CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

ÇELİK HALAT VE TEL SANAYİİ A.Ş.

CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 1 JANUARY - 30 JUNE 2022

ÇELİK HALAT VE TEL SANAYİİ A.Ş.

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ÇELİK HALAT VE TEL SANAYİİ A.Ş.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2022

(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated.)

	Notes	**Reviewed Current Period 30 June 2022**	**Audited Prior Period 31 December 2021**
ASSETS			
Current assets		**659,234,553**	**480,915,117**
Cash and cash equivalents	3	34,103,287	75,911,415
Trade receivables			
- *Due from non-related parties*	*6*	*218,813,423*	*175,740,003*
Other receivables			
- *Due from non-related parties*	*7*	*4,182,920*	*3,660,023*
Inventories	9	344,032,377	214,722,521
Prepaid expenses	16	35,672,670	4,445,631
Other current assets	17	22,429,876	6,435,524
Non-current assets		**144,569,018**	**96,797,650**
Other receivables			
- *Due from non-related parties*		28,383	23,991
Right of use assets	10	3,625,057	1,627,892
Property, plant and equipment	11	105,894,108	72,700,772
Intangible assets	12	14,581,620	11,371,990
Financial investments	4	20,087	20,087
Prepaid expenses	16	3,135,726	5,330,093
Deferred income tax	24	16,010,503	5,228,538
Other non-current assets	17	1,273,534	494,287
TOTAL ASSETS		**803,803,571**	**577,712,767**

The consolidated financial statements as of and for the period ended 30 June 2022 have been approved by the Board of Directors on 11 August 2022.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2022

(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated)

	Notes	Reviewed Current Period 30 June 2022	Audited Prior Period 31 December 2021
LIABILITIES			
Current Liabilities		**673,563,594**	**494,935,687**
Short-term borrowings			
Short-term borrowings from non-related parties			
- Bank loans	*5*	*284,965,475*	*196,121,297*
Short-term portion of long- term borrowings			
Short-term portion of long term borrowings from non-related parties			
- Lease borrowings	*5*	*702,004*	*380,552*
Short-term portion of long term borrowings from non-related parties			
- Bank loans	*5*	*6,621,882*	*4,679,460*
- Lease borrowings	*5*	*3,057,542*	*390,664*
Trade payables			
- Due to non-related parties	*6*	*348,604,444*	*268,235,661*
Payables related to employee benefits	8	2,533,395	2,324,567
Other payables			
- Due to related parties	*7, 26*	*627,768*	*377,431*
Short-term provisions			
- Short-term provisions for employment benefits	*13*	*1,329,520*	*884,876*
- Other short-term provisions	*13*	*2,706,094*	*2,897,198*
Deferred income (Except obligations arising from customer contracts)	16	17,718,301	17,322,504
Current income tax liabilities		3,152,426	-
Other short-term liabilities	7	1,544,743	1,321,477
Non-current liabilities		**31,367,327**	**31,315,297**
Long-term liabilities			
Long-term borrowings from non-related parties			
- Bank loans	5	7,122,074	8,951,956
- Lease borrowings	*5*	*391,279*	*631,989*
Long-term provisions			
- Long-term provisions for employment benefits	*15*	*23,853,974*	*21,544,488*
Deferred income (Except obligations arising from customer contracts)	16	-	186,864
Deferred tax liabilities	24	-	-
Equity		**98,872,650**	**51,461,783**
Share capital	18	41,500,000	41,500,000
Adjustments to share capital	18	8,642,368	8,642,368
Share premium		359,793	359,793
Other comprehensive income (losses) that will not be reclassified in profit or loss			
Actuarial gains (losses)			
- Actuarial gains (losses) on defined benefit plans	*18*	*(11,493,778)*	*(11,493,778)*
Other comprehensive income (losses) that will not be reclassified in profit or loss			
- Foreign exchange differences		*(844,865)*	*(867,867)*
Restricted reserves	18	4,613,361	3,906,090
Retained earnings		3,695,906	1,842,497
Net profit/(loss) for the period		52,399,865	7,572,680
TOTAL LIABILITIES AND EQUITY		**803,803,571**	**577,712,767**

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

ÇELİK HALAT VE TEL SANAYİİ A.Ş.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE INTERIM PERIODS 1 JANUARY - 30 JUNE 2022

(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated)

	Notes	*Reviewed Current Period* 1 January - 30 June 2022	*Unreviewed Current Period* 1 April - 30 June 2022	*Reviewed Prior Period* 1 January - 30 June 2021	*Unreviewed Prior Period* 1 April - 30 June 2021
Revenue	19	706,524,012	362,861,664	292,396,151	167,379,565
Cost of Sales (-)	19	(572,821,120)	(301,849,724)	(248,007,361)	(141,141,239)
Gross Profit		**133,702,892**	**61,011,940**	**44,388,790**	**26,238,326**
General Administrative Expenses (-)	20	(18,811,065)	(9,187,766)	(10,014,821)	(5,114,957)
Marketing Expenses (-)	20	(47,888,067)	(25,128,376)	(18,395,287)	(11,399,219)
Research and Development Expenses (-)	20	(1,462,996)	(700,796)	(1,256,641)	(656,421)
Other Income from Operating Activities	22	66,668,880	37,991,851	21,480,123	9,224,839
Other Expenses from Operating Activities (-)	22	(55,447,552)	(30,535,200)	(29,243,992)	(13,082,145)
Operating Profit		**76,762,092**	**33,451,653**	**6,958,172**	**5,210,423**
Income from investment activities		-	-	933,911	933,911
OPERATING PROFIT/(LOSS) BEFORE FINANCE EXPENSE/(INCOME)		**76,762,092**	**33,451,653**	**7,892,083**	**6,144,334**
Finance Expense (-)	23	(28,323,365)	(15,645,351)	(7,593,944)	(2,517,489)
PROFIT BEFORE TAXATION FROM CONTINUED OPERATIONS		**48,438,727**	**17,806,302**	**298,139**	**3,626,845**
Tax Expense/Income From Continued Operations	24	**3,961,138**	**9,859,480**	**(115,477)**	**(477,561)**
Tax Income/ (Expense) for the Period	24	(6,820,827)	(2,987,324)	-	-
Deferred Tax Income/ (Expense)	24	10,781,965	12,846,804	(115,477)	(477,561)
PROFIT/ (LOSS) FOR THE PERIOD		**52,399,865**	**27,665,782**	**182,662**	**3,149,284**
OTHER COMPREHENSIVE INCOME/ (LOSS)					
That will be reclassified s as profit or loss					
Foreign exchange differences		23,002	26,715	(277,462)	(88,445)
OTHER COMPREHENSIVE INCOME/(LOSS)		**23,002**	**26,715**	**(277,462)**	**(88,445)**
TOTAL COMPREHENSIVE INCOME/(LOSS)		**52,422,867**	**27,692,497**	**(94,800)**	**3,060,839**
Gain/(Loss) Per Share	25	1.26	0.67	0.01	0.08

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

ÇELİK HALAT VE TEL SANAYİİ A.Ş.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE INTERIM PERIODS 1 JANUARY - 30 JUNE 2022

(Amounts expressed in Turkish Lira (“TRY”) unless otherwise indicated)

					Other comprehensive income or loss that will not be reclassified to profit or loss	Reclassified to profit or loss		Retained earnings		
	Notes	**Paid-in capital**	**Adjustments to share capital**	**Share issue premium**	**Actuarial gain/(losses) on defined benefit plans**	**Foreign exchange differences**	**Restricted reserves**	**Retained earnings**	**Net profit/(Loss) for the period**	**Equity**
Balances at 1 January 2021		**16,500,000**	**8,642,368**	**-**	**(6,450,976)**	**(419,159)**	**3,906,090**	**9,973,655**	**(8,131,158)**	**24,020,820**
Transfers		-	-	-	-	-	-	**(8,131,158)**	**8,131,158**	-
Capital increase		25,000,000	-	-	-	-	-	-	-	25,000,000
Increase/(decrease) due to other changes		-	-	359,793	-	-	-	-	-	359,793
Total comprehensive income/(expense)		-	-	-	-	(277,462)	-	-	182,662	(94,800)
Balances at 30 June 2021	**18**	**41,500,000**	**8,642,368**	**359,793**	**(6,450,976)**	**(696,621)**	**3,906,090**	**1,842,497**	**182,662**	**49,285,813**
Balances at 1 January 2022		**41,500,000**	**8,642,368**	**359,793**	**(11,493,778)**	**(867,867)**	**3,906,090**	**1,842,497**	**7,572,680**	**51,461,783**
Transfers		-	-	-	-	-	707,271	6,865,409	(7,572,680)	-
Capital increase		-	-	-	-	-	-	-	-	-
Increase/(decrease) due to other changes		-	-	-	-	-	-	-	-	-
Total comprehensive income/(expense)		-	-	-	-	23,002	-	-	52,399,865	52,422,867
Dividend payment		-	-	-	-	-	-	(5,012,000)	-	(5,012,000)
Balances at 30 June 2022	**18**	**41,500,000**	**8,642,368**	**359,793**	**(11,493,778)**	**(844,865)**	**4,613,361**	**3,695,906**	**52,399,865**	**98,872,650**

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

CONSOLIDATED STATEMENT OF CASH FLOW FOR THE INTERIM PERIODS 1 JANUARY - 30 JUNE 2022

(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated).

	Notes	Reviewed Current Period 1 January- 30 June 2022	Reviewed Prior Period 1 January - 30 June 2021
A. NET CASH FROM OPERATING ACTIVITIES		**(60,203,551)**	**40,721,454**
Profit for the period/(loss)		52,399,865	182,662
Adjustments regarding reconciliation of net profit (loss) for the period		**31,609,817**	**26,913,448**
Adjustment related to depreciation and amortization	10, 11, 12	8,788,207	6,429,781
Adjustments related to provision (reversal) of impairment			
Adjustments related to provision (reversal) of impairment of receivables	6	-	383,607
Adjustments related to provisions			
Adjustments related to provisions (reversal) for lawsuits and/or penalty	13	-	(324,000)
Adjustments related to provisions (reversals) for employee benefits	13, 15	5,106,565	2,452,901
Adjustments related to other provisions	13	*(191,104)*	604,286
Adjustments related to interest (income) and expenses			
Adjustments related to interest income	22	(694,406)	(611,537)
Adjustments related to interest expense	23	22,884,199	2,360,658
Adjustments related to changes in unrealised foreign exchange differences		3,345,894	15,502,275
Adjustments related to tax expense/(income)	24	(7,629,538)	115,477
Changes in working capital		**(141,860,798)**	**15,046,777**
Adjustments for decrease (increase) in inventories		(128,701,966)	(30,607,255)
Adjustments for decrease (increase) in trade receivables		(43,073,420)	(38,638,623)
Adjustments regarding decrease (increase) in other receivables on operations		(46,333,560)	(11,147,222)
Adjustments for decrease (increase) in trade payables		80,368,783	93,631,282
Adjustments regarding decrease (increase) in other payables on operations		(4,120,635)	1,808,595
Net Cash from Operating Activities		**(57,851,116)**	**42,142,887**
Employee termination benefits paid	13, 15	(2,352,435)	(1,421,433)
B. NET CASH FROM INVESTING ACTIVITIES		**(43,306,386)**	**(6,877,801)**
Cash outflows from purchase of property, plant and equipment and intangible assets		(43,923,649)	(7,151,810)
Cash inflows due to sale of property, plant, equipment and intangible assets		617,263	274,009
C. NET CASH FROM FINANCING ACTIVITIES		**61,701,809**	**(5,925,504)**
Proceeds from borrowings			
Cash inflows from borrowings		432,871,848	62,015,981
Cash outflows on debt payments			
Cash outflows from borrowings		(356,281,678)	(90,663,543)
Interest paid		(24,040,906)	(1,590,448)
Interest received		694,406	611,537
Capital increase		-	25,000,000
Cash outflows due to payments of lease agreements	5	3,446,139	(1,299,031)
Dividend payment		5,012,000	-
NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS BEFORE THE EFFECT OF FOREIGN CURRENCY TRANSLATION DIFFERENCES (A+B+C)		**(41,808,128)**	**27,918,149**
Impact of foreign currency translation differences on cash and cash equivalents		-	2,662,533
D. NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**(41,808,128)**	**30,580,682**
E. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	**3**	**75,911,415**	**11,738,954**
F. CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (A+B+C+D+E)	**3**	**34,103,287**	**42,319,636**

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

(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated.)

NOTE 1 - ORGANIZATION AND NATURE OF OPERATIONS

The operations of Çelik Halat ve Tel Sanayii Anonim Şirketi ("the Company" or "Çelik Halat"), is to manufacture products as single and multiple strand ropes, galvanized wire, bead wire, spring wire, concrete strand, concrete wire, to meet the investment and semi finished goods demands of mining, construction, tire, bead, energy, fishery and other various manufacturing industries. The Company was established in 1962 and is registered in Turkey. The Company is a subsidiary of Doğan Şirketler Grubu Holding A.Ş. ("Doğan Holding"). The Company's main shareholder is Aydın Doğan and Doğan Family (Işıl Doğan, Arzuhan Yalçındağ, Vuslat Sabancı, Hanzade V. Doğan Boyner ve Y.Begümhan Doğan Faralyalı).

The Company is registered with the Capital Markets Board ("CMB") and its shares have been quoted on the Istanbul Stock Exchange market (ISE) since 10 January 1986. Within the frame of Resolution No: 31/1059 dated 30 October 2014 and No: 21/655 dated 23 July 2010 of CMB, according to the records of Central Registry Agency ("CRA"), the 21.82% (31 December 2021: 21.82%) shares of Çelik Halat are to be considered in circulation as of 30 June 2021 (Note 18).

The Company established a subsidiary titled Celik Halat Netherlands B.V. (Celik Halat BV), headquartered in Amsterdam, Netherlands, to conduct sales and marketing activities for its products produced in 2018 in Europe, and the Company owns 100% of Celik Halat BV's shares.

The Company's subsidiaries (the "Subsidiaries"), their core business and the countries in which they operate are as follows:

		Establishment	Share capital ratio (%)	
Subsidiaries	**Nature of business**	**and place of activity**	**30 June 2022**	**31 December 2021**
Celik Halat BV (*)	Sales and Marketing	Netherlands	100.00	100.00

(*) As of 27 September 2018, the establishment process has been completed.

The number of employees of the Company as of 30 June 2022 is 445 (31 December 2021: 428).

The registered address of the parent company is as follows:

Ertuğrul Gazi Mah. Şehitler Caddesi No: 2 Kartepe, P.K: 41180, Kocaeli

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Basis of Presentation

2.1.1 Preparation and Presentation of Consolidated Financial Statements

Adopted Financial Reporting Standards

The accompanying consolidated financial statements are prepared in accordance with 2019 TAS Taxonomy based on the requirements of Capital Markets Board ("CMB") Communiqué Serial II, No: 14.1 "Basis of Financial Reporting in Capital Markets" and Turkish Financial Reporting Standards ("TFRS") issued by the Public Oversight Accounting and Auditing Standards Authority ("POA"), which is developed by POA and announced to the public by the decision of the POA on 15 April 2019 in accordance with paragraph 9(b) of Decree Law No. 660.

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.1 Basis of Presentation (Continued)

The Group prepared its consolidated interim financial statements for the period ended June 30, 2022 in accordance with TAS 34 “Interim Reporting” standard.

The Group maintains their legal books of accounts in Turkish Lira in accordance with the Tax Legislation, and the Uniform Chart of Accounts (General Communiqué on Accounting System Implementation) issued by the Ministry of Finance.

These consolidated financial statements, except for the financial assets and investment properties that are presented at fair value, are prepared on the basis of historical cost.

Adjustment to the financial statements in hyperinflationary periods

In accordance with the decision of CMB dated as 17 March 2005 and numbered 11/367, effective from 1 January 2005, the application of inflation accounting is no longer required for companies operating in Turkey and preparing their financial statements in accordance with TFRS. Accordingly, No: 29, “Financial Reporting in Hyperinflationary Economies” (“TAS 29”), has not been applied commencing from 1 January 2005.

The law on amending the Tax Procedure Law and the Corporate Tax Law was enacted on January 20, 2022, It has been enacted with the number 7352 and it has been decided that the financial statements will not be subject to inflation adjustment in the 2021 and 2022 accounting periods, including the temporary accounting periods, and in the provisional tax periods of the 2023 accounting period, regardless of whether the conditions for the inflation adjustment within the scope of the repeated Article 298 are met.

POA made an announcement on January 20, 2022 in order to eliminate the hesitations about for the entities which apply Turkish Financial Reporting Standards (“TFRS”) will apply TAS 29, “Financial Reporting in Hyperinflationary Economies” (IAS 29 Financial Reporting in Hyperinflationary Economies) or not for the year ended 31 December 2021. In accordance with the announcement, companies that apply TFRS should not adjust financial statements for TAS 29 **-** Financial Reporting in Hyperinflationary Economies, Afterwards, no new statement was made by the POA about the TMS 29 application. As of the preparation date of the consolidated financial statements, POA did not make an additional announcement and no adjustment was made to the consolidated financial statements in accordance with TAS 29.

Functional and presentation currency

Functional currency is defined as the currency in which the entity carries out a significant portion of its activities. The consolidated financial statements are presented in Turkish Lira, which is the functional and presentation currency of Çelik Halat.

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.1 Basis of Presentation (Continued)

2.1.2 Financial statements of subsidiaries and joint ventures operating in foreign countries

Financial statements of subsidiaries and joint ventures operating in foreign countries are prepared in accordance with the laws and regulations in force in the countries in which they are registered and required adjustments and reclassifications reflected for the purpose of fair presentation in accordance with the Group's accounting policies.

If the group entities' functional currency is different from the presentation currency; it is translated into the presentation currency as below:

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- Income and expenses for each statement of profit or loss are translated at average exchange rates in the accounting period; and all resulting exchange differences are recognised as a separate component of equity and statements of other comprehensive income (currency translation differences).

When a foreign operation is partially disposed of or sold, exchange differences recorded in equity are recognised in the consolidated statement of profit or loss as part of the gain or loss on sale. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

2.1.3 Amendments to International Financial Reporting Standards

a) Standards, amendments and interpretations applicable as at 30 June 2022:

- **Amendments to TFRS 7, TFRS 4 and TFRS 16 Interest Rate Benchmark Reform Phase 2;** (effective 1 January 2021). The Phase 2 amendments address issues that arise from the implementation of the reforms, including the replacement of one benchmark with an alternative one. The Phase 2 amendments provide additional temporary reliefs from applying specific TAS 39 and TFRS 9 hedge accounting requirements to hedging relationships directly affected by IBOR reform.

- **Amendments to TFRS 4 Insurance Contracts – deferral of TFRS 9;** (effective 1 January 2021). These amendments defer the date of application of TFRS 17 by two years to 1 January 2023 and change the fixed date of the temporary exemption in TFRS 4 from applying TFRS 9, Financial instrument until 1 January 2023.

- **Amendment to TFRS 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 TFRS 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.

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.1 Basis of Presentation (Continued)

b. Standards, amendments and interpretations that are issued but not effective as at 30 June 2022:

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

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

  - **Amendments to TAS 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 TAS 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 T1, 'First-time Adoption of TFRS', TFRS 9, 'Financial instruments', TAS 41, 'Agriculture' and the Illustrative Examples accompanying TFRS 16, 'Leases'.

- **Amendments to TAS 1, Presentation of financial statements' on classification of liabilities;** effective date deferred until accounting periods starting not earlier than 1 January 2024. These narrow-scope amendments to TAS 1, 'Presentation of financial statements', clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what TAS 1 means when it refers to the 'settlement' of a liability.

- **Narrow scope amendments to TAS 1, Practice statement 2 and TAS 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 TAS 12 – Deferred tax related to assets and liabilities arising from a single transaction;** 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.

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

The Group has not determined the effects that may occur in the consolidated financial statements as a result of the application of the aforementioned standards but has not anticipated that these differences will have a significant impact on the consolidated financial statements.

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.1 Basis of Presentation (Continued)

2.1.4 Consolidation and equity method accounting principles

The consolidated financial statements include the accounts of the parent company, Çelik Halat, its Subsidiaries and its Joint Ventures (collectively referred as the "Group"). The financial statements of the companies included in the consolidation are based on historical cost of the statutory records and for the purpose of fair presentation in accordance with the accounting policies described in Note 2.1.1 and Note 2.1.2 and application of uniform accounting policies and presentations; adjustments and reclassifications. Financial statements of consolidated entities are restated in accordance with the TAS considering the accounting policies and presentation requirements applied by the Group.

Subsidiaries

Subsidiaries comprise of the companies directly or indirectly controlled by Çelik Halat.

Control is achieved when the Group:

- Has power over the company/asset;
- Is exposed, or has rights, to variable returns from its involvement with the company/asset; and
- Has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are indicators of a situation or an event that may cause any changes to at least one of the elements of control listed above.

When the Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in the relevant investee are sufficient to give it power, including:

- The size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- Potential voting rights held by the Group, other vote holders or other parties;
- Rights arising from other contractual arrangements; and
- Any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities (including voting patterns at previous shareholders' meetings.

Subsidiaries are consolidated by the date the Group takes the control and from the date the control is over, subsidiaries are excluded from the consolidation scope. The Group has no direct and/or indirect shareholding that affects the effective ownership rate.

(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated.)

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.1 Basis of Presentation (Continued)

Intercompany transactions and balances are eliminated on consolidation. The dividends arising from shares held by Çelik Halat in its subsidiaries are eliminated from equity and income for the period.

Subsidiaries acquired or disposed of during the accounting period are included in the consolidation from the date at which the control of operations are transferred to the Group and excluded from the consolidation when the control is lost. Even if non-controlling interests result in a deficit balance, total comprehensive income is attributed to the owners and to the non-controlling interests.

Income and expenses of a subsidiary, acquired or disposed of the during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Changes in ownership interest

The group assesses transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their indirect interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity of Çelik Halat.

As of 30 June 2022 and 31 December 2021, the consolidated subsidiaries and their ownership percentages are as follows:

	Proportion of effective ownership interest (%) 30 June 2022	**Proportion of effective ownership interest (%) 31 December 2021**
Celik Halat BV	100.00	100.00

2.1.5 Comparative information and restatement of prior period financial statements

The consolidated financial statements of the Group are prepared comparatively with the previous period to identify the financial position and performance trends. The Group presents comparatively its consolidated statement of financial position as of 30 June 2022 with 31 December 2021. Consolidated statement of profit or loss and consolidated other comprehensive income, consolidated statement of cash flow and consolidated statement of changes in equity for the interim period ended 1 January - 30 June 2022, are presented comparatively with the consolidated financial statements as of the interim period 1 January - 30 June 2021.

In the current period, in case of a necessity, prior period financial statements are reclassified in order to comply with the presentation of its current period consolidated financial statements and significant changes are explained.

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.1 Basis of Presentation (Continued)

2.1.6 Offsetting

Financial assets and liabilities are offset and the net amount is reported when there is a legally enforceable right to set-off the recognised amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

2.1.7 Significant accounting policies and changes in accounting estimates and errors and restatement of prior period financial statements

Changes of accounting policies resulting from the first time implementation of the TAS are implemented retrospectively or prospectively in accordance with the transition provisions. Major accounting mistakes detected are applied retrospectively and the financial statements of previous period are revised. If the changes in accounting estimates only apply to one period, then they are applied in the current period when the change occurs; if the changes apply also to the future periods, they are applied in both the period of change and in the future period.

2.2 Summary of Significant Accounting Policies

A summary of significant accounting policies used in the preparation of the consolidated financial statements are as follows. Accounting policies are applied consistently, unless otherwise indicated:

Related parties

Related parties are people or entities that are related to the entity (reporting entity) that is preparing its financial statements.

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

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

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

- (i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member.
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.2 Summary of Significant Accounting Policies (Continued)

(v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
(vi) The entity is controlled or jointly controlled by a person identified in (a).
(vii) (A person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

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

Under the guidance of the explanations mentioned above and also in compliance with TAS 24, Doğan Şirketler Grubu Holding A.Ş. directly or indirectly has participation, including any entities under common control; real persons and/or legal entities that have direct or indirect individual or joint control over the company and their close family members (relatives up to second-degree) and legal entities having direct or indirect individual or joint control by them and legal entities having significant effect over the Company or their key management personnel; Company's subsidiaries and members of the Board of Directors, key management personnel and their close family members (relatives up to second-degree) and real persons and/or legal entities that are directly or indirectly controlled individually or jointly (Note 26).

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, bank deposits and highly liquid investments without a significant risk over the change in their value, whose maturity at the time of purchase is three months or less (Note 3).

Trade receivables and provision for doubtful receivables

The Group's trade receivables from providing goods or services to customers are carried at net of unrealized finance income ("unearned financial income due to sales with maturity"). Trade receivables, net of unrealized finance income, are calculated by discounting future cash inflows of receivables carried at the original invoice amount using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition. Effective interest method is calculating the present value in accordance with the compound interest basis. The rate determined by compound interest basis and applied in this method is named "effective interest rate". Short term receivables with indefinite interest rate are carried at cost unless the effect of imputing interest is significant (Note 6).

When calculating the impairment of trade receivables, which are recognised based on the cost amortised in financial statements and do not include an important financing component, Group preferred to adopt "simplified approach" in TFRS 9 standard.

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.2 Summary of Significant Accounting Policies (Continued)

According to "simplified approach" of TFRS 9 Standard, loss provisions concerning trade receivables are calculated equal to "lifetime expected credit loss" if trade receivables are not impaired due to valid reasons as stated in TFRS 9.

TAS 39, "Financial Instruments" valid before 1 January 2018: Instead of "realised credit losses model" in Accounting and Measurement Standard, "expected credit loss model" was defined in TFRS 9 "Financial Instruments" Standard. Expected credit loss is estimated by weighting credit losses, expected to occur throughout the expected life of financial instruments, based on previous statistics. When calculating the expected credit losses, credit losses in the previous years and forecasts of the Group are considered.

The Group decides to allocate provision for doubtful receivables, whose payment was not made within the ordinary commercial activity cycle of the Group, considering whether the trade receivable is subject to administrative and/or legal proceeding, whether or not they have a guarantee and there is an objective finding. The amount of such provision is the difference between the book value of the receivable and the collectible amount. The collectible amount is the current value of the expected cash flow, including the amounts to be collected from guarantees and collaterals, which is discounted based on the original effective interest rate of the initial receivable.

When trade receivables are not impaired for certain reasons along with realised impairment losses, Group recognises expected credit loss provision equal to lifetime expected credit loss for trade receivables as per TFRS 9. Expected credit loss is calculated by expected credit loss rates determined based on previous credit loss experiences of the Group and prospective macroeconomic indicators. Changes in expected credit loss provisions are recognised under other income and expenses from operating activities (Note 22).

If there is a partial or whole collection over the doubtful receivable amount subsequent to the allocation of provision for doubtful receivables, the collected portion is recognized as other income from operating activities following the write-down of the total provision amount (Note 6, 22).

Inventories

Inventories are valued at the lower of cost or estimated selling price less estimated costs necessary to make a sale (net realizable value). Cost elements included in inventory are purchasing costs and other costs necessary to prepare the asset for its intended use. Cost elements included in inventories are materials, labor and production overheads. The unit cost of inventories is determined on the moving weighted average basis (Note 9).

When the net realizable value of inventory is less than cost, the inventory is written down to the net realizable value and the expense is included in the consolidated statement of profit or loss in the period the write-down or loss occurred. When the circumstances that previously caused inventories to be written down below cost no longer exist or when there is clear evidence of an increase in net realizable value because of the changing economic circumstances, the amount of the write-down is reversed. The reversal amount is limited to the amount of the initial impairment.

(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated.)

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.2 Summary of Significant Accounting Policies (Continued)

Financial Assets

Group classified its financial assets in three categories; financial assets carried at amortized cost, financial assets carried at fair value though profit of loss, financial assets carried at fair value though other comprehensive income. Classification is performed in accordance with the business model determined based on the purpose of benefits from financial assets and expected cash flows. Management performs the classification of financial assets at the acquisition date.

(a) Financial assets carried at amortized cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest, whose payments are fixed or predetermined, which are not actively traded and which are not derivative instruments are measured at amortized cost. They are included in current assets, except for maturities more than 12 months after the balance sheet date. Those with maturities more than 12 months are classified as non-current assets. The Group's financial assets carried at amortized cost comprise "trade receivables", "other receivables" and "cash and cash equivalents" in the statement of financial position. In addition, with recourse factoring receivables classified in trade receivables are classified as financial assets carried at amortized cost since collection risk for those receivables are not transferred to counterparty.

Impairment

Group has applied simplified approach and used impairment matrix for the calculation of impairment on its receivables carried at amortized cost, since they do not comprise of any significant finance component. In accordance with this method, if any provision is not provided to the trade receivables as a result of a specific event, Group measures expected credit loss from these receivables by the life-time expected credit loss. The calculation of expected credit loss is performed based on the past experience of the Group and its expectation based on the macroeconomic indications.

Property, plant and equipment

Property, plant and equipment are carried at cost less any accumulated depreciation and any accumulated impairment losses (Note 11). Depreciation is provided on property, plant and equipment on a straight-line basis (except land). Lands are not subject to depreciation due to their unlimited useful life. The depreciation periods for property, plant and equipment, which approximate the economic useful lives of such assets, are as follows:

Land improvements	5 - 50 years
Buildings	10 - 50 years
Machinery and equipment	5 - 20 years
Motor vehicles	5 - 10 years
Furniture and fixtures	4 - 15 years

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.2 Summary of Significant Accounting Policies (Continued)

Expected useful life, residual value and depreciation method are reviewed annually for possible effects of changes in estimates and are recognized prospectively if there is a change in estimates.

An item of property, plant and equipment is derecognized in the consolidated statement of financial position 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 as income or expenses from investing activities in consolidated profit or loss.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount provided to allocate provision. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use. Fair value less costs to sell is the amount obtainable from the sale of an asset less the costs of disposal. Value in use is the present value of the future cash flows expected to be derived from an asset plus the residual value of the related assets as of the consolidated statement of financial position date.

Repair and maintenance expenses are charged to the consolidated statement of profit or loss as they are incurred. Capital expenditures that increase the present value of the future cash flows expected to be derived from property, plant and equipment by increasing its capacity is added to the cost of tangible fixed asset.

Gain and losses regarding sale of property, plant and equipment are accounted as other income and expenses from investing activities.

Intangible assets and related amortization

Intangible assets comprise energy production license and information technology systems. Intangible assets are recorded at acquisition cost and amortized on a straight-line basis over their estimated useful lives for a period of 3 years from the date of acquisition. Where an indication of impairment exists, the carrying amount of any intangible assets is assessed and written down immediately to its recoverable amount (Note 12). Gains and losses arise from sales of intangible assets are included to other operating income and expense accounts.

Development costs

The costs associated with the developing the product are capitalized under the construction in progress and amortized by using straight-line method over their estimated useful lives. Following the planning phase and operation; all costs are recognized as expense.

Research expenditures are recorded as expenses on the date they are incurred. Apart from the project expenditures meeting the criteria below, development costs are also recorded as expenses on the date they are incurred:

- If product-related costs can be defined clearly and measured reliably,
- If the technical adequacy/feasibility of the product can be measured,
- If the product will be put up for sale or used within the Group,
- If there is a potential market for the product, or its usability within the Group can be proved,
- If adequate technical, financial and other required resources can be procured for the completion of the project.

The development costs meeting the criteria above are capitalized and amortized with straight-line method of depreciation in line with the related project durations.

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.2 Summary of Significant Accounting Policies (Continued)

Taxation

Taxation on income includes current period income taxes and deferred taxes. Current year tax liability consists of tax liability on period income calculated according to currently enacted tax rates and tax legislation in force as of statement of financial position date and includes adjustments related to the previous year's tax liabilities.

Deferred income tax is provided, using the liability method, on temporary differences arising between the statutory tax bases of assets and liabilities and their carrying values for financial reporting purposes. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the statement of financial position date.

Deferred tax liabilities are recognized for all taxable temporary differences, where deferred tax assets resulting from deductible temporary differences are recognized to the extent that it is probable that future taxable profit will be available against which the deductible temporary difference can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities (Note 24).

Provided that they are subject to the tax legislation of the same country and there is a legally enforceable right to set off current tax assets from current tax liabilities, deferred tax assets and deferred tax liabilities are mutually offset (Note 24).

Current and deferred tax

Tax is included in the statement of profit or loss, unless it is related to an operation that is accounted directly under equity. Otherwise, tax is accounted under equity as well as the related transaction (Note 24).

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.2 Summary of Significant Accounting Policies (Continued)

Impairment regarding financial assets

At each statement of financial position date, the Group evaluates whether there are any indications that an asset other than goodwill or infinite life intangible assets may be impaired. When an indication of impairment exists, carrying value of the assets is compared with the net realizable value which is the higher of value in use and fair value less costs to sell. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Impairment exists if the carrying value of an asset or a cash generating unit including that asset is greater than its recoverable amount which is the higher of value in use or fair value less costs to sell. Impairment losses are recognized in the statement of profit or loss.

Financial borrowings and borrowing costs

Borrowings are recognized initially at the proceeds received, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost using the effective interest method. Any difference between proceeds, net of transaction costs, and the redemption value is recognized in the profit or loss as finance expense over the period of the borrowings (Note 5). The borrowing costs which are directly related with the acquisition, manufacturing or production of a specialty good (means that a long period of time is required to make available for sale and use as purposed) are capitalized as a part of the related asset.

Employment termination benefits

The provision for employment termination benefit represents the present value of the estimated total reserves of the future probable liability of the Group arising from the retirement of the employees measured in accordance with the Turkish Labour and Press Labour Laws (Note 15).

According to the amendment in TAS 19, the Group calculated employment benefit in accordance with the report prepared by the actuarial firm and recognised all actuarial loss and gains in the other comprehensive statement of profit or loss as of the statement of financial position date.

Provisions, contingent assets and liabilities

Provisions are recognized when the Group has a present legal or constructive obligation or a result of past events, it is probable that on outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

Contingent liabilities are assessed continually to determine whether an outflow of resources comprising economic benefits has become probable. If it becomes probable that an outflow of future economic benefits will be required for an item previously treated as a contingent liability, a provision is recognized in the financial statements of the period in which the change in probability occurs except in the extremely rare circumstances where no reliable estimate can be made.

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.2 Summary of Significant Accounting Policies (Continued)

If it has become virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognised by the Group in the financial statements of the period in which the change occurs.

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 financial tables and are treated as contingent assets or liabilities. A contingent asset is disclosed where an inflow of economic benefit is probable.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably (Note 13).

Share capital and dividends

Ordinary shares are classified as equity. Dividend income is recognized as income by the Group when right to obtain of dividend is generated in the consolidated financial statements. Dividend distribution to the Company's shareholders is recognized as a liability in the Group's consolidated financial statements in the period in which the dividends are approved by the General Assembly (Note 18).

Revenue recognition

In accordance with TFRS 15 "Revenue from Customer Contracts given effective from 1 January 2018, the Company transfers the revenue to the financial statements based on the following five principles:

- Determining client agreements,
- Determining performance obligations in agreements,
- Determining transaction price in agreements,
- Distributing transaction price to performance obligations in agreements,
- Recognising the revenue (Note 19).

According to this model, the goods or services undertaken in each contract with the customers are evaluated and each commitment to transfer the goods or services is determined as a separate performance obligation.

Then, it is determined whether the performance obligations will be fulfilled in time or at a certain time. If the company transfers the control of a good or service over time and thus fulfills the performance obligations related to the sales in time, it measures the progress of the fulfillment of the performance obligations in full and takes the proceeds to the financial statements.

Revenue related to performance obligations, such as goods or service transfer commitments, is recognized when customers are in control of the goods or services.

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.2 Summary of Significant Accounting Policies (Continued)

If all the below-mentioned conditions are met, Group recognises an agreement made with the client as revenue:

- Parties to the agreement approved the agreement (in writing, orally or in other means in line with commercial practices) and committed to meet their respective obligations,
- Group can define the rights of each party concerning the goods or services to be transferred,
- Group can define payment conditions concerning the goods or services to be transferred,
- The agreement is commercial in essence.
- It is possible that the Group will collect money in return for goods and services to be transferred to the client.

For each performance obligation, the Group will determine whether it has fulfilled its performance obligation at the beginning of the contract or whether the performance obligation fulfilled at a certain time of time. The Group records revenue from product sales in the financial statements following the transfer of control to the customer. In the event that the completed transaction is entitled to the collection of a price directly corresponding to the value of the customer (in the delivery of the products), the Group enters into the financial statements the amount to be invoiced. If the Group expects to refund some or all of the amount charged to a customer to this customer, the Group reflects a return obligation to the financial statements. The obligation of return is calculated over the part of the enterprise (or the cost) that is collected by the entity. The obligation to return is updated at the end of each reporting period, taking into account the changes in the conditions (Note 22).

TFRS 15; First pass to 'revenue from customer contracts' standard

As of 1 January 2019, TFRS 15 "Revenue from Customer Contracts", which replaces TAS 18 "Revenue" standard, has been evaluated retrospectively in terms of the cumulative effect of applying the standard for the first time. In the context of this assessment, it concluded that there was no significant impact on the past.

Group - as a lessee

If a contract regulates the right to control the use of an asset that is defined in the contract for a certain period and for a specific price, this contract is considered as a lease in its nature or includes a lease transaction. At the beginning of a contract, the Group assesses whether the contract is a lease or include a lease transaction. The Group considers the following conditions when assessing whether or not a contract transfers the right to control the use of a defined asset for a specified period of time:

a) The existence of a clearly or implicitly identifiable asset that constitutes the subject of the lease,
b) The lessee has the right to obtain almost all of the economic benefits from the use of the defined asset that constitutes the subject of the lease,
c) The lessee has the right to manage the use of the defined asset that constitutes the subject of the lease. According to circumstances listed below, the tenant is deemed to have the right to manage the defined asset constituting the subject of the lease;

    i. The lessee has the right to operate the property for the duration of its use (or to direct others to operate the property in its own way) and the lessor does not have the right to change these operating instructions or,
    ii. Designing the asset (or certain features of the asset) in advance in a manner of how and for what purpose the asset will be used during its occupancy by the lessee.

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.2 Summary of Significant Accounting Policies (Continued)

In case that the contract fulfills these conditions, the Group reflects a right of use asset and a lease liability to the consolidated financial statements at the date of the lease's actual start.

The right of use asset

The right-of-use asset is initially recognized by the cost method and includes the followings:

a) The first measurement amount of the lease liability to be recognized as the right of use asset,
b) Deduction of all leasing incentives related to the lease, from the first measurement amount of the lease liability recorded as a right of use asset,
c) All direct costs, that are related to the lease, incurred by the Group to be added to the first measurement amount of the lease liability, which will be recognized as a right of use asset, and
d) Estimated costs to be incurred by the Group shall be added to the initial measurement amount in relation to the dismantling and transporting of the defined asset constituting the subject of the lease, the restoration of the area in which it is placed, or the restoration of the defined asset as required by the terms and conditions of the lease.

In applying the cost method, the Group measures the right of use asset by:

a) Deducting the accumulated depreciation and accumulated impairment losses and,
b) Measuring the cost of the lease in accordance with the re-measurement of the lease liability.

The Group applies depreciation provisions in "TAS 16 Property, Plant and Equipment" while depreciating the right of use asset. In order to determine whether the right of use asset has been impaired or not and to recognize any impairment losses the "TAS 36 Impairment of Assets" standard is implemented.

Lease liability

At the effective date of the lease, the Company measures its leasing liability at the present value of the lease payments not realized at that date. If the interest rate on the lease can be easily determined, this rate is used in discount; if the implied interest rate cannot be easily determined, the payments are discounted by using the alternative borrowing interest rate of the lessee.

Lease payments that are included in the measurement of the lease liability of the Group and the payments that have not occurred on the date when the lease is actually started consist of the following:

a) Amount deducted from all types of rental incentive receivables from fixed payments,
b) Lease payments based on an index or a rate, lease payments made using an index or a rate at the time the initial measurement was actually started,
c) The penalty for termination of the lease in cases the lessee shows a sign of it will use an option to terminate the lease.

After the effective date of the lease, the Group measures its lease liability as follows:

a) Increasing the book value by reflecting interest on lease liability,
b) Reducing the book value by reflecting the lease payments made,
c) Re-measures the book value to reflect any re-evaluations and reconfigurations, if any. The group reflects the remeasured amount of the lease obligation to the consolidated financial statements as adjustment in the use of right.

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.2 Summary of Significant Accounting Policies (Continued)

Extension and early termination options

A lease obligation is determined by considering the extension of the contracts and early termination options. Most of the extension and early termination options included in the contracts consist of options that are jointly applicable by the Company and the lessor. However, if such extension and early termination options are at the Company's discretion in accordance with the contract and the use of the options is reasonably certain, the lease term shall be determined by taking this issue into account. If there is a significant change in the conditions, the evaluation is reviewed by the Company.

Facilitative applications

Contracts related to IT equipment leases (mainly printer, laptop, mobile phone, etc.), which are determined by the Company as low value, short-term lease agreements with a period of 12 months and less, have been assessed under the exemption granted by the TFRS 16 Leases Standard, and payments for these contracts are recognized as an expense in the period in which they are incurred.

Foreign currency transactions

<u>Foreign currency transactions and balances</u>

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings are presented in the statement of profit or loss, under finance costs. All other foreign exchange gains and losses are presented in the statement of profit or loss on a net basis under other income or other expenses.

The results and financial position of Çelik Halat BV entities that have a functional currency different from the presentation currency (none of which has the currency of a hyperinflationary economy) are translated into the presentation currency as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet,
- Income and expenses for each income statement are translated at average exchange rates unless this average is not reasonable approximate of the cumulative effect of the prevailing on the transaction dates in which case income and expenses are translated at the rate on the dates of the transactions, and
- All resulting exchange differences are recognized in other comprehensive income.

(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated.)

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.2 Summary of Significant Accounting Policies (Continued)

A significant portion of the Group's foreign operations is performed in Europe Foreign currencies and exchange rates at 30 June 2022 and 31 December 2021 are summarized below:

	Currency	30 June 2022	31 December 2021
Netherlands	EUR	17.3701	15.0867

Segment reporting of financial information

The Group has the right to produce and sell energy with the autoproducer license it owns, as well as the main areas of operation described in Note 1. The Group produces as much energy as it needs for its production and does not sell energy to third parties. In this context, the management of the Group does not regard energy production made for internal purposes as a separate activity department. In this context, there is no reporting according to the departments since there is only one reportable department of the Group.

Earnings/ (loss) per share

Earnings/ (loss) per share is determined by dividing net income/ (loss) by the weighted average number of shares that have been outstanding during the period concerned (Note 26).

In Turkey, companies can increase their issued capital by making a pro-rata distribution of shares ("bonus shares") to existing shareholders from retained earnings. For the purpose of earnings per share computations, such bonus share issuances are regarded as issued shares for all of the periods presented in the financial statements. Therefore, the weighted average number of shares used in earnings per share computations are made with regards to the distribution of shares occurred in the prior years.

Subsequent events

In the case that events requiring a correction to be made occur subsequent, the Group makes the necessary corrections to the consolidated financial statements.

In the case that events not requiring a correction to be made occur subsequent, those events are disclosed in the notes of consolidated financial statements (Note 28).

Statement 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 activities.

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).

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.2 Summary of Significant Accounting Policies (Continued)

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 with three months or less to maturity.

The preparation of financial statements requires management to make estimates, assumptions and estimates that affect the reported amounts of assets and liabilities, their probable commitments and undertaking as of the balance sheet date, and the amounts of income and expenses in the reporting period. Actual results may differ from estimates. Estimates are regularly reviewed, necessary corrections are made and reflected in the profit or loss table in the period in which they are realized.

The following are the assumptions made by taking into consideration the actual sources of the estimates that may be realized or materialized at the balance sheet date, which could have a significant effect on the amounts reflected in the financial statements:

a) Deferred tax assets and liabilities are recognized for the temporary timing differences arising from the differences between the Company's statutory tax financial statements and the financial statements prepared in accordance with the Turkish Accounting Standards ("TAS") issued by the Public Oversight Accounting and Auditing Standards Institution. The recoverable amount of deferred tax assets partially or fully is estimated under current conditions. During the assessment, future profit projections, losses incurred in the current period, unused losses and the date of last use of other tax assets and tax planning strategies that can be used when necessary are taken into account.

b) The Company management has assumed the experience of the technical team in determining the useful economic lives of the tangible and intangible assets.

c) The Company's management is responsible for actuarial calculations based on a number of assumptions including retirement pay liability, discount rates, future salary increases and employee retirement rates.

d) The Company provides a provision for doubtful receivables in trade receivables, if the circumstances indicate that it will not be able to collect the amounts due. In other words, the amount of this difference is the difference between the recorded value of the receipt and the possible amount of the receivable.

e) The Group capitalizes ongoing development expenses and evaluates whether there is any impairment on these capitalized assets annually. As of 30 June 2022 and 31 December 2021, there is no impairment of capitalized development expenses.

(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated.)

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.3 Significant Developments in the Current Period

After COVID-19 broke out, as a result of developments/slowdowns both in overall financial activity and in the sector the group operates in, sales processes slowed in the countries the group operates in.

In the meantime, the group took action to minimise investment expenses, operational costs and inventories, and reviewed the cash management strategy to strengthen liquidity position.

Through this process, company management took the necessary actions to minimise as much as possible the potential impact of COVID-19 on the group's operations and financial status. There were no delays in payments to suppliers or collection of receivables

It is still unclear, both in Turkey and around the world, how long the impact of the COVID-19 will last and to what extent the virus will continue to spread. It will be possible to make a more clear and accurate estimation for the medium and long-term when the severity and duration of the impact becomes more evident. In addition, potential impacts of the COVID-19 outbreak were taken into account when preparing the interim consolidated financial statements dated 30 June 2022, and the estimations and assumptions used when preparing the financial statements were reviewed. In this context, the company tested potential impairments to the value of financial assets, inventories, property, plant and equipment in the interim financial statements dated 30 June 2022 and did not find any impairment.

NOTE 3 - CASH AND CASH EQUIVALENTS

	30 June 2022	31 December 2021
Banks		
- Demand deposits	11,850,685	74,811,415
- Time deposits	21,642,800	1,100,000
Other cash equivalents	609,802	-
	34,103,287	**75,911,415**

The details of time deposits as of 30 June 2022 and 31 December 2021 are as follow:

	Original currency		Interest rate per annum (%)		TRY equivalent	
	30 June 2022	31 December 2021	30 June 2022	31 December 2021	30 June 2022	31 December 2021
USD	1,200,000	-	5.50	-	20,002,800	-
TRY	1,640,000	1,100,000	15.25	18.25	1,640,000	1,100,000
					21,642,800	**1,100,000**

As of 30 June 2022 the maturity of time deposit is 26 days (2021: 41 days)

(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated.)

NOTE 3 - CASH AND CASH EQUIVALENTS (Continued)

Cash and cash equivalents disclosed in the statements of cash flows as of 30 June 2022, 31 December 2021 are as follows:

	30 June 2022	31 December 2021
Cash and banks	34,103,287	75,911,415
Accrued interest (-)	-	-
	34,103,287	**75,911,415**

NOTE 4 - FINANCIAL INVESTMENTS

	Share (%)	30 June 2022	Share (%)	31 December 2021
Kocaeli Free Zone	<1	20,087	<1	20,087
		20,087		**20,087**

NOTE 5 - SHORT TERM FINANCIAL BORROWINGS

The details of financial borrowings at 30 June 2022 and 31 December 2021 are as follows:

Short-term borrowings

	30 June 2022	31 December 2021
Bank borrowings	284,965,475	196,121,297
Lease borrowings	3,057,542	390,664
	288,023,017	**196,511,961**

Short-term parts of long-term borrowings

	30 June 2022	31 December 2021
Bank borrowings	6,621,882	4,679,460
Borrowings from leasing transactions - related parties	702,004	380,552
	7,323,886	**5,060,012**

Long-term borrowings

	30 June 2022	31 December 2021
Bank borrowings	7,122,074	8,951,956
Lease borrowings	391,279	631,989
	7,513,353	**9,583,945**

(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated.)

NOTE 5 - SHORT TERM FINANCIAL BORROWINGS (Continued)

The movement table of the borrowings from the leasing transactions is as follows:

	2022	2021
1 January	**1,403,205**	**680,439**
Increase in the period	4,489,842	2,006,192
Payments	(2,158,510)	(1,299,031)
Interest expenses (Note 23)	416,288	184,277
30 June	**4,150,825**	**1,571,877**

a) Short-term borrowings from third parties

Banka Loans

	Original currency		Interest rate per annum (%)		TRY equivalent	
	30 June 2022	31 December 2021	30 June 2022	31 December 2021	30 June 2022	31 December 2021
EUR	1,000,000	830,000	0.8	0.60-3.75	17,370,100	12,544,537
TRY	267,595,375	183,576,760	13.00-25.75	16.75-30.00	267,595,375	183,576,760
					284,965,475	**196,121,297**

b) Payables to third parties due to short portion of long term leasing

		Interest rate per annum (%)		Original currency		TRY equivalent	
	Maturity	30 June 2022	31 December 2021	30 June 2022	31 December 2021	30 June 2022	31 December 2021
TRY	2022	16.25	10	3,057,542	390,664	3,057,542	390,664
EUR	2022	3.75	3.75	381,223	309,613	6,621,882	4,679,460
						9,679,424	**5,070,124**

c) Payables to related parties due to short portion of long term leasing transactions

Payables from leasing transactions

		Interest rate per annum (%)		Original currency		TRY equivalent	
	Maturity	30 June 2022	31 December 2021	30 June 2022	31 December 2021	30 June 2022	31 December 2021
EUR	2022	1-3	1-3	40,415	25,179	702,004	380,552
						702,004	**380,552**

As of 30 June 2022 and 31 December 2021, the Group does not have any floating rate borrowings.

(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated.)

NOTE 5 - SHORT TERM FINANCIAL BORROWINGS (Continued)

d) Short-term portion of long-term borrowings from third parties

		Interest rate per annum (%)		Original currency		TRY equivalent	
	Maturity	30 June 2022	31 December 2021	30 June 2022	31 December 2021	30 June 2022	31 December 2021
TRY	2024	17.30	16.25	391,279	631,989	391,279	631,989
EUR	2024	3.75	3.75	409,282	592,300	7,122,074	8,951,956
						7,513,353	**9,583,945**

As of 30 June 2022 and 31 December 2021, net financial debt reconciliation is as follows:

	30 June 2022	31 December 2021
Cash and cash equivalents (Note 3)	34,103,287	75,911,415
Short-term borrowings	(295,346,903)	(201,571,973)
Long-term borrowings	(7,513,353)	(9,583,945)
	(268,756,969)	**(135,244,503)**

	Short term borrowings	Long term borrowings	Cash and Cash equivalents	Net Financial debt
As of 1 January 2022	**(201,571,973)**	**(9,583,945)**	**75,911,415**	**(135,244,503)**
TFRS 16 transition effect	(2,988,330)	240,710	-	(2,747,620)
Foreign currency adjustments	(1,947,294)	(848,014)	6,732,105	3,936,797
Cash flow effect	(83,508,051)	(1,370,259)	(48,540,233)	(136,704,169)
Interest accruals, net	(1,156,707)	(126,393)	-	(1,283,100)
Transfers	(4,174,548)	4,174,548	-	-
As of 30 June 2022	**(295,346,903)**	**(7,513,353)**	**34,103,287**	**(268,756,969)**

	Short term borrowings	Long term borrowings	Cash and Cash equivalents	Net Financial debt
As of 1 January 2021	**(82,320,105)**	**(389,314)**	**11,738,954**	**(70,970,465)**
TFRS 16 transition effect	(2,006,192)	-	-	(2,006,192)
Foreign currency adjustments	(4,972,636)	78,300	2,662,533	(2,231,803)
Cash flow effect	39,352,943	(9,406,350)	27,918,149	57,864,742
Interest accruals, net	(762,356)	(7,850)	-	(770,206)
As of 30 June 2021	**(50,708,346)**	**(9,725,214)**	**42,319,636**	**(18,113,924)**

(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated.)

NOTE 6 - TRADE RECEIVABLES AND PAYABLES

Short-term trade receivables from non- related parties:	30 June 2022	31 December 2021
Trade receivables	179,745,909	139,798,600
Notes and cheques receivable	40,382,796	37,256,685
	220,128,705	**177,055,285**
Provision for doubtful receivables (-)	(1,315,282)	(1,315,282)
Trade receivables net	**218,813,423**	**175,740,003**

As of 30 June 2022, the average maturity of not overdue trade receivables of the Group is 56 days as of the statement of financial position date (31 December 2021: 49 days). The Group's unearned interest income arising from forward sales related to trade receivables in TRY, EUR and USD isn't calculated (31 December 2021: None).

The movement details of provision for doubtful receivables are as follows:

	2022	2021
1 January	**(1,315,282)**	**(1,525,867)**
Increase in the period	-	(383,607)
Collections and other provisions no longer required	-	593,493
Reversals	-	699
30 June	**(1,315,282)**	**(1,315,282)**

Short-term trade payables to non-related parties:	30 June 2022	31 December 2021
Trade payables	348,604,444	268,235,661
Trade payables - net	**348,604,444**	**268,235,661**

As of 30 June 2022, the average maturity of trade payables are 59 days (31 December 2021: 60 days). The Group's unearned interest expense arising from forward purchases related to trade payables in TRY, EUR and USD isn't calculated (31 December 2021: None).

(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated.)

NOTE 7 - OTHER RECEIVABLES, PAYABLES AND OTHE SHORT-TERM LIABILITIES

a) Other receivables from non-related parties	**30 June 2022**	**31 December 2021**
Receivables from tax office	3,144,439	2,965,682
Deposits and guarantees given	806,887	594,060
Due from personnel	231,594	100,281
	4,182,920	**3,660,023**

b) Other short-term liabilities	**30 June 2022**	**31 December 2021**
Calculated VAT	1,053,618	1,287,359
Union dues and other deductions	491,125	34,118
	1,544,743	**1,321,477**

c) Other short term payables	**30 June 2022**	**31 December 2021**
Other payables to related parties (Notes 26)	627,768	377,431
	627,768	**377,431**

NOTE 8 - PAYABLES RELATED TO EMPLOYEE BENEFITS

	30 June 2022	**31 December 2021**
Social security to be paid	2,533,395	2,324,567
	2,533,395	**2,324,567**

NOTE 9 - INVENTORIES

	30 June 2022	**31 December 2021**
Finished goods	96,867,471	63,434,963
Goods in transit	96,493,889	62,513,440
Raw materials and supplies	118,975,972	76,405,293
Semi-finished goods	31,419,481	12,368,825
Trade goods	275,564	-
	344,032,377	**214,722,521**
Provision for impairment of inventory (-)	**-**	**-**
	344,032,377	**214,722,521**

The cost of raw materials and supplies consumed in current period are TRY455,462,779 (30 June 2021: TRY187,936,969) (Note 19).

(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated.)

NOTE 10 - RIGHT OF USE ASSETS

The movements of the rights of use assets during the periods are shown below:

	1 January 2022	Additions	Disposals	Transfers	30 June 2022
Cost					
Machinery, plant and equipment	6,101,369	4,489,842	-	-	10,591,211
Vehicles	1,423,565	-	-	-	1,423,565
Total	**7,524,934**	**4,489,842**	**-**	**-**	**12,014,776**

	1 January 2022	Additions	Disposals	Transfers	30 June 2022
Accumulated amortisation					
Machinery, plant and equipment	(5,471,635)	(2,310,006)	-	-	(7,781,641)
Motor vehicles	(425,407)	(182,671)	-	-	(608,078)
Total	**(5,897,042)**	**(2,492,677)**	**-**	**-**	**(8,389,719)**
Net Book Value	**1,627,892**				**3,625,057**

	1 January 2021	Additions	Disposals	Transfers	30 June 2021
Cost					
Machinery, plant and equipment	4,069,546	2,006,192	-	-	6,075,738
Vehicles	316,980	-	-	-	316,980
Total	**4,386,526**	**2,006,192**	**-**	**-**	**6,392,718**

	1 January 2021	Additions	Disposals	Transfers	30 June 2021
Accumulated amortisation					
Machinery, plant and equipment	(3,394,440)	(1,009,014)	-	-	(4,403,454)
Motor vehicles	(233,199)	(59,628)	-	-	(292,827)
Total	**(3,627,639)**	**(1,068,642)**	**-**	**-**	**(4,696,281)**
Net Book Value	**758,887**				**1,696,437**

(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated.)

NOTE 11 - PROPERTY, PLANT AND EQUIPMENT

	1 January 2022	Additions	Disposals	Transfers	30 June 2022
Cost					
Lands	992,168	-	-	-	992,168
Land and land improvements	4,338,855	-	-	29,900	4,368,755
Buildings	21,462,296	23,825	-	8,800	21,494,921
Machinery and equipment	142,602,809	4,956,484	(514,982)	18,933,077	165,977,388
Motor vehicles	115,086	675,424	-	-	790,510
Furniture and fixtures	17,369,436	1,068,775	(26,400)	133,623	18,545,434
Construction in progress	12,827,820	32,653,552	(408,271)	(19,145,000)	25,928,101
	199,708,470	**39,378,060**	**(949,653)**	**(39,600)**	**238,097,277**
Accumulated depreciation					
Land and land improvements	(2,275,062)	(190,904)	-	-	(2,465,966)
Buildings	(15,013,337)	(396,778)	-	-	(15,410,115)
Machinery and equipment	(98,318,823)	(4,153,044)	314,592	-	(102,157,275)
Motor vehicles	-	(125,216)	-	-	(125,216)
Furniture and fixtures	(11,400,476)	(661,919)	17,798	-	(12,044,597)
	(127,007,698)	**(5,527,861)**	**332,390**	-	**(132,203,169)**
Net book value	**72,700,772**				**105,894,108**

	1 January 2021	Additions	Disposals	Transfers	30 June 2021
Cost					
Lands	992,168	-	-	-	992,168
Land and land improvements	4,211,055	-	-	-	4,211,055
Buildings	19,936,818	625,771	-	-	20,562,589
Machinery and equipment	132,704,120	625,691	-	2,697,605	136,027,416
Motor vehicles	1,309,196	-	(1,014,851)	-	294,345
Furniture and fixtures	15,324,620	812,057	-	-	16,136,677
Construction in progress	3,334,540	2,833,439	-	(2,697,605)	3,470,374
	177,812,517	**4,896,958**	**(1,014,851)**	-	**181,694,624**
Accumulated depreciation					
Land and land improvements	(1,904,811)	(183,224)	-	-	(2,088,035)
Buildings	(14,368,279)	(308,347)	-	-	(14,676,626)
Machinery and equipment	(91,449,096)	(3,302,010)	740,842	-	(94,010,264)
Motor vehicles	(695,236)	(128,582)	-	-	(823,818)
Furniture and fixtures	(10,192,249)	(614,971)	-	-	(10,807,220)
	(118,609,671)	**(4,537,134)**	**740,842**	-	**(122,405,963)**
Net book value	**59,202,846**				**59,288,661**

As of 30 June 2022 and 31 December 2021, there is no pledge or mortgage on property, plant and equipment of Group.

There are no property, plant and equipment of Group due from financial leasing (31 December 2021: None).

(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated.)

NOTE 12 - INTANGIBLE ASSETS

	1 January 2022	Additions	Transfers	30 June 2022
Energy production licence	5,549	-	-	5,549
Information system	9,655,529	1,589,816	39,600	11,284,945
Development costs	10,343,026	2,955,774	-	13,298,800
Accumulated amortization (-)	(8,632,114)	(1,375,560)	-	(10,007,674)
Net book value	**11,371,990**	**3,170,030**	**39,600**	**14,581,620**

	1 January 2021	Additions	Transfers	30 June 2021
Energy production licence	5,549	-	-	5,549
Information system	8,936,442	446,817	-	9,383,259
Development costs	6,187,999	1,808,035	-	7,996,034
Accumulated amortization (-)	(6,056,733)	(1,355,451)	-	(7,412,184)
Net book value	**9,073,257**	**899,401**	**-**	**9,972,658**

NOTE 13 - SHORT-TERM PROVISIONS

a) Short-term provisions related to employee benefits

	30 June 2022	31 December 2021
Provision for unused vacation	1,329,520	884,876
	1,329,520	**884,876**

The movement of the provision for unused vacation for the periods ended are as follows:

	2022	2021
1 January	**884,876**	**536,927**
Provision for the period	2,082,048	2,262,222
Payments during the period	(1,637,404)	(1,914,273)
30 June	**1,329,520**	**884,876**

b) Other short term provisions

	2022	2021
Provision for lawsuits (1)	253,000	149,000
Provision for other expenses (2)	2,453,094	2,748,198
	2,706,094	**2,897,198**

(1) There are various on-going lawsuits where the Company is defendant. All of these lawsuits are related to labor cases. The Company management evaluates the possible causes and financial impacts of these lawsuits at the end of each period and recognizes the necessary provisions as a result of this assessment. The amount of provision recognized as at 30 June 2022 is amounting to TRY253,000 (31 December 2021: TRY149,000). There are no lawsuits that the Company was not provided a provision.

(2) Provision for other expenses consist of turnover premium accruals.

(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated.)

NOTE 13 - SHORT-TERM PROVISIONS (Continued)

The US Ministry of Trade, International Trade Administration initiated an "anti-dumping and subvention" investigation of pre-stressed concrete bundle imports from 15 countries, including Turkey. Our company was listed in the top two of companies that exported the most pre-stressed concrete bundle from Turkey to the US, which is why our company was selected as one of the companies addressed in the said investigation. The necessary analyses have started within the scope of this investigation.

Movement of lawsuit provisions is as follows:

	2022	2021
1 January	**149,000**	**473,000**
Provision for the period	104,000	-
Provision no longer required (Note 22)	-	(324,000)
30 June	**253,000**	**149,000**

Contingent assets

	30 June 2022	31 December 2021
Mortgage	10,695,000	10,695,000
Guarantee letters	5,603,907	5,310,805
Cheques	150,000	150,000
Notes	109,789	109,789
	16,558,696	**16,265,594**

As of 30 June 2022, the Group has credit agreement related to the purchase of raw materials amounting to TRY184,555,372 (31 December 2021: 96,828,862) As of 30 June 2022, the Group has no letters of credit (31 December 2021: None).

NOTE 14 - COMMITMENTS

	30 June 2022				31 December 2021			
	TRY equivalent	**TRY**	**EUR**	**USD**	**TRY equivalent**	**TRY**	**EUR**	**USD**
A. A. CPM's given in the name of its own legal personality (1)	241,340,850	178,966,497	1,988,654	1,651,506	119,892,833	14,982,437	944,250	6,787,920
B. CPM's given on behalf of 3rd parties for ordinary course of business	-	-	-	-	-	-	-	-
C. Total amount of other CPM's given								
i) Total amount of other CPM's given behalf of majority shareholders	-	-	-	-	-	-	-	-
ii) Total amount of CPM's given on behalf of other group companies	-	-	-	-	-	-	-	-
iii) Total amount of CPM's given on behalf of 3rd parties which are not in scope of B	-	-	-	-	-	-	-	-
Total	**241,340,850**	**178,966,497**	**1,988,654**	**1,651,506**	**119,892,833**	**14,982,437**	**944,250**	**6,787,920**

(1) Comprise of guarantees which the Group has given on behalf of its own legal entity as of 30 June 2022 and 31 December 2021 and there are no pledge and mortgages given.

As at 30 June 2022 and 31 December 2021 all CPMs of the Group were given on behalf of its own legal entity.

The rate of given CPMs to the Group's total equity is 0% (31 December 2021: 0%).

NOTE 15 - EMPLOYEE BENEFITS

Long-term provisions related to employee benefits:

	30 June 2022	31 December 2021
Employee termination benefits	23,853,974	21,544,488

The Group has no pension plans and benefits.

Under the Turkish Labour Law, the Group is required to pay termination benefits to each employee who has completed one year of service and whose employment is terminated without due cause, or who is called up for military service, dies and achieves the retirement age. As of 30 June 2022, the maximum amount payable equivalent to one month of salary is TRY10,848.59 (exact) (31 December 2021: TRY8,284.51 (exact)) for each year of service. The retirement pay provision ceiling TRY15,371.40 which is effective from 1 July 2022, is taken into consideration in the calculation of provision for employment termination benefits (1 January 2022: TRY10,848.59).

Provision for employment termination benefits is calculated by estimating the present value of the future probable obligation arising from the retirement of the employees of the Company.

The standard TAS 19 "Employee Benefits" envisages the development of actuarial valuation methods in order to estimate the provision of severance pay. According to this, following assumptions were used in the calculation of total liability based on the report prepared by the actuarial firm.

The principal assumption is that the maximum liability for each year of service will increase parallel with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. Consequently, in the accompanying financial statements as at 30 June 2022, the provision has been calculated by estimating the present value of the future probable obligation arising from the retirement of the employees.

Discount rate applied as 20.22% (1) (31 December 2021: 20.22%), inflation rate applied as 15.90% (2) (31 December 2021: 15.90%) and increase in wages applied as 15.90% (31 December 2021: 15.90%) in the calculation.

Age of retirement is based on considering the Company's historical operating data and taken as the average age of retirement from the Company.

(1) Discount rate used for calculating the severance payment liability is determined as the 10 years of Government Bond compound interest of 20.22% (31 December 2021: 20.22%).

(2) The upper band inflation rate of the inflation report of Central Bank of the Republic of Turkey as of the year 2021 has been used in calculating the liability for severance payment.

The movement details of provision for employee termination benefits are as follows:

	2022	2021
1 January	**21,544,488**	**13,420,396**
Total service cost	999,043	678,432
Interest cost	2,025,474	770,703
Payments	(715,031)	(604,853)
30 June	**23,853,974**	**14,264,678**

NOTE 16 - PREPAID EXPENSES AND DEFERRED INCOME

a) Short-term prepaid expenses

	30 June 2022	31 December 2021
Prepaid expenses	2,420,611	1,352,488
Advances given (*)	33,252,059	3,093,143
	35,672,670	**4,445,631**

(*) Short-term advances given consist of advances given for purchase of product.

b) Long-term prepaid expenses

	30 June 2022	31 December 2021
Advances given (*)	3,135,726	5,330,093
	3,135,726	**5,330,093**

(*) Long-term advances given consist of advances given for machinery.

c) Short-term deferred income

	30 June 2022	31 December 2021
Advances received (*)	17,344,572	16,948,775
Prepaid expenses	373,729	373,729
	17,718,301	**17,322,504**

(*) Consist of order advances received from customers.

d) Long-term deferred income

	30 June 2022	31 December 2021
Prepaid expenses	-	186,864
	-	**186,864**

NOTE 17 - OTHER CURRENT/NON-CURRENT ASSETS

Other current assets:

	30 June 2022	31 December 2021
Deferred VAT	22,429,876	6,227,962
Income accrual	-	207,562
	22,429,876	**6,435,524**

NOTE 17 - OTHER CURRENT/NON-CURRENT ASSETS(Continued)

Other non-current assets:

	30 June 2022	31 December 2021
Blocked account (*)	1,041,106	472,076
Deferred special consumption tax	232,428	22,211
	1,273,534	**494,287**

(*) As of 30 June 2022 the Company has restricted deposits amounting to TRY1,041,106 (31 December 2021: TRY472,076). Annual effective interest rates applied to the restricted deposits are 15.50%. TRY500,426 (31 December 2021:None) of the restricted deposits is held by Takasbank regarding to the purchase of electricity at the daily market price as a result of the modification performed to the regulation of Energy Market Regularity Authority. TRY495,585 (31 December 2021 TRY465,209) is given to the customs as a Guarantee Letter. There is an interest accrual of TRY45,095 for the remaining amounting on blocked account as of 30 June 2022 (31 December 2021: TRY6,865).

NOTE 18 - EQUITY

Paid-in capital

The Company adopted the registered paid-in capital system and set a limit on its registered paid-in capital representing registered type shares with a nominal value of TRY1. Company's registered capital ceiling and issued capital at 30 June 2022 and 31 December 2021 are as follows:

	30 June 2022	31 December 2021
Registered authorized capital ceiling	100,000,000	100,000,000
Paid-in capital	41,500,000	41,500,000

The ultimate shareholders of the Company are Aydın Doğan and Doğan Family (Işıl Doğan, Arzuhan Yalçındağ, Vuslat Sabancı, Hanzade V. Doğan Boyner ve Y.Begümhan Doğan Faralyalı).

	(%)	30 June 2022	(%)	31 December 2021
Doğan Holding (1)	69.83	28,980,816	69.83	28,980,816
Publicly traded on Borsa İstanbul and other(2)	30.17	12,519,184	30.17	12,519,184
Capital	**100.00**	**41,500,000**	**100.00**	**41,500,000**
Adjustment to share capital		8,642,368		8,642,368
Total		**50,142,368**		**50,142,368**

(1) As of 30 June 2022, 70.31% of the shares of the Company owned by Doğan Holding, which corresponds to 29.69% of the publicly available shares of Çelik Halat in the Stock Exchange (31 December 2021: 29.57%).

(2) In accordance with the "CMB" Resolution No: 31/1059 issued on 30 October 2014 and 21/655 issued on 23 July 2010, it is regarded that 29.69% of the shares are outstanding as of 30 June 2022 based on the Central Registry Agency's ("CRA") records. (31 December 2021: 29.67%)

There are no privileged shares of the Company.

Adjustment to share capital represents the difference between cash and cash equivalent contributions to the total amounts adjusted for inflation added to issue share capital and amounts before inflation adjustment.

NOTE 18 - EQUITY(Continued)

Restricted reserves

Restricted reserves are reserved from the prior period profit due to legal or contractual obligations or for certain purposes other than the profit distribution (for example, to obtain the tax advantage of gain on sale of associates). Restricted reserves are in the scope of solo legal records in accordance with TCC and TPL.

General Statutory Legal Reserves are reserved according to the article 519 of Turkish Commercial Code and used in accordance with the principles set out in this article. The aforementioned amounts should be classified in "Restricted Reserves" in accordance with the TAS.

As of 30 June 2022, the Company's restricted reserves amounting to TRY4,613,361 (31 December 2021: TRY3,906,090) comprise of general statutory legal reserves with respect to the Company records in accordance with Tax Legislation.

Accumulated Other Comprehensive Income and Expenses that will not be Reclassified in Profit or Loss

The Group's investment property revaluation reserves and actuarial losses of defined benefit plans that aren't reclassified in accumulated other comprehensive income and expenses are summarized below:

i. Actuarial gains/(losses) on defined benefit plans

Provision for employment termination benefits is calculated by estimating the present value of the future probable obligation arising from the retirement of the employees of the Group. The Group recognized all actuarial gains and losses in other comprehensive income. Actuarial loss recognized under equity in the financial position table amounts to TRY11,493,778 (31 December 2021: TRY11,493,778).

Capital Reserves and Retained Earnings

Subsequent to the first inflation adjusted financial statements, equity items such as; "Capital, Emission Premiums, General Statutory Legal Reserves, Statutory Reserves, Special Reserves and Extraordinary Reserves" are carried at carrying value in the statement of financial position and their adjusted values based on inflation are collectively presented in equity accounts group.

In accordance with the CMB regulations, "Issued capital", "Restricted Reserves" and "Share Premiums" shall be carried at their statutory amounts. The valuation differences resulted due to the inflation adjustment shall be disclosed as follows:

- If the difference is due to the "Issued Capital" and not yet been transferred to capital, it should be classified under "Capital adjustment difference;
- If the difference is due to "Restricted Reserves" and "Share Premium" and the amount has not been subject to dividend distribution or capital increase yet, it shall be classified under "Retained Earnings/Losses".

Capital adjustment differences have no other use than to be included to the share capital.

As of 30 June 2022, according to records kept in the scope of Tax Legislation, there was no extraordinary reserve. It was categorised under the previous year's profit account as per a General Assembly decision (31 December 2021: None).

NOTE 18 - EQUITY(Continued)

Dividend distribution

The Group decides to distribute profit and makes profit distribution in accordance with the Turkish Commercial Code ("TCC"), Capital Market Law ("CML"), Capital Market Board ("CMB") Regulations and Laws; Tax Legislations; other related statutory legislation and Articles of Association and Resolutions of General Assembly. Profit distribution is determined by Profit Distribution Policy.

On the other hand,

a) Retained earnings derived from the repreparation of comparative financial statements based on the first time adoption of TAS,
b) "Equity inflation adjustment differences" derived from resources that do not have any restriction regarding profit distribution,
c) Retained earnings derived from the first time inflation adjustment of financial statements, can be distributed to shareholders as cash dividends.

In addition, if the financial statements include the "Purchasing Impact on Equity" item under equity, the related item is not considered as a deductible or additional item when presenting net distributable profit for the period.

At the Ordinary General Assembly Meeting of the Group held on 29 March 2022.

- Considering the Turkish Commercial Code ("TCC"), capital market legislation and Capital Markets Board ("CMB") Regulations, corporate tax, income tax and other relevant legal legislation and the legislation relevant to the Main Agreement of the Company and the "Dividend Distribution Policy" disclosed to the public,

- It was decided by majority vote that- In the scope of the provisions of the CMB's Communiqué on the Principles of Financial Reporting in Capital Markets (Communiqué no. II-14.1), according to our Company's consolidated financial statements of the 01/01/2021-31/12/2021 accounting period prepared in line with Turkish Accounting Standards (TAS) and Turkish Financial Reporting Standards (TFRS) published by the Public Oversight, Accounting and Auditing Standards Authority (KGK) and for which presentation principles were determined as per CMB decisions, considered together with deferred tax income, net period profit totalled TRY7,572,680, and after allocating a legal reserve of TRY413,571.63 and adding the TRY110,385 in donations, a "donations-added net allocatable period profit of TRY7,269,493.38 was calculated,

- In our legal accounting records of the 01/01/2021-31/12/2021 accounting period prepared in line with tax legislation and the uniform chart of accounts (General Communiqué on Accounting System Implementation) published by the Republic of Turkey Ministry of Finance, net period profit totalled TRY17,771,188.31 in the 01/01/2021-31/12/2021 accounting period, and after offsetting the previous year financial loss of TRY9,499,755.81 in our legal accounting records and allocating a legal reserve of TRY413,571.63 as per paragraph (1), article 519 of TCC, a net allocatable period profit of TRY7,857,860.88 was calculated,

- It was decided by majority vote that after an additional general legal reserve amounting to TRY293,700.00 was allocated as per sub-paragraph (c) of paragraph 2 of Article 519 of the TCC, a cash dividend of TRY 5,012,000.00 (gross) and TRY 4,510,800.00 (net), equal to 12.08% gross and 10.87% net of the issued capital, would be distributed in line with the rules of Merkezi Kayıt Kuruluşu A.Ş. on fractions, and the profit share distribution should begin on 29 April 2022 at the latest,

NOTE 18 - EQUITY(Continued)

Dividend distribution (Continued)

- According to the TAS/TFRS Consolidated Financial Statements, prepared in line with CMB regulations and audited independently, unallocated profits of TRY2,147,108.37, which were not allocated as profits after the necessary legal provisions were set aside, should be categorized under "Previous Year Profits",
- It was decided by majority vote that retained earnings amounting to TRY 2,552,160.88 which were not distributed after the required legal reserves were allocated according to the legal accounting records of the Company would be included in the "Extraordinary Reserves" account.

The CMB's requires the disclosure of total amount of net profit in the statutory records and other resources which may be subject to distribution. As of the statement of financial position date, the Group's TRY27,991,183 gross amount of resources that may be subject to the profit distribution (31 December 2021: TRY7,564,161).

NOTE 19 - REVENUE AND COST OF SALES

a) Revenue:

	1 January - 30 June 2022			1 April- 30 June 2022		
	Domestic sales	**Foreign sales**	**Total**	**Domestic sales**	**Oversea sales**	**Total**
Multi-strand rope	47,481,043	214,307,763	261,788,806	28,323,989	110,076,507	138,400,496
Prestressed concrete	219,147,882	82,743,910	301,891,792	111,121,383	35,260,318	146,381,701
Spring wire	123,206,617	2,428,864	125,635,481	67,912,711	569,614	68,482,325
Galvanized wire	10,701,669	24,518,704	35,220,373	6,209,504	13,279,181	19,488,685
Scrap sales	8,719,665	-	8,719,665	3,913,258	-	3,913,258
Other	-	-	-	-	-	-
Gross profit	**409,256,876**	**323,999,241**	**733,256,117**	**217,480,845**	**159,185,620**	**376,666,465**
Sales return and discounts (-)	(25,904,975)	(827,130)	(26,732,105)	(15,633,220)	1,828,419	(13,804,801)
Total	**383,351,901**	**323,172,111**	**706,524,012**	**201,847,625**	**161,014,039**	**362,861,664**

	1 January - 30 June 2021			1 April- 30 June 2021		
	Domestic sales	**Foreign sales**	**Total**	**Domestic sales**	**Oversea sales**	**Total**
Multi-strand rope	23,117,456	85,551,416	108,668,872	10,870,190	51,497,043	62,367,233
Prestressed concrete	53,052,626	57,874,389	110,927,015	27,951,034	35,472,003	63,423,037
Spring wire	57,050,504	1,958,758	59,009,262	32,187,179	1,450,370	33,637,549
Galvanized wire	5,448,828	14,661,491	20,110,319	2,807,457	8,252,224	11,059,681
Scrap sales	3,958,224	-	3,958,224	2,220,316	-	2,220,316
Other	229,648	-	229,648	118,160	-	118,160
Gross profit	**142,857,286**	**160,046,054**	**302,903,340**	**76,154,336**	**96,671,640**	**172,825,976**
Sales return and discounts (-)	(10,379,877)	(127,312)	(10,507,189)	(5,344,868)	(101,543)	(5,446,411)
Total	**132,477,409**	**159,918,742**	**292,396,151**	**70,809,468**	**96,570,097**	**167,379,565**

NOTE 19 - REVENUE AND COST OF SALES (Continued)

The Group performs its foreign sales to Europe by 68.36% (2021: 47.90%), America by 15.02% (2021: 37.70%), Asia by 13.76% (2021: 12.70%) and to Africa by 0.30% (2021: 1.70%).

b) Cost of sales:

	1 January - 30 June 2022	1 April - 30 June 2022	1 January - 30 June 2021	1 April - 30 June 2021
Raw materials (Note 9)	455,462,779	235,880,884	187,936,969	101,127,543
Labor cost (Note 21b)	38,704,958	21,612,770	20,803,808	11,227,568
General production cost	72,129,190	40,996,785	34,512,993	26,444,404
Amortization and depreciation expenses (Notes 10,11 and 12a)	6,524,193	3,359,285	4,753,591	2,341,724
Total	**572,821,120**	**301,849,724**	**248,007,361**	**141,141,239**

NOTE 20 - MARKETING, GENERAL ADMINISTRATIVE AND RESEARCH AND DEVELOPMENT EXPENSES

	1 January - 30 June 2022				1 April - 30 June 2022			
	Marketing expenses	General administrative expenses	Research development expenses	Total	Marketing expenses	General administrative expenses	Research development expenses	Total
Transportation and shipping expenses	34,116,015	-	-	34,116,015	19,061,073	-	-	19,061,073
Personnel expenses (Note21.b)	2,686,634	6,134,674	956,437	9,777,745	1,406,911	3,252,631	439,608	5,099,150
Service expenses	3,663,475	5,466,217	-	9,129,692	1,258,264	3,071,364	-	4,329,628
Amortization and depreciation expense (Note 10, 11, 12 and 21)	66,837	1,353,924	506,559	1,927,320	33,561	716,475	261,188	1,011,224
Advertising and marketing expenses	5,809,239	-	-	5,809,239	2,741,789	-	-	2,741,789
Benefits provided to key management personnel (Note26.ii.b,21.b)	-	4,013,491	-	4,013,491	-	1,199,528	-	1,199,528
Litigation, notary, tax, duties and charge expenses	-	607,404	-	607,404	-	246,824	-	246,824
Travel and transportation expenses	682,261	138,002	-	820,263	487,570	119,584	-	607,154
Other	863,606	1,097,353	-	1,960,959	139,208	581,360	-	720,568
Total	**47,888,067**	**18,811,065**	**1,462,996**	**68,162,128**	**25,128,376**	**9,187,766**	**700,796**	**35,016,938**

	1 January - 30 June 2021				1 April - 30 June 2021			
	Marketing expenses	General administrative expenses	Research development expenses	Total	Marketing expenses	General administrative expenses	Research development expenses	Total
Transportation and shipping expenses	14,192,388	-	-	14,192,388	9,318,090	-	-	9,318,090
Personnel expenses (Note21.b)	1,760,391	3,111,622	1,003,202	5,875,215	1,156,712	1,670,756	529,702	3,357,170
Service expenses	894,676	3,175,984	-	4,070,660	457,187	1,455,307	-	1,912,494
Amortization and depreciation expense (Note 10, 11, 12 ve 21)	24,971	1,127,567	253,439	1,405,977	12,448	564,049	126,719	703,216
Advertising and marketing expenses	1,063,300	-	-	1,063,300	448,040	-	-	448,040
Benefits provided to key management personnel (Note26.ii.b,21.b)	-	1,418,618	-	1,418,618	-	759,945	-	759,945
Litigation, notary, tax, duties and charge expenses	-	477,029	-	477,029	-	160,306	-	160,306
Travel and transportation expenses	48,892	103,490	-	152,382	31,248	58,893	-	90,141
Other	410,669	600,511	-	1,011,180	(24,506)	445,701	-	421,195
Total	**18,395,287**	**10,014,821**	**1,256,641**	**29,666,749**	**11,399,219**	**5,114,957**	**656,421**	**17,170,597**

NOTE 21 - EXPENSES BY NATURE

a) Amortization and depreciation expenses:

	1 January - 30 June 2022	1 April - 30 June 2022	1 January - 30 June 2021	1 April- 30 June 2021
Cost of sales (Note 19)	6,524,193	3,359,285	4,753,591	2,341,724
General administrative expenses (Note 20)	1,353,924	716,475	1,127,567	564,049
Research and development expenses (Note 20)	506,559	261,188	253,439	126,719
Projects developed	336,695	173,147	270,213	120,862
Inventories (Note 11 and 12)	607,890	312,611	531,446	261,799
Marketing expenses (Note 20)	66,837	33,561	24,971	12,448
Total	**9,396,098**	**4,856,267**	**6,961,227**	**3,427,601**

b) Personnel expenses:

	1 January - 30 June 2022	1 April - 30 June 2022	1 January - 30 June 2021	1 April- 30 June 2021
General production cost (Note 19)	38,704,958	21,612,770	20,803,808	11,227,568
General administrative expenses (Note 20)	10,148,165	4,452,159	4,530,240	2,430,701
Research and development expenses (Note 20)	956,437	439,608	1,003,202	529,702
Marketing expenses (Note 20)	2,686,634	1,406,911	1,760,391	1,156,712
Total	**52,496,194**	**27,911,448**	**28,097,641**	**15,344,683**

NOTE 22 - OTHER INCOME AND EXPENSES FROM OPERATING ACTIVITIES

Other income from operating activities

	1 January - 30 June 2022	1 April - 30 June 2022	1 January - 30 June 2021	1 April- 30 June 2021
Foreign exchange gains	62,866,890	35,986,713	18,140,551	7,778,413
SGK incentives	1,779,701	918,889	1,273,050	565,418
Interest income	694,406	515,206	611,537	300,942
Insurance income	105,873	(49,211)	37,457	33,948
Provisions no longer required (Note 6 and 13)	-	(699)	324,699	-
Other	1,222,010	620,953	1,092,829	546,118
Total	**66,668,880**	**37,991,851**	**21,480,123**	**9,224,839**

Other expenses from operating activities

	1 January - 30 June 2022	1 April - 30 June 2022	1 January - 30 June 2021	1 April- 30 June 2021
Foreign exchange gains	(53,687,121)	(28,881,104)	(28,748,489)	(13,068,642)
Provision expenses (Note 6 and 13)	(104,000)	-	(383,607)	-
Other	(1,656,431)	(1,654,096)	(111,896)	(13,503)
Total	**(55,447,552)**	**(30,535,200)**	**(29,243,992)**	**(13,082,145)**

NOTE 23 - FINANCIAL EXPENSE

	1 January - 30 June 2022	1 April - 30 June 2022	1 January - 30 June 2021	1 April- 30 June 2021
Foreign exchange loss	(3,290,522)	(1,676,311)	(4,894,336)	(1,235,588)
Borrowing and factoring interest expense	(22,467,910)	(12,634,755)	(2,176,381)	(1,041,422)
Leasing interest expenses	(416,288)	(179,290)	(184,277)	(62,472)
Other	(2,148,645)	(1,154,995)	(338,950)	(178,007)
Total	**(28,323,365)**	**(15,645,351)**	**(7,593,944)**	**(2,517,489)**

NOTE 24 - INCOME TAX (DEFERRED TAX ASSETS AND LIABILITIES INCLUDED)

	30 June 2022	31 December 2021
Current period tax expense	6,820,827	-
Prepaid corporate taxes	(3,668,401)	-
Current period tax (liability)/asset	**3,152,426**	**-**

Corporate tax is payable on the total income of the Group after adjusting for certain disallowable expenses, corporate income tax exemptions (exemption for participation in subsidiaries, etc.) and corporate income tax deductions (such as research and development expenditures deduction). No further tax is payable unless there is dividend distribution.

Companies calculate corporate tax quarterly at the rate of 23% over their corporate income and these amounts are disclosed by the end of 14th day and paid by the end of the 17th day of the second month following each calendar quarter-end. Advance taxes paid in the period are offset against the following period's corporate tax liability. If there is an outstanding advance tax balance as a result of offsetting, the related amount may either be refunded in cash or used to offset against for other payables to the government.

With the adjustment to the Corporate Income Tax Law, which became effective after its promulgation in Official Gazette no. 31462 dated 22 April 2021, the corporate income tax rate in Turkey was set at 23% as of 30 June 2021 (31 December 2021 22%). Accordingly, when calculating deferred tax assets and liabilities of subsidiaries resident in Turkey for the Group's consolidated financial statements dated 30 June 2021 were calculated using the 20% rate for the portion of temporary differences that will create a tax impact in 2022 and thereafter.

According to, Amendments in Tax Procedural Law, Income Tax Law and Corporate Tax Law ("Law No. 5024") published in the Official Gazette on 30 December 2003 and the income or corporations taxpayers whose determine their profits on the basis of the statement of financial position, the financial statements are subject to inflation adjustment starting from 1 January 2004. In accordance with the related law, the cumulative inflation of last 36 months inflation rate (PPI) must exceed 100% and the inflation rate (PPI) of last 12 months must exceed 10% in order to adjust inflation. There has not been any inflation adjustment after 2005 due to the absence of conditions required.

NOTE 24 - INCOME TAX (DEFERRED TAX ASSETS AND LIABILITIES INCLUDED) (Continued)

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns by the 25th of the fourth month following the close of the financial year to which they relate. Tax authorities can review accounting records within five years and if they determine any errors on the accounting records, tax payable can be reassessed as a result of another tax assessment

Under the Turkish tax legislation, tax losses can be carried forward to offset against future taxable income for up to 5 years.

Deferred Taxes

The Group calculates deferred income tax assets and liabilities considering the effects of temporary differences arising from different valuations between balance sheet items and KGK Financial Reporting Standards and tax financial statements. Such temporary differences arise from the recognition of revenue and expenses in different reporting periods for the financial reporting standards and tax legislation of the Group, as well as for financial losses transferred.

The rates to be applied for the deferred tax assets and liabilities calculated according to the liability method over the future long-term temporary differences are valid tax rates at the balance sheet date and these rates are included in the table above and explanations.

Movements for net deferred taxes for the periods ended at 30 June 2022 and 2021 are as follows:

	1 January - 30 June 2022	1 April - 30 June 2022	1 January - 30 June 2021	1 April- 30 June 2021
Current period tax expense	(6,820,827)	(2,987,324)	-	-
Deferred tax income/(expense)	10,781,965	12,846,804	(115,477)	(477,561)
Total tax income/(expense)	**3,961,138**	**9,859,480**	**(115,477)**	**(477,561)**

Tax reconciliations for the interim periods ended 30 June 2022 and 2021 are as follows:

	1 January- 30 June 2022	1 January- 30 June 2021
Profit/(loss) before tax	**48,438,726**	**298,139**
Tax rate 23% (2021: 25%)	(11,140,907)	(59,628)
Tax effect:		
Non-deductible expenses	(2,623,697)	(524,635)
The effects of current year losses that is not recognized as the deferred tax asset	-	106,386
R&D incentives	(2,141,511)	362,400
Effect of change in statutory tax rate on deferred tax	1,580,995	-
R&D incentives	3,586,196	-
Effect of revaluation of property, plant and equipment	13,718,629	-
Deducted carry forward tax losses	773,643	-
Other, net	207,790	-
Tax income/(expense) for the period	**3,961,138**	**(115,477)**

NOTE 24 - INCOME TAX (DEFERRED TAX ASSETS AND LIABILITIES INCLUDED) (Continued)

Deferred tax (Continued)

The composition of cumulative temporary differences and the related deferred tax assets and liabilities in respect of items for which deferred tax has been provided at 30 June 2022 and 31 December 2021 using the enacted tax rates are as follows:

	Cumulative temporary differences		Deferred tax assets/ (liabilities)	
	30 June 2022	**31 December 2021**	**30 June 2022**	**31 December 2021**
Revaluation of property, plant and equipment	(68,593,145)	-	13,718,629	-
Provision for employment termination (Note 15)	(23,853,974)	(21,544,488)	4,770,795	4,308,898
Research and development incentives	-	(10,051,423)	-	2,010,285
Sales cut-off and its effect on inventory - net	(9,891,793)	(9,857,983)	1,978,359	1,971,597
Research and development expenses	(2,039,878)	(1,888,810)	407,976	377,762
Provision for unused vacation benefits (Note 13)	(1,329,520)	(884,876)	265,904	176,975
Provision for continued lawsuits (Note 13)	(253,000)	(149,000)	50,600	29,800
Other	(3,363,135)	(3,548,999)	672,627	709,800
Deferred tax assets	**(109,324,445)**	**(47,925,579)**	**21,864,890**	**9,585,117**
Tangible and intangible assets useful lives differences	29,271,935	21,782,895	(5,854,387)	(4,356,579)
Deferred tax liabilities	**29,271,935**	**21,782,895**	**(5,854,387)**	**(4,356,579)**
Deferred tax assets, net	**(80,052,510)**	**(26,142,684)**	**16,010,503**	**5,228,538**

The movement details of deferred tax assets is as follows:

	2022	**2021**
1 January	**5,228,538**	**6,597,883**
Current period deferred tax expense	3,961,138	(115,477)
Current period tax expense	6,820,827	-
30 June	**16,010,503**	**6,482,406**

NOTE 25 - EARNING PER SHARE

(Loss)/Earnings per share stated in the statement of income are calculated by dividing the net (loss)/income by the weighted average number of ordinary shares outstanding during the year.

Companies in Turkey can increase their share capital by making a pro-rata distribution of shares ("Bonus Shares") to existing shareholders from statutory retained earnings and statutory revaluation surplus. For the purpose of earnings per share computations, the weighted average number of shares in existence during the year has been adjusted in respect of bonus share issue without a corresponding change in resources, by giving them retroactive effect for the year in which they were issued and each earlier year.

Basic earnings/ (loss) per share are calculated by dividing the net (loss)/income attributable to shareholders by the weighted average number of ordinary shares in issue.

NOTE 25 - EARNING PER SHARE (Continued)

	1 January - 30 June 2022	1 April - 30 June 2022	1 January - 30 June 2021	1 April- 30 June 2021
Net profit for the period attributable to equity holders of the Parent Company	52,399,865	27,665,782	182,662	3,149,284
Weighted average number of shares	41,500,000	41,500,000	35,666,666	41,500,000
Earnings per share (exact TRY)	**1.26**	**0.67**	**0.01**	**0.08**

NOTE 26 - RELATED PARTY DISCLOSURES

i) Balances of related parties:

b) Other payables:

	30 June 2022	31 December 2021
Değer Merkezi Hizmetleri ve Yönetim Danışmanlığı A.Ş (“Değer Merkezi”)(1)	627,768	377,431
	627,768	**377,431**

(1) Comprises of advisory, consultancy and technical support services purchased from Değer Merkezi.

b) Liabilities from leasing transactions:

	30 June 2022	31 December 2021
Değer Merkezi Hizmetleri ve Yönetim Danışmanlığı A.Ş. (“Değer Merkezi”)(1)	702,004	380,552
Total	**702,004**	**380,552**

(1) Comprises of the vehicle leasing services obtained from Değer Merkezi.

NOTE 26 - RELATED PARTY DISCLOSURES (Continued)

ii) Transactions with related parties

a) Product and service purchases from related parties:

Operating expenses:

	1 January - 30 June 2022	1 April - 30 June 2022	1 January - 30 June 2021	1 Nisan- 30 June 2021
Değer Merkezi Hizmetler ve Yönetim Danışmanlığı A.Ş. (1)	2,520,041	2,029,008	2,245,124	1,258,887
Aytemiz Petrolcülük Ticaret Limited Şirketi (2)	-	-	-	-
Ditaş Doğan Yedek Parça İmalat ve Teknik A.Ş. (3)	-	-	132,516	71,166
Aytemiz Akaryakıt Dağıtım A.Ş. (4)	-	-	-	-
Doğan Trend Otomotiv Ticaret Hizmet ve Teknoloji A.Ş. (5)	369,936	335,411	76,671	76,671
D Market Elektronik Hizmetler ve Ticaret A.Ş. (6)	11,618	11,618	103	103
D Gayrimenkul Yatırımları ve Ticaret A.Ş. (7)	-	-	4,140	73
Suzuki Motorlu Araçlar Pazarlama A.Ş. (8)	108,414	89,464	20,000	20,000
Total	**3,010,009**	**2,465,501**	**2,478,554**	**1,426,900**

(1) Comprises of advisory, consultancy and technical support services and rent a car, travel services purchased from Değer Merkezi Hizmetler ve Yönetim Danışmanlığı A.Ş.
(2) It consists of the fuel purchased from Aytemiz Petrolcülük.
(3) Comprises of office rental services purchased from Ditaş.
(4) Comprises of vehicle identification service purchases from Aytemiz Akaryakıt.
(5) Comprises of car rent and travel services purchased from Doğan Trend.
(6) Comprises of miscellaneous expenses from D Market.
(7) Comprises of consultancy services purchased from D Gayrimenkul.
(8) Comprises of consultancy services purchased from Suzuki.

c) Benefits provided to key management personnel of Group:

The Group has designated its key management personnel as members of the board of directors, general manager and assistant general manager.

	1 January - 30 June 2022	1 April - 30 June 2022	1 January - 30 June 2021	1 April- 30 June 2021
Salaries and other short-term provisions (Note 20)	4,013,491	1,199,528	1,418,618	759,945
Total	**4,013,491**	**1,199,528**	**1,418,618**	**759,945**

NOTE 27 - NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS

Financial instruments and financial risk management

The Group's activities expose it to a variety of financial risks; these risks are credit risk, market risk including the effects of changes in debt and equity market prices, foreign currency exchange rates, fair value interest rate risk and cash flow interest rate risk, and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance of the Group.

NOTE 27 - NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS (Continued)

a) Market risk

Foreign currency risk

The Group operates internationally. The Group is exposed to foreign exchange risk through the impact of rate changes on the translation of foreign currency liabilities to local currency. These risks are monitored and limited by analyzing foreign currency position. These risks are monitored and limited by analyzing foreign currency position.

As of 30 June 2022 and 31 December 2021, net foreign currency position of Group is as follows:

	30 June 2022	31 December 2021
Total assets	216,683,374	239,147,749
Total liabilities	(211,738,069)	(205,393,883)
Net foreign currency position	**4,945,305**	**33,753,866**

As of 30 June 2022 and 31 December 2021, sensitivity analysis for currency risk and foreign currency denominated asset and liability balances are summarized below:

	30 June 2022		
	TRY equivalent	**USD**	**EUR**
1. Trade Receivables	187,290,924	2,197,316	8,674,709
2. Monetary Financial Assets (Cash, banks included)	29,392,450	1,360,171	387,453
3. Current Assets (1+2)	**216,683,374**	**3,557,487**	**9,062,162**
4. Total Assets (3)	**216,683,374**	**3,557,487**	**9,062,162**
5. Trade Payables	(179,877,512)	(1,787,876)	(8,622,028)
6. Financial Liabilities (Note 5)	(24,738,483)	-	(1,421,638)
7. Short Term Liabilities (5+6+7)	**(204,615,995)**	**(1,787,876)**	**(10,043,666)**
8. Financial Liabilities (Note 5)	(7,122,074)	-	(409,282)
10. Long Term Liabilities (8)	**(7,122,074)**	**-**	**(409,282)**
11. Total Liabilities	**(211,738,069)**	**(1,787,876)**	**(10,452,948)**
10. Total assets related to the cash flow hedges	-	-	-
11. Total liabilities related to the cash flow hedges	-	-	-
12. Net Asset / Liability Position of Off Statement of Financial Position	**-**	**-**	**-**
13. Net Foreign Currency Asset/(Liability)/ Position	**4,945,305**	**1,769,611**	**(1,390,786)**
14. Net Foreign Currency Asset/(Liability) Position of Monetary Items	**4,945,305**	**1,769,611**	**(1,390,786)**

NOTE 27 - NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS (Continued)

a) Market risk (Continued)

	31 December 2021		
	TRY equivalent	**USD**	**EUR**
1. Trade Receivables	164,368,376	3,335,218	7,948,276
2. Monetary Financial Assets (Cash, banks included)	74,779,373	1,251,353	3,851,080
3. Current Assets (1+2)	**239,147,749**	**4,586,571**	**11,799,356**
4. Total Assets (3)	**239,147,749**	**4,586,571**	**11,799,356**
5. Trade Payables	(184,228,761)	(5,733,905)	(7,123,504)
6. Financial Liabilities (Note 5)	(21,535,252)	-	(1,424,864)
7. Liabilities from leasing transactions (Note 5)	-	-	-
8. Short Term Liabilities (5+6+7)	**(205,764,013)**	**(5,733,905)**	**(8,548,368)**
9. Total liabilities (9)	**(205,764,013)**	**(5,733,905)**	**(8,548,368)**
10. Total asset related to the cash flow hedges	-	-	-
11. Total liabilities related to the cash flow hedges	-	-	-
12. Net Asset / Liability Position of Off Statement of Financial Position	-	-	-
13. Net Foreign Currency Asset/(Liability)/ Position	**33,383,736**	**(1,147,334)**	**3,250,988**
14. Net Foreign Currency Asset/(Liability) Position Of Monetary Items	**33,383,736**	**(1,147,334)**	**3,250,988**

As of 30 June 2022, foreign currency denominated asset and liability balances were converted by the following exchange rates buying TRY16.6614 = 1USD, selling 16.6914 = 1USD, buying TRY17.3701 = 1EUR selling TRY17.4014 = 1EUR,(31 December 2021: buying TRY13.3290 = 1USD, selling TRY13.353 = 1USD, buying TRY15.085 = 1EUR, selling TRY15.1139 = EUR).

The Group is exposed to foreign exchange risk primarily with respect to EUR and USD. The effect of the Group's EUR and USD foreign currency position as of 30 June 2022 and 31 December 2021 under the assumption of the appreciation and depreciation of TRY against other currencies by 20% with all other variables held constant, is as follows:

NOTE 27 - NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS (Continued)

a) Market risk (Continued)

	30 June 2022 Profit/(Loss)	
	Appreciation of foreign currency	**Depreciation of foreign currency**
If the USD had changed by 20% against the TRY		
USD net (liabilities)/assets	5,896,839	(5,896,839)
Hedging amount of USD (-)	-	-
USD net effect	**5,896,839**	**(5,896,839)**
If the EUR had changed by 20% against the TRY		
EUR net (liabilities)/assets	(4,831,618)	4,831,618
Hedging amount of EUR (-)	-	-
EUR Net Effect	**(4,831,618)**	**4,831,618**
Total Net Effect	**1,065,221**	**(1,065,221)**

	31 December 2021 Profit/(Loss)	
	Appreciation of foreign currency	**Depreciation of foreign currency**
If the USD had changed by 20% against the TRY		
USD net (liabilities)/assets	(3,064,070)	3,064,070
Hedging amount of USD (-)	-	-
USD net effect	**(3,064,070)**	**3,064,070**
If the EUR had changed by 20% against the TRY		
EUR net (liabilities)/assets	9,809,336	(9,809,336)
Hedging amount of EUR (-)	-	-
EUR Net Effect	**9,809,336**	**(9,809,336)**
Total Net Effect	**6,745,266**	**(6,745,266)**

NOTE 27 - NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS (Continued)

a) Market risk (Continued)

Price risk

As the equity investments classified under financial assets of the Group are not quoted in an active market, the Group is not exposed to price risk.

Interest rate risk

The Group has interest-bearing debt with variable and fixed interest rate. The Group is exposed to cash flow interest rate risk due to variable interest rate loans. In addition, fixed interest rate loans are subject to fair value interest rate risk. As of 30 June 2022 there are no effect of 100 basis point estimated change due to Group not having any loans with variable credit (31 December 2021: None).

The analysis of average annual interest rate (%) of financial instruments of Group is as follows:

	30 June 2022	**31 December 2021**
Financial instruments with fixed rate		
Financial liabilities (Note 5)	302,860,256	211,155,918

	30 June 2022			**31 December 2021**		
	USD	**EUR**	**TRY**	**USD**	**EUR**	**TRY**
Liabilities						
Financial liabilities	-	0.8-3.75	13.00-25.75	-	0.60-3.75	16.75-30.00

b) Credit risk

Credit risk involves the risk that counterparties may be unable to meet the terms of their agreements. These risks are monitored by credit ratings and by setting credit limits to individual counterparties. The credit risk is generally highly diversified due to the large number of entities comprising the customer bases and their dispersion across many different industries.

NOTE 27 - NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS (Continued)

b) Credit risk (Continued)

The table representing the Group's credit risk of financial instruments as of 30 June 2022 and 31 December 2021 is as follows:

	Trade Receivables		Other Receivables		
	Related parties	Non-related parties	Related parties	Non-related parties	Bank deposits
Exposure to maximum credit risk as at balance sheet date	**-**	**218,813,423**	**-**	**4,211,303**	**34,103,287**
- The part of maximum risk under guarantee with collateral etc. (1)	**-**	**99,686,797**	**-**	**-**	**-**
Net book value of neither past due nor impaired financial assets	-	188,414,103	-	4,211,303	34,103,287
- The part under guarantee with collateral etc (1)	-	72,170,595	-	-	-
Net book value of past due but not impaired assets	-	30,399,320	-	-	-
- The part under guarantee with collateral etc (1)	-	27,516,202	-	-	-
Impaired asset net book value	-	-	-	-	-
- Past due (gross amount)	-	1,315,282	-	-	-
- Impairment (-) (Note 6)	-	(1,315,282)	-	-	-
- The part under guarantee with collateral etc.	-	-	-	-	-
- Not past due (gross amount)	-	-	-	-	-
- Impairment (-)	-	-	-	-	-
- The part under guarantee with collateral etc.	-	-	-	-	-

(1) The factors, increasing the credit reliability and the guarantees received, receivables insurance are taken into consideration during the calculation of the amount.

NOTE 27 - NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS (Continued)

b) Credit risk (Continued)

	Trade Receivables		Other Receivables		
	Related parties	Non-related parties	Related parties	Non-related parties	Bank deposits
Exposure to maximum credit risk as at balance sheet date	**-**	**175,740,003**	**-**	**3,684,014**	**75,911,415**
- The part of maximum risk under guarantee with collateral etc.(1)	**-**	**122,044,371**	**-**	**-**	**-**
Net book value of neither past due nor impaired financial assets	-	165,502,300	-	3,684,014	75,911,415
- The part under guarantee with collateral etc (1)	-	115,239,655	-	-	-
Net book value of past due but not impaired assets	-	10,237,703	-	-	-
- The part under guarantee with collateral etc (1)	-	6,804,716	-	-	-
Impaired asset net book value	-	-	-	-	-
- Past due (gross amount)	-	1,315,282	-	-	-
- Impairment (-) (Note 6)	-	(1,315,282)	-	-	-
- The part under guarantee with collateral etc.	-	-	-	-	-
- Not past due (gross amount)	-	-	-	-	-
- Impairment (-)	-	-	-	-	-
- The part under guarantee with collateral etc.	-	-	-	-	-

(1) The factors, increasing the credit reliability and the guarantees received, receivables insurance are taken into consideration during the calculation of the amount.

NOTE 27 - NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS (Continued)

b) Credit risk (Continued)

The aging of the receivables of the Group, which are past due but not impaired including related party balances by taking into consideration past due dates are as follows:

	30 June 2022				
	Trade Receivables		Other receivables		
	Related parties	Other	Related parties	Other	Bank deposits
1-30 days overdue	-	23,243,882	-	-	-
1-3 months overdue	-	7,146,712	-	-	-
3-12 months overdue	-	8,726	-	-	-
Total	**-**	**30,399,320**	**-**	**-**	**-**
The part under guarantee with collateral (1)	-	**27,516,202**	**-**	**-**	**-**

	31 December 2021				
	Trade Receivables		Other receivables		
	Related parties	Other	Related parties	Other	Bank deposits
1-30 days overdue	-	9,364,059	-	-	-
1-3 months overdue	-	854,289	-	-	-
3-12 months overdue	-	19,355	-	-	-
Total	**-**	**10,237,703**	**-**	**-**	**-**
The part under guarantee with collateral (1)	**-**	**6,804,716**	**-**	**-**	**-**

(1) Guarantees consist of guarantee letters received, collaterals, credit risk insurance and mortgages from customers.

c) Liquidity risk

Conservative liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions.

NOTE 27 - NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS (Continued)

c) Liquidity risk (Continued)

As of 30 June 2022 and 31 December 2021, undiscounted cash flows of financial liabilities based on the agreement maturities are as follows:

	30 June 2022					
	Book value	**Less than 3 months**	**3-12 months**	**1-5 years**	**On demand**	**Contractual undiscounted cash flow**
Short- term borrowings (Note 5)	291,587,357	87,476,207	204,432,602	-	-	291,908,809
Payables due to leasing transactions (Note 5)	4,150,825	2,140,279	917,263	1,093,283	-	4,150,825
Trade payables due to non-related parties (Note 6)	348,604,444	348,604,444	-	-	-	348,604,444
Other payables due to related parties (Note 26)	627,768	627,768	-	-	-	627,768
Payables related to employee benefits (Note 8)	2,533,395	-	2,533,395	-	-	2,533,395
Deferred income (Note 16)	17,718,301	17,718,301	-	-	-	17,718,301
Other short term provisions (Note 13)	2,706,094	2,706,094	-	-	-	2,706,094
Long term borrowings (Note 5)	7,513,353	-	-	7,904,632	-	7,904,632
Long-term provisions for employment benefits	23,853,974	-	-	23,853,974	-	23,853,974
Non-derivative financial liabilities	**699,295,511**	**459,273,094**	**207,883,260**	**32,851,889**	**-**	

	31 December 2021					
	Book value	**Less than 3 months**	**3-12 months**	**1-5 years**	**On demand**	**Contractual undiscounted cash flow**
Short- term borrowings (Note 5)	196,121,297	183,576,760	12,544,537	13,631,416	-	209,752,713
Payables due to leasing transactions (Note 5)	1,403,205	628,516	375,716	937,598	-	1,941,830
Trade payables due to non-related parties (Note 6)	268,235,661	159,435,174	108,800,487	-	-	268,235,661
Other payables due to related parties (Note 26)	377,431	377,431	-	-	-	377,431
Payables related to employee benefits (Note 8)	2,324,567	-	2,324,567	-	-	2,324,567
Long-term provisions for employment benefits (Note 14)	21,544,488	-	-	21,544,488	-	21,544,488
Deferred income (Note 16)	17,322,504	17,322,504	-	-	-	17,322,504
Other short term provisions (Note 13)	2,897,198	2,897,198	-	-	-	2,897,198
Long term borrowings	8,951,956	-	-	9,630,231	-	9,630,231
Non-derivative financial liabilities	**519,178,307**	**364,237,583**	**124,045,307**	**45,743,733**	**-**	**534,026,623**

NOTE 27 - NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS (Continued)

d) Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the net liability/total equity ratio. Total equity is calculated as the total of net liability and the equity as shown in the statement of financial position.

The net liability/total equity ratio is summarized below:

	30 June 2022	31 December 2021
Total liability (1)	701,778,495	526,250,984
Less: Cash and cash equivalents (Note 3)	(34,103,287)	(75,911,415)
Net liability	667,675,208	450,339,569
Total equity	98,872,650	51,461,783
Total capital	766,547,858	501,801,352
Net Liability/total capital	**0.87**	**0.90**

(1) The amounts are calculated by deducting income tax payable and deferred tax liability amounts from total of short term and long term liability.

e) Fair value of financial instruments

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by a quoted market price, if one exists.

The estimated fair values of financial instruments are determined by the Group, using available market information and appropriate valuation methodologies for each segment of the Group. However, judgment is necessarily required to interpret market data to estimate the fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Group could realize in a current market exchange.

The following methods and assumptions are used in the estimation of the fair value of the financial instruments for which it is practicable to estimate fair value:

NOTE 27 - NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS (Continued)

e) Fair value of financial instruments (Continued)

Monetary assets

The fair values of balances denominated in foreign currencies, which are translated at the period end exchange rates, are considered to approximate carrying value.

The fair values of certain financial assets carried at cost, including fair values of cash and due from banks are considered to approximate their respective carrying values due to their short-term nature and immateriality of losses on collectibility. The fair value of investment securities has been estimated based on the market prices at the statement of financial position dates.

Trade receivables are disclosed at their amortized cost using the effective interest rate method and the carrying values of trade receivables along with the related allowances for collectability are estimated to be at their fair values.

Monetary liabilities

The fair value of bank borrowings and other monetary liabilities are considered to approximate their respective carrying values due to their short-term nature.

Long-term borrowings which denominated in foreign currencies, are translated at the period-end exchange rates and accordingly, their fair values approximate their carrying values.

Trade payables are disclosed at their amortized cost using the effective interest rate method and accordingly their carrying amounts approximate their fair values.

The fair values of financial assets and financial liabilities are determined as follows:

- First Level: The fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices.
- Second Level: The fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on prices from observable current market transactions.
- Third Level: The fair value of the financial assets and financial liabilities is determined in accordance with the unobservable current market data.

NOTE 28 - SUBSEQUENT EVENTS

Approval of Financial Statements

The financial statements for the period ended on 30 June 2022 were approved by the Board of Directors on 11 August 2022.

NOTE 29 - OTHER MATTERS THAT REQUIRED TO BE DISCLOSED WHICH MAY HAVE SIGNIFICANT EFFECT ON THE FINANCIAL STATEMENTS OR REQUIRED TO BE DISCLOSED IN ORDER TO MAKE FINANCIAL STATEMENTS INTERPRETABLE AND UNDERSTANDABLE

None (31 December 2021: None).

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