12.164.321
Provision for Unused Vacation	5.159.259	3.330.914
Total	5.435.506	15.495.235

Short-term provisions for employee benefits consist of provisions that were calculated and unpaid as of the end of period.

Movements of the provision for unused vacation during the period are as follows:

	31 December 2022	31 December 2021
Opening Balance	3.330.914	2.332.644
Recognized provision during the period	12.208.872	3.951.480
Paid During The Period	(10.380.527)	(2.953.210)
Total	5.159.259	3.330.914

b) Long-Term Provisions for Employee Benefits

	31 December 2022	31 December 2021
Provision for Severance Payments to Employees	125.769.433	47.235.042
Total	125.769.433	47.235.042

Within the framework of current laws in Turkey, it is obligatory to make the severance pay of each employee who has completed one year service period, has been paid off regardless of any related reason, has been called-up for military service along with men who have completed 25-year service period, women who have completed 20-year service period or those who have completed age of retirement (58 for women, 60 for men). Because there is not any funding obligation for the severance pay provision in Turkey, any special fund is not allocated in the financial statements.

NOTE 17 – EMPLOYEE BENEFITS (cont’d)

Long-Term Provisions for Employee Benefits (cont’d)

The severance payments are calculated over 30-days gross salary for each service year. Primary assumption is that ceiling liability set for each service year increases in proportion to inflation. In parallel with this, real discount rate which is cleared of the potential inflation impacts is considered at the implementation stage. The severance pay cap is revised in every six months, the ceiling amount of TRY 19.982,83 (1 January 2021: TRY 10.848,59) applicable as of 1 January 2023 has been regarded for the calculation of the Group's provision of severance pay.

Moreover, the severance payments are not made for those who leave the job with his/her wish; estimated rate related to these severance pay amounts that will remain in the Group's account is considered.

Considering the Liability of Severance Pay are related to the next periods as per TAS 19, current values of the severance payments which will be made as of the balance sheet date are calculated to determine an approximate inflation expectation whose net difference refers a real discount rate and find an appropriate discount rate.

The actuarial assumptions considered in the calculation of the provision for employment termination benefits are as follows:

	<u>31 December 2022</u>	<u>31 December 2021</u>
Annual Net Discount Rate (%)	0,44	4,35
Turnover Rate to Estimate the Probability of Retirement (%)	8,99	5,10

The provision calculated by estimating the present value of the future probable obligation of the Group arising from the retirement of the employees is recognised to the consolidated financial statements.

Movements of the provision for employee termination benefit during the period are as follows:

	<u>31 December 2022</u>	<u>31 December 2021</u>
Opening Balance	47.235.042	32.134.270
Interest Cost	205.967	1.397.142
Gain/(Loss) on Remeasurement of Defined Benefit Plans	53.514.016	(1.003.924)
Paid Within the Period	(6.681.339)	(1.839.489)
Service Cost	31.495.747	16.547.043
Closing Balance	125.769.433	47.235.042

NOTE 18- OTHER ASSETS AND LIABILITIES

a) Prepaid Expenses

	<u>31 December 2022</u>	<u>31 December 2021</u>
Advances Given For Inventory Purchase	407.124.173	32.816.898
Prepaid Extended Warranty Expenses	2.144.091	2.605.512
Prepaid Insurance Expenses	287.453	238.763
Prepaid Subscription Expenses	348.917	205.682
Prepaid Maintenance Expenses	217.241	369.619
Prepaid Other Expenses	11.089.964	1.025.527
Total	421.211.839	37.262.001

(Amounts expressed in Turkish Lira unless otherwise indicated.)

NOTE 18- OTHER ASSETS AND LIABILITIES (cont'd)

b) Other Current Assets

	<u>31 December 2022</u>	<u>31 December 2021</u>
Deferred VAT	99.683.871	18.617.567
Other Current Assets	8.890.060	4.609.154
Total	108.573.931	23.226.721

c) Prepaid Expenses (Long-Term)

	<u>31 December 2022</u>	<u>31 December 2021</u>
Prepaid Extended Warranty Expenses	152.887	2.296.978
Prepaid Expenses	1.072.591	1.063.081
Total	1.225.478	3.360.059

d) Deferred Income (Short-Term)

	<u>31 December 2022</u>	<u>31 December 2021</u>
Order Advances Received	186.914.907	20.225.035
Deferred Income (*)	14.163.980	1.421.577
Total	201.078.887	21.646.612

(*) The amount of cash incentives received for the company's R&D activities and which should be transferred to the income statement for upcoming months as of 31 December 2022 is TRY 1.190.973 (31 December 2021: TRY 848.821).

e) Liabilities Arising from Contracts with Customers (Short-Term)

	<u>31 December 2022</u>	<u>31 December 2021</u>
Deferred Maintenance and Repair Income	4.160.229	10.863.604
Total	4.160.229	10.863.604

f) Deferred Income (Long-Term)

	<u>31 December 2022</u>	<u>31 December 2021</u>
Order Advances Received	-	3.368.213
Deferred Income (*)	2.466.936	2.018.062
Total	2.466.936	5.386.275

(*) The amount of cash incentives received for the company's R&D activities and which should be transferred to the income statement for upcoming months as of 31 December 2022 is TRY 2.466.936 (31 December 2021: TRY 2.018.062).

f) Liabilities Arising from Customer Contracts (Long-Term)

	<u>31 December 2022</u>	<u>31 December 2021</u>
Deferred Maintenance and Repair Income	58.763.620	35.813.919
Total	58.763.620	35.813.919

NOTE 19- SHARE CAPITAL, RESERVES AND OTHER EQUITY ITEMS

a) Capital / Elimination Adjustments

As of 31 December 2022, the share capital of the Company is TRY 84.000.000 (31 December 2021: TRY 84.000.000).

This share capital is divided into 8.400.000.000 in total, including 4.515.314.511 A Group registered shares, 2.498.204.373 B Group registered shares, 1.386.481.116 C Group bearer's shares, each with nominal value of 1 (one) Kr. The distribution of this share capital on the basis of share group is as follows:

(Amounts expressed in Turkish Lira unless otherwise indicated.)

NOTE 19- SHARE CAPITAL, RESERVES AND OTHER EQUITY ITEMS (cont'd)

a) Capital / Elimination Adjustments (cont'd)

31 December 2022

<u>Shareholders</u>	<u>Group A</u>	<u>Group B</u>	<u>Group C</u>	<u>Total Share Amount</u>	<u>Share (%)</u>
AG Anadolu Grubu Holding A.Ş.	44.844.772	-	1.690.629	46.535.401	55,40
Isuzu Motors Ltd.	-	14.275.510	-	14.275.509	16,99
Itochu Corporation Tokyo	-	7.948.322	-	7.948.322	9,46
Itochu Corporation İstanbul	-	2.758.212	-	2.758.212	3,28
Other	308.373	-	12.174.182	12.482.556	14,87
Total	45.153.145	24.982.044	13.864.811	84.000.000	100,00

31 December 2021

<u>Shareholders</u>	<u>Group A</u>	<u>Group B</u>	<u>Group C</u>	<u>Total Share Amount</u>	<u>Share (%)</u>
AG Anadolu Grubu Holding A.Ş.	44.844.772	-	1.690.629	46.535.401	55,40
Isuzu Motors Ltd.	-	14.275.510	-	14.275.509	16,99
Itochu Corporation Tokyo	-	7.948.322	-	7.948.322	9,46
Itochu Corporation İstanbul	-	2.758.212	-	2.758.212	3,28
Other	308.373	-	12.174.182	12.482.556	14,87
Total	45.153.145	24.982.044	13.864.811	84.000.000	100,00

b) Privileges Granted to the Share Groups

The Company is directed by the fourteen members of the Board of Directors elected among shareholders by General Assembly in accordance with the regulations of Turkish Commercial Code.

Four members of the Board of Directors are elected from the candidates nominated by the shareholders of Group B, the eight members of the Board of Directors are elected from the candidates nominated by the shareholders of Group A and Two members are elected by the General Assembly from among the candidates to be nominated as independent board members.

<u>Equity</u>	<u>31 December 2022</u>	<u>31 December 2021</u>
Paid-in Capital	84.000.000	84.000.000
Capital Inflation Adjustment Difference	30.149.426	30.149.426
Restricted Reserves Appropriated from profit	26.784.678	23.784.678
Previous Year Profits	211.459.551	33.032.805
Gain / (Loss) on Revaluation and Measurement	2.475.663.739	1.022.267.501
(Losses) on Remeasurement of Defined Benefit Plans	(55.201.499)	(12.390.286)
Net Profit / (Loss) for The Period	617.387.200	211.426.746
Shareholders' Equity Attributable to Equity Holders of the Group	3.390.243.095	1.392.270.870
Total Shareholders' Equity	3.390.243.095	1.392.270.870

c) Restricted Reserves Appropriated from Profit

Restricted reserves appropriated from profit are comprised of legal reserves and other reserves.

<u>Restricted Reserves Appropriated from Profit</u>	<u>31 December 2022</u>	<u>31 December 2021</u>
Legal Reserves	26.784.678	23.784.678
Total	23.784.678	23.784.678

According to the provisions of the Turkish Commercial Code, legal reserves consist of primary and secondary legal reserves. The first legal reserves are allocated at the rate of 5% of the legal period profit until it reaches 20% of the historical or registered Company capital. Secondary legal reserves are allocated at the rate of 10% of all dividend distributions exceeding 5% of the Company's capital. According to the Turkish Commercial Code, first and second legal reserves cannot be distributed unless they exceed 50% of the total capital. They can only be used to compensate the losses in case the voluntary reserves are exhausted.

Retained earnings is comprised of extraordinary reserves, miscellaneous inflation differences and other prior years' income.

(Amounts expressed in Turkish Lira unless otherwise indicated.)

NOTE 19- SHARE CAPITAL, RESERVES AND OTHER EQUITY ITEMS (cont'd)

d) Retained Earnings/Losses

The Group's prior years' income details as of period ends are as follows:

Retained Earnings/Losses	31 December 2022	31 December 2021
Extraordinary Reserves	120.577.593	153.577.593
Legal Reserves Inflation Difference	24.820.489	24.820.489
Retained Earnings / (Losses)	66.061.469	(145.365.277)
Total	211.459.551	33.032.805

Quoted companies make profit distributions as follows:

If the amount of profit distributions calculated in accordance with the net distributable profit requirements of the CMB does not exceed the statutory net distributable profit, the total amount of distributable profit should be distributed. However, no profit distribution would be made if any financial statements prepared in accordance with the CMB or any statutory accounts carrying net loss for the period. In accordance with the CMB's decision dated 27 January 2010, it is decided not to bring any obligation for any minimum profit distribution about dividend distribution which will be made for publicly owned companies.

Inflation adjustment on Equity; the carrying amount of extraordinary reserves could have been utilised in issuing bonus shares, cash dividend distribution and offsetting accumulated losses. However, equity inflation adjustment differences will be liable to corporate tax if it is used in cash profit distribution.

Group's retained earnings is TRY 211.459.551 based on the financial statements prepared in according with TAS/IFRS Financial Reporting Standard for the period ended 31 December 2022 (31 December 2021: TRY 33.032.805).

In accordance with the Communiqué No:XI-29 and related announcements of TAS/IFRS, effective from 1 January 2008, "Share Capital", "Restricted Reserves" and "Share Premiums" shall be carried at their statutory amount. The valuation differences (such as differences from inflation adjustment) shall be classified as follows:

- "the difference arising from the "Paid-in Capital" and not been transferred to capital yet, shall be classified under the "Capital Adjustment to Share Capital";
- the difference due to the inflation adjustment of "Restricted Reserves" and "Share Premium" and the amount has not been utilised in dividend distribution or capital increase yet, shall be classified under "Retained Earnings". Other equity items shall be carried at the amounts calculated based on CMB Financial Reporting Standards.

NOTE 20- REVENUE AND COST OF SALES

	1 January- 31 December 2022	1 January- 31 December 2021
Domestic Sales	4.317.778.010	1.701.689.766
Foreign Sales	2.222.058.141	1.165.242.132
Other Income	30.291.413	22.064.823
Sales Total (Gross)	6.570.127.564	2.888.996.721
Sales Discounts (-)	(300.245.961)	(210.954.866)
Sales (Net)	6.269.881.603	2.678.041.855
Cost of Sales	(4.846.659.534)	(2.113.442.723)
Gross Operating Profit	1.423.222.069	564.599.132

Cost of sales are summarised as follows;

Cost of Sales	1 January- 31 December 2022	1 January- 31 December 2021
Raw Materials and Supplies Expenses	(3.805.879.969)	(1.588.136.170)
Direct Labor Expenses	(200.841.736)	(86.970.941)
Depreciation and Amortization Expenses	(60.226.620)	(39.217.690)
Other Production Costs	(89.180.085)	(30.829.967)
Total Cost of Production	(4.156.128.410)	(1.745.154.768)
Change in Goods Inventory	143.567.988	(33.584.296)
Cost of Trade Goods Sold	(825.026.823)	(332.380.815)
Cost of Other Sales	(9.072.289)	(2.322.844)
Cost of Sales	(4.846.659.534)	(2.113.442.723)

(Amounts expressed in Turkish Lira unless otherwise indicated.)

NOTE 21- ADMINISTRATIVE EXPENSES, MARKETING EXPENSES, RESEARCH AND DEVELOPMENT EXPENSES

a) Research and Development Expenses

	1 January- 31 December 2022	1 January- 31 December 2021
Personnel Expenses	(15.864.011)	(9.882.436)
Outsourced Benefits and Services	(1.575.246)	(255.221)
Depreciation Expenses	(650.108)	(902.777)
Other	(3.043.643)	(798.874)
Total Research and Development Expenses	(21.133.008)	(11.839.308)

b)Marketing Expenses

	1 January- 31 December 2022	1 January- 31 December 2021
Personnel Expenses	(72.484.450)	(34.434.424)
Royalty Expenses (*)	(53.961.094)	(19.238.610)
Transportation, Freight Expenses	(53.046.342)	(27.691.005)
Domestic Sales Expense	(39.262.518)	(9.747.980)
Warranty Expense Provision	(23.561.395)	(8.006.113)
Travel Expenses	(18.760.035)	(3.085.707)
Business and Service Expenses	(17.061.748)	(9.772.139)
Export Expense	(14.156.092)	(22.107.671)
Advertisement Expenses	(7.444.871)	(7.417.755)
Insurance Expenses	(4.392.891)	(1.456.172)
Representation-Hospitality Expenses	(2.485.870)	(692.813)
Depreciation Expenses	(1.820.920)	(1.273.571)
Consulting, Audit Expenses	(1.365.603)	(882.969)
Maintenance and Repair Expenses	(1.180.441)	(369.806)
Tax, Duties and Fee Expenses	(329.575)	(1.518.178)
Other	(20.560.129)	(8.438.450)
Total General Administrative Expenses	(331.873.974)	(156.133.363)

(*) As of 31 December 2022, TRY 53.761.305 part of TRY 53.693.731 amounted royalty expenses is related to license agreements with Isuzu Motors Ltd. Tokyo, TRY 67.573 is related to license agreements with Isuzu Motors International Operation Thailand, TRY 199.789 is related to licence agreements with AG Anadolu Holding A.Ş.(As of 31 December 2021, TRY 19.238.610 part of TRY 18.878.743 amounted royalty expenses is related to license agreements with Isuzu Motors Ltd. Tokyo, TRY 30.670 is related to license agreements with Isuzu Motors International Operation Thailand, TRY 329.197 is related to licence agreements with AG Anadolu Holding A.Ş.).

c) General Administrative Expenses

	1 January- 31 December 2022	1 January- 31 December 2021
Personnel Expenses	(66.543.834)	(34.128.993)
Business and Service Expenses	(32.855.306)	(17.164.266)
Consulting, Audit Expenses	(22.969.468)	(13.865.831)
Depreciation Expenses	(8.341.909)	(7.216.969)
Insurance Expenses	(7.352.474)	(3.780.879)
Tax, Duties and Fee Expenses	(6.272.518)	(4.086.534)
Maintenance and Repair Expenses	(1.114.864)	(462.211)
Representation-Hospitality Expenses	(1.180.036)	(330.969)
Travel Expenses	(1.330.653)	(42.159)
Rent Expenses	(1.510.234)	(323.726)
Other	(15.124.279)	(5.257.807)
Total General Administrative Expenses	(164.595.575)	(86.660.344)

(Amounts expressed in Turkish Lira unless otherwise indicated.)

NOTE 22- EXPENSES BY NATURE

	1 January- 31 December 2022	1 January- 31 December 2021
Direct Raw Material and Supplies Costs	(3.805.879.969)	(1.588.136.170)
Cost of Trade Goods Sold	(825.026.823)	(332.380.815)
Change in Finished Goods and Semi-Finished Goods	143.567.988	(33.584.296)
Personnel Expenses	(355.734.031)	(165.416.794)
Depreciation And Amortisation Expenses	(71.039.557)	(48.611.007)
Other	(450.149.699)	(199.946.656)
Total Expenses	(5.364.262.091)	(2.368.075.738)

Expenses by nature include cost of goods sold, marketing, selling and distribution expenses, general administration expenses and research and development expenses.

Fees for Services Obtained from an Independent Auditor/Independent Audit Firm

The Group's explanation regarding the fees for the services rendered by the independent audit firms, which is based on the KGK's letter dated August 19, 2021, the preparation principles of which are based on the Board Decision published in the Official Gazette on March 30, 2021, are as follows:

	2021	2020
Independent audit fee for the reporting period	229.500	152.475
Fees for services other than independent audit	0	8.000
Fee for other assurance services	206.000	1.750
Total	435.500	162.225

NOTE 23- OTHER INCOME AND EXPENSES FROM OPERATING ACTIVITIES

Other Income from Operating Activities:	1 January- 31 December 2022	1 January- 31 December 2021
Foreign Exchange Income on Trade Receivables and Payables	73.589.802	207.963.127
Sale Support Income	7.663.141	8.635.432
Service Income	2.340.761	2.148.285
Export D.F.I.F Support	1.890.884	925.177
Delay Interest Income	299.552	1.251.239
Discount Income on Trade Payables	4.105.336	-
Incentive Income	1.345.079	978.828
Rent Income	683.706	558.275
Tubitak R&D Incentive	1.303.095	522.309
Provisions no longer required	42.057	240.613
Other Income	15.960.437	4.806.363
Total	109.223.850	228.029.648

Other Expense from Operating Activities:	1 January- 31 December 2022	1 January- 31 December 2021
Foreign Exchange Expense on Trade Receivables and Payables	(269.371.233)	(295.406.814)
Lawsuit Provisions	(28.192.450)	(2.293.562)
Discount Income on Trade Receivables	-	(500.383)
Donations and Contributions	(11.437.000)	(26.000)
Other Expenses	(2.351.478)	(4.178.777)
Total	(311.352.161)	(302.405.536)

(Amounts expressed in Turkish Lira unless otherwise indicated.)

NOTE 24- INCOME AND EXPENSES FROM INVESTING ACTIVITIES

	1 January- 31 December 2022	1 January- 31 December 2021
Income From Investing Activities		
Gain on Sale of Machinery and Equipment	124.571	384.471
Currency Protected Deposit Fair Value Changes	17.759.312	-
Total	17.883.883	384.471

NOTE 25- FINANCE INCOME AND EXPENSES

	1 January- 31 December 2022	1 January- 31 December 2021
Finance Income:		
Foreign Exchange Gain	355.482.754	297.223.026
Income from Derivative Transactions	-	71.135.621
Interest Income	60.797.250	13.972.367
Total	416.280.004	382.331.014
Finance Expenses:		
Foreign Exchange Losses	(365.259.934)	(303.170.569)
Interest Expense	(192.499.041)	(71.830.775)
Expense from Derivative Transactions	(13.792.009)	(24.457.022)
Letter of Guarantee Expenses	(4.548.878)	(4.769.160)
Forward Purchase Expense	(5.844.484)	(1.937.122)
Other Finance Expenses	(63.819.876)	(8.991.089)
Total	(645.764.222)	(415.155.737)

NOTE 26- TAXATION ON INCOME (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES)

The Group's tax expense (or income) is comprised of current period corporate tax expense and deferred tax expense (or income).

Account	1 January- 31 December 2022	1 January- 31 December 2021
Current Income Tax Provision (-)	(1.412.587)	(1.102.061)
Deferred Tax Income / (Expense) (Income Statement)	126.908.921	9.378.830
Tax Income / (Expense) - Income Statement	125.496.334	8.276.769
Tax Income / (Expense) (Comprehensive Income Statement)	(180.353.444)	(83.000.718)
Total Tax Income / (Expense)	(54.857.110)	(74.723.949)

	31 December 2022	31 December 2021
Current Corporate Tax Provision	1.412.587	1.102.061
Less: Prepaid Taxes	(1.981.629)	(1.458.726)
Tax Payable	(569.042)	(356.665)

As of 31 December 2022, the amount of corporate tax paid in advance is amounted to TRY 569.042 which is portion of exceeding the corporation tax amount to be paid and it is included in the Assets Related to Current Period Taxation (31 December 2021: TRY 356.665).

i) Provision for Current Period Tax

The Group is subjected to Corporate Tax in Turkey. Necessary provisions in supplementary financial statements have been made for estimated tax liabilities regarding Group's operations in the current period.

The corporate tax to be accrued over the taxable profit is calculated by adding non-deductible expenses to the accounting profit; deducting investment and research and development allowances, income that is not subjected to taxation and the dividends received, from companies located in Turkey, from the accounting profit.

(Amounts expressed in Turkish Lira unless otherwise indicated.)

NOTE 26- TAXATION ON INCOME (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (cont'd)

i) Provision for Current Period Tax (cont'd)

Consolidation principle is not utilized to prepare financial statements related to tax that is effective in Turkey.

The effective tax rate in 2022 is 23% (2021: 25%).

Tax losses can be carried forward to offset against future taxable income for up to five years. However, tax losses cannot be carried back to offset profits from previous periods.

According to Corporate Tax Law's 24th article, the corporate tax is imposed by the taxpayer's tax returns. There is not an exact mutual agreement procedure with Tax Authorities in Turkey. Annual corporate tax returns are submitted to the relating tax offices until the 25th of April in the following year. Tax authorities have the right to audit tax declarations and accounting records for 5 years and may issue re-assessment based on their findings.

Income Withholding Tax:

In addition to corporate tax, companies should also calculate income withholding tax on any dividends and income distributed. The rate of income tax withholding is 15%.

ii) Deferred Tax

The deferred tax asset and tax liability are based on the temporary differences, which arise between the financial statements prepared according to TAS/IFRS's accounting standards and statutory tax financial statements. These differences are usually due to the recognition of revenue and expenses in different reporting periods for the TAS/IFRS standards and tax purposes.

Timing differences are result of recognizing certain income and expense items differently for accounting and tax purposes. Timing differences are calculated off of the tangible fixed assets (except land and buildings), intangible fixed assets, stocks, the revaluation of prepaid expenses, discount of receivables, provision for termination indemnities, and previous years' loss. Every accounting year, the Group reviews the deferred tax asset and liabilities, where the deferred tax assets cannot be used against the future taxable income, the Group writes-off the recorded deferred tax asset.

The investment projects in which the Group has completed the investment process and continue to benefit from the deserved investment contribution amounts are as follows;

Within the scope of the incentive certificate numbered 5487, 51.670.512 TRY was spent. The contribution rate to the investment is 20%.

The investment projects that the Group continues to invest in and continue to benefit from the investment contribution amounts are as follows;

Within the scope of the incentive certificate numbered 129788, TRY 87.752.164 was spent. The contribution rate to the investment is 45%.

Within the scope of the incentive certificate numbered 535509, TRY 57.822.404 was spent. The contribution rate to the investment is 30%.

Within the scope of the incentive certificate numbered 541650, incentive certificate's amount is TRY 1.008.119.769 and no expenditure was spent. (31 December 2021: None) The contribution rate to the investment is 55%.

(Amounts expressed in Turkish Lira unless otherwise indicated.)

NOTE 26- TAXATION ON INCOME (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (cont'd)

ii) Deferred Tax (cont'd)

	<u>31 December 2022</u>		<u>31 December 2021</u>	
	<u>Cumulative Temporary Differences</u>	<u>Deferred Tax Assets/(Liabilities)</u>	<u>Cumulative Temporary Differences</u>	<u>Deferred Tax Assets/(Liabilities)</u>
Inventories	478.500	95.700	1.115.794	223.159
Fixed Assets (Net)	(2.912.984.817)	(350.259.710)	(1.224.500.986)	(151.508.697)
Provision for Employment Termination Benefits	125.769.433	25.153.887	47.235.042	9.447.008
Guarantee Provisions	44.979.730	8.995.946	21.418.335	4.283.667
R&D Discount and Investment Incentive	681.250.580	211.159.135	455.641.538	99.382.056
Derivative Instruments	35.428.880	8.148.642	(102.675.578)	(23.615.383)
Rediscount Expenses/Income (Net)	(4.112.465)	(945.867)	(7.129)	(1.640)
TFRS 15 Revenue from Contracts with Customers	(120.641.229)	(27.747.483)	(11.979.340)	(2.755.248)
Employee Benefits	5.435.506	1.250.166	3.205.155	737.186
Extended Warranty Income	62.923.849	12.584.770	46.677.523	9.335.505
Dealer Premium Provisions	58.603.104	13.478.714	29.299.728	6.738.937
Lawsuit Provisions	36.735.741	7.347.148	8.543.291	1.708.658
Other (Net)	(36.932.740)	(8.555.025)	1.196.807	175.338
Total		(99.293.977)		(45.849.454)

Movement of Deferred Tax Assets / (Liabilities):

	<u>1 January- 31 December 2022</u>	<u>1 January- 31 December 2021</u>
Opening Balance	(45.849.454)	27.772.434
Deferred Tax (Expense) / Income Charged to Profit or Loss	126.908.921	9.378.830
Deferred Tax Income Charged to Comprehensive Income	(180.353.444)	(83.000.718)
Closing Balance	(99.293.977)	(45.849.454)

The reconciliation of the current tax expense with the period profit/loss is as follows:

Reconciliation of Tax Provision:

	<u>1 January- 31 December 2022</u>	<u>1 January- 31 December 2021</u>
Income / (Loss) from Continuing Operations	491.890.866	203.149.977
Corporate Tax Rate %23	(113.134.899)	(46.724.495)
Tax Effects of:		
-Impact of change in tax rate on deferred tax amount	19.636.529	12.891.245
-R&D Incentive	127.596.175	18.210.330
-R&D Support Income	67.959	196.776
-Incentive Support	(14.880.668)	15.007.073
-Non-deductible expenses	8.320.601	8.320.601
-Income Not Subject to Tax	7.903.432	158.044
-Other	(1.043.156)	217.195
Income/(Expense) on Tax Provision Recognised in Profit or Loss	125.496.334	8.276.769

(Amounts expressed in Turkish Lira unless otherwise indicated.)

NOTE 27 - EARNINGS / (LOSS) PER SHARE

	1 January- 31 December 2022	1 January- 31 December 2021
Net Profit / (Loss) for The Period	617.387.200	211.426.746
Weighted Average Number of Shares with Nominal Value of 1 Piaster	8.400.000.000	8.400.000.000
Income Per 100 Share with Nominal Value of TRY 1 Each	7,3498	2,5170

NOTE 28- RELATED PARTY DISCLOSURES

a) Related Party Payable and Receivable Balances:

Group's receivables from related parties are mainly due to trade goods, service sales and rent income. Group's payables to related parties are mainly due to raw material, service purchases and rent expenses.

The Group does not charge interest on its trade receivables from related parties.

31 December 2022	Receivables		Payables	
<u>Balances with Related Parties</u>	<u>Trade</u>	<u>Non-Trade</u>	<u>Trade</u>	<u>Non-Trade</u>
Itochu Corporation Tokyo (2)	41.230	-	1.131.841.994	-
Isuzu Motors Ltd. Tokyo (2)	12.010.008	-	33.500.753	-
Çelik Motor Ticaret A.Ş. (1)	2.394.437	-	-	-
Anadolu Motor Üretim ve Paz. A.Ş. (1)	2.199.310	-	-	-
Isuzu Motors Europe NV (1)	76.514	-	-	-
AEH Sigorta Acenteliği A.Ş. (1)	-	-	260.536	-
Oyex-Handels Gmbh (1)	98.006.188	-	-	-
AG Anadolu Grubu Holding A.Ş. (2)	-	-	623.886	-
Migros Ticaret A.Ş. (1)	-	-	2.930.179	-
Adel Kalemcilik Tic. ve San. A.Ş. (1)	-	-	84.517	-
Ortaklara Borçlar (*)	-	-	-	9.109
Isuzu Motors International Operation Thailand (1)	248.377	-	-	-
Total	114.976.064	-	1.169.241.865	9.109

31 December 2021	Receivables		Payables	
<u>Balances with Related Parties</u>	<u>Trade</u>	<u>Non-Trade</u>	<u>Trade</u>	<u>Non-Trade</u>
Itochu Corporation Tokyo (2)	29.390	-	632.126.548	-
Isuzu Motors Ltd. Tokyo (2)	1.464.103	-	6.187.633	-
Çelik Motor Ticaret A.Ş.(1)	616.018	-	-	-
Anadolu Motor Üretim ve Paz. A.Ş. (1)	870.795	-	-	-
Isuzu Motors Europe NV (1)	98.421	-	-	-
Türkiye'nin Otomobil Girişimi Grubu (1)	168.740	-	-	-
AEH Sigorta Acenteliği A.Ş.(1)	-	-	345.049	-
Oyex-Handels Gmbh (1)	295.146.200	-	-	-
AG Anadolu Grubu Holding A.Ş. (2)	-	-	458.729	-
Migros Ticaret A.Ş. (1)	-	-	699.303	-
Adel Kalemcilik Tic. ve San. A.Ş. (1)	-	-	19.394	-
Payables to Shareholders (*)	-	-	-	9.109
Total	298.393.667	-	639.836.656	9.109

(*) Non-Trade Payables to Shareholders balance is classified under other payables in balance sheet.

(1) Related Parties of Shareholders

(2) Shareholders

(Amounts expressed in Turkish Lira unless otherwise indicated.)

NOTE 28- RELATED PARTY DISCLOSURES (cont'd)

b) Related Party Transactions:

1 January-31 December 2022

<u>Sales to Related Parties</u>	<u>Goods and Services Sales</u>	<u>Fixed Assets Sales</u>	<u>Other Income</u>	<u>Total Income / Sales</u>
Isuzu Motors Ltd. Tokyo (2)	98.406.470	-	-	98.406.470
Itochu Corporation Tokyo (2)	19.989.501	-	-	19.989.501
Çelik Motor Ticaret A.Ş. (1)	5.833.528	-	-	5.833.528
Anadolu Motor Üretim ve Paz. A.Ş. (1)	4.937.276	-	-	4.937.276
Isuzu Motors International Operation Thailand (1)	2.552.435	-	-	2.552.435
Türkiye'nin Otomobil Girişimi Grubu (1)	677.298	-	-	677.298
Isuzu Motors Europe NV (1)	633.034	-	-	633.034
Oyex-Handels Gmbh (1)	136.740.722	-	-	136.740.722
Total	269.770.264	-	-	269.770.264

1 January-31 December 2021

<u>Sales to Related Parties</u>	<u>Goods and Services Sales</u>	<u>Fixed Assets Sales</u>	<u>Other Income</u>	<u>Total Income / Sales</u>
Isuzu Motors Ltd. Tokyo (2)	43.205.552	-	-	43.205.552
Itochu Corporation Tokyo (2)	2.832.481	-	-	2.832.481
Çelik Motor Ticaret A.Ş. (1)	4.910.413	-	-	4.910.413
Anadolu Motor Üretim ve Paz. A.Ş. (1)	4.238.328	1.000	-	4.239.328
Isuzu Motors International Operation Thailand (1)	871.860	-	-	871.860
AEH Sigorta Acenteligi A.S. (1)	90.000	-	-	90.000
Isuzu Motors Europe NV (1)	593.090	-	-	593.090
AG Anadolu Grubu Holding A.Ş. (2)	11.058	212	-	11.270
Oyex-Handels Gmbh (1)	295.516.096	-	-	295.516.096
Adel Kalemcilik Tic. ve San. A.Ş. (1)	4.153	-	-	4.153
Türkiye'nin Otomobil Girişimi Grubu (1)	208.000	-	-	208.000
Anadolu Efes Biracılık ve Malt Sanayi A.Ş. (1)	2.116	-	-	2.116
Toplam	352.483.147	1.212	-	352.484.359

1 January-31 December 2022

1 January-31 December 2022

<u>Purchases from Related Parties</u>	<u>Goods and Services Sales</u>	<u>Fixed Assets Sales</u>	<u>Other Income</u>	<u>Total Income / Sales</u>
Itochu Corporation Tokyo (2)	1.349.027.873	-	-	1.349.027.873
Isuzu Motors International Operation Thailand (1)	651.433.314	-	-	651.433.314
AG Anadolu Grubu Holding A.Ş. (2)	18.088.623	-	-	18.088.623
Isuzu Motors Ltd. Tokyo (2)	52.862	-	65.501.938	65.554.800
Anadolu Efes Spor Kulübü (1)	9.000.000	-	-	9.000.000
Çelik Motor Ticaret A.Ş. (1)	456.315	-	-	456.315
Anadolu Efes Biracılık ve Malt Sanayi A.Ş. (1)	64.077	-	-	64.077
Adel Kalemcilik Tic. ve San. A.Ş. (1)	131.817	-	-	131.817
Anadolu Bilişim Hizmetleri A.Ş. (1)	39.412	-	-	39.412
Migros Ticaret A.Ş. (1)	2.367.309	-	-	2.367.309
Oyex-Handels Gmbh (1)	11.334.112	-	-	11.334.112
Anadolu Motor Üretim ve Paz. A.Ş. (1)	19.095	-	-	19.095
Anadolu Eğitim Sosyal Yardım Vakfı (1)	11.027.150	-	-	11.027.150
Total	2.053.041.959	-	65.501.938	2.118.543.897

(1) Related Parties of Shareholders

(2) Shareholders

(Amounts expressed in Turkish Lira unless otherwise indicated.)

NOTE 28- RELATED PARTY DISCLOSURES (cont'd)

b) Related Party Transactions: (cont'd)

1 January-31 December 2021

	<u>Goods and Services Purchases</u>	<u>Fixed Assets Purchases</u>	<u>Other Expenses</u>	<u>Total Expense/ Purchases</u>
Purchases from Related Parties				
Itochu Corporation Tokyo (2)	644.238.675	-	-	644.238.675
Isuzu Motors International Operation Thailand (1)	111.439.415	-	-	111.439.415
AG Anadolu Grubu Holding A.Ş. (2)	10.605.294	-	-	10.605.294
Oyex-Handels Gmbh (1)	4.402.643	-	-	4.402.643
Efestur Turizm İşletmeleri A.Ş. (1)	403.941	-	-	403.941
Çelik Motor Ticaret A.Ş. (1)	236.930	-	-	236.930
Anadolu Efes Biracılık ve Malt Sanayi A.Ş. (1)	1.022.715	-	-	1.022.715
Adel Kalemcilik Tic. ve San. A.Ş. (1)	46.292	-	-	46.292
Anadolu Bilişim Hizmetleri A.Ş. (1)	24.274	-	-	24.274
Migros Ticaret A.Ş. (1)	189.951	-	-	189.951
Total	772.610.130	-	-	772.610.130

(1) Related Parties of Shareholders

(2) Shareholders

c) Donations to Anadolu Eğitim ve Sosyal Yardım Vakfı:

As per the Main Articles of Association of the Group, at least 2% - 5% of the Group's profit before tax following the distribution of 1st dividend shall be donated to Anadolu Eğitim ve Sosyal Yardım Vakfı as long as it is subject to tax exemption. 11.427.000 TRY of donation made to Anadolu Eğitim ve Sosyal Yardım Vakfı by the Group in 2022 (Donation was not made in 2021).

d) Dividend Expense

Dividend Expense	1 January-31 December 2022	1 January-31 December 2021
AG Anadolu Grubu Holding A.Ş. (2)	16.015.990	-
Isuzu Motors Ltd. Tokyo (2)	4.588.556	-
Itochu Corporation Tokyo (2)	2.554.818	-
Itochu Corporation İstanbul (2)	985.076	-
Total	24.144.440	-

e) Benefits to Top Management:

	1 January- 31 December 2022	1 January- 31 December 2021
Salaries and Other Short-Term Liabilities	46.745.728	19.756.859
Total	46.745.728	19.756.859

The benefits provided to top management (General managers and Directors) include salaries, bonuses, premiums, and the employer's share of social security. As of 31 December 2022, the Group has not provided any post-employment benefits to top management due to leaving the job. (December 31, 2021: Not available.)

(Amounts expressed in Turkish Lira unless otherwise indicated.)

NOTE 29- NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

(a) Capital risk management

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

The Group's equity comprised of cash and cash equivalents in Note 4 and equity items in Note 19.

Risks, associated with each capital class, and the capital cost are evaluated by the top management. It is aimed that the capital structure will be set in balance by means of new borrowings or repaying the existing debts as well as dividend payments and new share issuances based on the top management evaluations.

The Group monitors capital by using debt to total capital ratio. This ratio is calculated by dividing the net debt by total capital. The net debt is calculated by excluding the cash and cash equivalent amounts from the total debt amount (including credits, leasing and commercial debts as indicated in the balance sheet).

	31 December 2022	31 December 2021
Net Debt	2.488.824.688	1.305.515.399
Total Equity	3.390.243.095	1.392.270.870
Net Debt/Total Equity	0,73	0,94

General strategy of the Group based on shareholders' equity is not different from previous periods.

The Group conducts hedging contracts (including derivative financial instruments) for the purpose of diversifying foreign currency fluctuation risks.

(b) Price risk

The Group has no financial assets that will expose it to price risk.

(c) Market risk

The Group is subject to the financial risks related to the changes in the exchange rate (Please see (d) below) and interest rate (Please see (e) below) due to its operations and other (Please see (f) below). Also due to having financial instruments, the Group also bears the risk of other parties not meeting the requirements of agreements (Please see (g) below).

Market risks seen at the level of the Group are measured in accordance with sensitivity analyses.

The market risk of the Group incurred during the current year or the method of handling the encountered risks or the method of measuring those risks are not different from the previous year.

(d) Foreign exchange risk management

Foreign currency transactions may result in foreign currency risk.

The Group maintains foreign currency time deposit accounts in banks as the Group has receivables and payables in foreign currencies. As a consequence, the Group is exposed to foreign currency exchange risk due to the changes in exchange rates used for converting assets and liabilities into TRY. Foreign exchange risk arises from future trade operations and the differences between assets and liabilities.

(Amounts expressed in Turkish Lira unless otherwise indicated.)

NOTE 29- NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

(d) Foreign exchange risk management (cont'd)

Foreign Currency Position Sensitivity Analysis

31 December 2022

	<u>Profit / Loss</u>	
	<u>Appreciation of Foreign Currency</u>	<u>Depreciation of Foreign Currency</u>
In case of US Dollar increases / decreases in 10% against TRY;		
1 - USD denominated net asset / (liability)	(126.913)	126.913
2- USD denominated hedging instruments (-)	-	-
3- Net Effect of US Dollar (1 +2)	(126.913)	126.913
In case of Euro increases / decreases in 10% against TRY;		
4- EURO denominated net asset / (liability)	19.693.080	(19.693.080)
5- EURO denominated hedging instruments (-)	-	-
6- Net Effect of Euro (4+5)	19.693.080	(19.693.080)
Increase / decrease in other foreign currencies by 10%:		
7- Other foreign currency denominated net asset / (liability)	(21.243.931)	21.243.931
8- Other foreign currency hedging instruments (-)	-	-
9- Net Effect of Other Exchange Rates (4+5)	(21.243.931)	21.243.931
TOTAL (3+6+9)	(1.677.764)	1.677.764

Statement of Foreign Exchange Rate Sensitivity Analysis

31 December 2021

	<u>Profit / Loss</u>	
	<u>Appreciation of Foreign Currency</u>	<u>Depreciation of Foreign Currency</u>
In case of US Dollar increases / decreases in 10% against TRY;		
1 - USD denominated net asset / (liability)	11.580.398	(11.580.398)
2- USD denominated hedging instruments (-)	-	-
3- Net Effect of US Dollar (1 +2)	11.580.398	(11.580.398)
In case of Euro increases / decreases in 10% against TRY;		
4- EURO denominated net asset / (liability)	29.957.541	(29.957.541)
5- EURO denominated hedging instruments (-)	-	-
6- Net Effect of Euro (4+5)	29.957.541	(29.957.541)
Increase / decrease in other foreign currencies by 10%:		
7- Other foreign currency denominated net asset / (liability)	(21.447.572)	21.447.572
8- Other foreign currency hedging instruments (-)	-	-
9- Net Effect of Other Exchange Rates (4+5)	(21.447.572)	21.447.572
TOTAL (3+6+9)	20.090.367	(20.090.367)

NOTE 29- NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

(d) Foreign exchange risk management (cont'd)

	31 December 2022					31 December 2021				
	TRY Amount	US Dollar	Euro	Yen	Other	TRY Amount	US Dollar	Euro	Yen	Other
1. Trade Receivables	485.378.844	344.461	23.328.107	81.093.010	608.059	395.294.603	1.772.916	24.640.835	3.100.000	-
2a. Monetary Financial Assets	143.543.759	2.019.682	3.581.552	242.626.628	4.352	560.862.693	7.096.458	30.862.676	8.820.804	10.841
2b. Non-monetary Financial Assets	-	-	-	-	-	-	-	-	-	-
3. Other	-	-	-	-	-	-	-	-	-	-
4. Current Assets (1+2+3)	628.922.603	2.364.143	26.909.659	323.719.638	612.411	956.157.296	8.869.374	55.503.511	11.920.804	10.841
5. Trade Receivables	-	-	-	-	-	-	-	-	-	-
6a. Monetary Financial Assets	-	-	-	-	-	-	-	-	-	-
6b. Non-monetary Financial Assets	-	-	-	-	-	-	-	-	-	-
7. Other	-	-	-	-	-	-	-	-	-	-
8. Non-current Assets (5+6+7)	-	-	-	-	-	-	-	-	-	-
9. Total Assets (4+8)	628.922.603	2.364.143	26.909.659	323.719.638	612.411	956.157.296	8.869.374	55.503.511	11.920.804	10.841
10. Trade Payables	1.466.507.524	4.932.017	55.803.103	1.825.504.968	1.505	727.471.706	181.252	33.680.338	1.857.447.077	2.790
11. Financial Liabilities	224.101.194	-	11.221.443	-	-	130.770.586	-	8.652.339	-	-
12a. Monetary Other Liabilities	12.800.041	-	11.586	88.364.203	-	46.565	-	-	400.500	-
12b. Non-Monetary Other Liabilities	58.708.640	-	2.939.724	-	-	43.986.316	-	2.910.322	-	-
13. Current Liabilities (10+11+12)	1.762.117.399	4.932.017	69.975.856	1.913.869.171	1.505	902.275.173	181.252	45.242.999	1.857.847.577	2.790
14. Trade Payable	-	-	-	-	-	-	-	-	-	-
15. Financial Liabilities	172.666.998	-	8.645.973	-	-	289.485.459	-	19.153.591	-	-
16a. Monetary Other Liabilities	-	-	-	-	-	-	-	-	-	-
16b. Non-Monetary Other Liabilities	-	-	-	-	-	-	-	-	-	-
17. Non-current Liabilities (14+15+16)	172.666.998	-	8.645.973	-	-	289.485.459	-	19.153.591	-	-
18. Total Liabilities (13+17)	1.934.784.397	4.932.017	78.621.829	1.913.869.171	1.505	1.191.760.632	181.252	64.396.590	1.857.847.577	2.790
19. Off-balance Sheet Derivative Instruments Net Asset / (Liability) Position (19a-19b)	1.276.386.072	2.500.000	61.590.865	-	-	433.225.125	-	28.750.000	-	-
19.a. Total Amount of Hedged Assets	256.978.112	-	12.890.865	-	-	-	-	-	-	-
19.b. Total Amount of Hedged Liabilities	(1.019.407.960)	(2.500.000)	(48.700.000)	-	-	(433.225.125)	-	(28.750.000)	-	-
20.Net Foreign Currency Assets/(Liabilities) Position (9-18+19)	(29.475.722)	(67.874)	9.878.695	(1.590.149.533)	610.906	197.621.789	8.688.122	19.856.921	(1.845.926.773)	8.051
21.Monetary Items Net Foreign Currency Assets / (Liabilities) (1+2a+5+6a-10-11-12a-14-15-16a)	(1.247.153.154)	(2.567.874)	(48.772.446)	(1.590.149.533)	610.906	(191.617.020)	8.688.122	(5.982.757)	(1.845.926.773)	8.051
22. Fair Value of Financial Instruments Used for Currency Hedge	(35.428.880)	-	(1.777.229)	-	-	102.675.578	-	6.813.831	-	-
23. Hedged Foreign Currency Assets	(1.276.386.072)	(2.500.000)	(61.590.865)	-	-	(433.225.125)	-	(28.750.000)	-	-
24. Hedged Foreign Currency Liabilities	-	-	-	-	-	-	-	-	-	-
25. Export	2.222.058.141	-	-	-	-	1.165.242.132	-	-	-	-
26. Import	2.877.536.476	-	-	-	-	1.201.538.178	-	-	-	-

Derivative contracts that explained in Note 9 and with nominal amount of JPY 2.490.066.347 are done for Euro risks and they aren't included into the foreign exchange risk.

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NOTE 29- NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

(e) Interest rate risk management

The Group is exposed to interest rate risk due to variable and fixed interest rates. Group's financial liabilities and assets with fixed and variable interest rates (guarantee etc.) are respectively shown at Note 5.

	<u>31 December 2022</u>	<u>31 December 2021</u>
Financial Assets with Fixed Rates		
Financial Assets	1.058.000.485	619.210.951
Financial Liabilities	(1.212.081.366)	(621.839.760)
Financial Liabilities With Variable Rates		
Financial Liabilities	(786.886.159)	(301.335.328)

As of 31 December 2022, if the market interest rate had increased/decreased by 100 basis point with all other variables held constant, period income before tax and consolidated equity of participations of the Group would have been higher/lower by TRY 7.868.862 (31 December 2021: higher/lower by TRY 3.013.353).

(f) Funding risk

The ability to fund the existing and prospective debt requirements is managed as necessary by obtaining adequate committed funding lines from high quality lenders.

(g) Credit risk management

Holding financial instruments also carries the risk of the other party's not meeting the requirements of the agreement. The Group's collection risk is mainly derived from trade receivables. Trade receivables are evaluated by the management of the Group depending on their past experiences and current economic conditions and are presented in financial statements when necessary allowances for doubtful receivables are provided.

Most of trade receivables are comprised of receivables from costumers who has given an adequate amount of guarantees. An effective control system was established to collect the receivables. Credit risk arising from transactions is followed and these risks are taken into account when assessing each debtor. Because there are so many costumers. The Group's credit risk is dispersed and there is no important credit risk concentration. Receivables from foreign customers as of 31 December 2022 are TRY 522.411.574 and there is no geographical concentration (31 December 2021: TRY 421.667.544).

CURRENT PERIOD	Receivables				Note	Deposit	Note
	Trade Receivables		Other Receivables				
	Related Parties	Other Parties	Related Parties	Other Parties			
Maximum credit risk exposed as of balance sheet date (A+B+C+D+E)	114.976.064	980.975.547	-	86.484.967	7-8	1.474.606.639	4
- Secured portion of the maximum credit risk by guarantees etc.	-	972.458.439	-	-		-	
A. Net book value of financial assets which are undue or which is not impaired	114.976.064	907.031.951	-	86.484.967	7-8	1.474.606.639	4
B. Book value of financial assets which conditions are renegotiated, and which otherwise would be counted as overdue or impaired	-	-	-	-		-	
C. Net book value of assets, overdue but not impaired	-	73.943.596	-	-		-	
- Secured by Guarantee, etc.	-	8.517.108	-	-		-	
D. Net book value of assets decrease in value	-	-	-	-		-	
- Overdue (gross book value)	-	(480.040)	-	-	7-8	-	
- Impairment (-)	-	480.040	-	-	7-8	-	
- The part of net value secured by guarantee etc.	-	-	-	-		-	
- Undue (gross book value)	-	-	-	-		-	
- Impairment (-)	-	-	-	-		-	
- The part of net value secured by guarantee etc.	-	-	-	-		-	
E. Elements containing credit risk off the balance sheet	-	-	-	-		-	

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NOTE 29- NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

(g) Credit risk management (cont'd)

PRIOR PERIOD	Receivables				Note	Deposit	Note
	Trade Receivables		Other Receivables				
	Related Parties	Other Parties	Related Parties	Other Parties			
Maximum credit risk exposed as of balance sheet date (A+B+C+D+E)	298.393.667	455.473.763	-	72.563.084	7-8	638.773.905	4
- Secured portion of the maximum credit risk by guarantees etc.	-	453.235.843	-	-		-	
A. Net book value of financial assets which are undue or which is not impaired	298.393.667	433.130.374	-	72.563.084	7-8	638.773.905	4
B. Book value of financial assets which conditions are renegotiated, and which otherwise would be counted as overdue or impaired	-	-	-	-		-	
C. Net book value of assets, overdue but not impaired	-	22.343.389	-	-		-	
- Secured by Guarantee, etc.	-	2.237.920	-	-		-	
D. Net book value of assets decrease in value	-	-	-	-		-	
- Overdue (gross book value)	-	(522.097)	-	-	7-8	-	
- Impairment (-)	-	522.097	-	-	7-8	-	
- The part of net value secured by guarantee etc.	-	-	-	-		-	
- Undue (gross book value)	-	-	-	-		-	
- Impairment (-)	-	-	-	-		-	
- The part of net value secured by guarantee etc.	-	-	-	-		-	
E. Elements containing credit risk off the balance sheet	-	-	-	-		-	

The ageing of trade receivables, overdue but not impaired, is as follows:

31 December 2022	Receivables		Deposits		
	Trade Receivables	Other Receivables	at Banks	Derivatives	Other
Past due up to 30 days	8.111.059	-	-	-	-
Past due 1 - 3 months	406.049	-	-	-	-
Past due 3 - 12 months	-	-	-	-	-
Past due 1 - 5 year	-	-	-	-	-
Past due over 5 years	-	-	-	-	-
Assets covered portion with guarantee letter etc.	8.517.108				

31 December 2021	Receivables		Deposits		
	Trade Receivables	Other Receivables	at Banks	Derivatives	Other
Past due up to 30 days	264.816	-	-	-	-
Past due 1 - 3 months	1.973.104	-	-	-	-
Past due 3 - 12 months	-	-	-	-	-
Past due 1 - 5 year	-	-	-	-	-
Past due over 5 years	-	-	-	-	-
Assets covered portion with guarantee letter etc.	2.237.920				

Liquidity risk tables

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents and having the availability and flexibility of funding through an adequate amount of (committed) credit facilities.

The risk of meeting existing and probable future liabilities is managed only by means of having access to sufficient number of trustable creditors.

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NOTE 29- NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

Liquidity risk tables (cont'd)

The table below indicates derivative and non-derivative financial liabilities of the Group in terms of TRY and maturity term.

Non-Derivative Financial Liabilities

31 December 2022

<u>Contract Terms</u>	<u>Carrying Value</u>	<u>Total Contracted Cash Outflows</u>	<u>Less than 3 Months</u>	<u>3 to 12 Months</u>	<u>1 to 5 Years</u>	<u>5 Years +</u>
Bank Loans	1.998.967.525	2.467.805.325	1.009.701.617	1.028.556.814	364.252.450	65.294.444
Other Financial Liabilities	18.623.659	21.113.600	2.040.350	5.852.550	13.220.700	-
Trade Payables	2.199.208.113	2.205.237.185	1.868.260.231	336.976.954	-	-
Other Payables	50.014.254	50.014.254	50.014.254	-	-	-
Total	4.266.813.551	4.744.170.364	2.930.016.452	1.371.386.318	377.473.150	65.294.444

31 December 2021

<u>Contract Terms</u>	<u>Carrying Value</u>	<u>Total Contracted Cash Outflows</u>	<u>Less than 3 Months</u>	<u>3 to 12 Months</u>	<u>1 to 5 Years</u>	<u>5 Years +</u>
Bank Loans	923.175.088	1.082.468.272	134.030.340	308.454.864	540.369.184	99.613.884
Other Financial Liabilities	10.272.981	10.257.627	2.098.670	4.689.130	3.469.827	-
Trade Payables	1.011.249.834	1.015.044.036	1.011.822.757	3.221.279	-	-
Other Payables	20.609.322	22.001.406	20.609.322	1.392.084	-	-
Total	1.965.307.225	2.129.771.341	1.168.561.089	317.757.357	543.839.011	99.613.884

Derivative Financial Liabilities

31 December 2022

<u>Contract Terms</u>	<u>Carrying Value</u>	<u>Total Contracted Cash Outflows</u>	<u>Less than 3 Months</u>	<u>3 to 12 Months</u>	<u>1 to 5 Years</u>	<u>5 Years +</u>
Derivative Cash Outflow	4.840.568	4.840.568	3.611.868	1.228.700	-	-
Derivative Cash Inflows	40.269.448	40.269.448	6.244.184	34.025.264	-	-
Total	45.110.016	45.110.016	9.856.052	35.253.964	-	-

31 December 2021

<u>Contract Terms</u>	<u>Carrying Value</u>	<u>Total Contracted Cash Outflows</u>	<u>Less than 3 Months</u>	<u>3 to 12 Months</u>	<u>1 to 5 Years</u>	<u>5 Years +</u>
Derivative Cash Outflow	2.675.660	2.675.660	2.110.238	565.422	-	-
Total	2.675.660	2.675.660	2.110.238	565.422	-	-

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NOTE 29- NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

Liquidity risk tables (cont'd)

Fair Value and Hedging Disclosures

Determination of the fair value of financial assets and liabilities are explained below:

Level 1: Valuation of the financial assets and liabilities over the stock exchange prices of similar assets and liabilities resulting from the transactions in active markets.

Level 2: Valuation of the financial assets and liabilities over the price calculated on the basis of the data that is directly or indirectly observable in the market other than the stock exchange price of the relevant asset or liability determined on the first level.

Level 3: Valuation of the financial assets and liabilities carried out in the absence of observable data in the market for determining the fair value of the relevant asset or liability.

Derivative Financial Instruments

In order to hedge these risks, the Group enters into forward foreign currency transaction agreements as a financial instrument where necessary.

As of 31 December 2022, the Group's foreign currency transaction agreement, which is a derivative financial instrument, is as follows:

<u>Financial assets carried at fair value</u>	Level 1	Level 2	Level 3	Total
Derivative assets (Note 9)	-	4.840.568	-	4.840.568
Buildings (Note 11)		574.689.373	-	574.689.373
Land (Note 11)		2.312.257.500	-	2.312.257.500
Total	-	2.891.787.441	-	2.891.787.441

<u>Financial liabilities carried at fair value</u>	Level 1	Level 2	Level 3	Total
Derivative liabilities (Note 9)	-	40.269.448	-	40.269.448
Total	-	40.269.448	-	40.269.448

As of 31 December 2021, the Group's foreign currency transaction agreement, which is a derivative financial instrument, is as follows:

<u>Financial assets carried at fair value</u>	Level 1	Level 2	Level 3	Total
Derivative assets (Note 9)	-	105.351.238	-	105.351.238
Buildings (Note 11)	-	307.654.634	-	307.654.634
Land (Note 11)	-	933.915.000	-	933.915.000
Total	-	1.346.920.872	-	1.346.920.872

<u>Financial liabilities carried at fair value</u>	Level 1	Level 2	Level 3	Total
Derivative liabilities (Note 9)	-	2.675.660	-	2.675.660
Total	-	2.675.660	-	2.675.660

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NOTE 30- EVENTS AFTER REPORTING PERIOD

Fzk Mühendislik ve Sınai Yatırımlar A.Ş (FZK) operates in the automotive sector. It manufactures construction serial parts, especially vehicle body manufacturing, for the automotive sector. By improving our ongoing commercial activities and cooperation between our company and FZK, a transfer agreement was signed on 03.02.2023 for the partial transfer of automotive activities of FZK by our company.

The machine park and fixtures for the production of metal sheets, semi-finished products and details, which are used in the production of FZK for the automotive industry and referred to as carcasses, the expert staff and stocks, and all documents constituting know-how will be transferred to our company.

Following the partial transfer process, FZK will continue its activities in other industries under its own title.

The total partial transfer fee to be paid to FZK is \$6.5 million + VAT, the payments are planned to be completed within 2 years.

The possible effects of the earthquake that took place in Kahramanmaraş on February 6, 2023 which affected many provinces of Turkey, on the Company's activities and business continuity were evaluated by the Company Management; It does not have a material impact on the financial statements.