BRİSA BRIDGESTONE SABANCI LASTİK SANAYİ VE TİCARET ANONİM ŞİRKETİ AND ITS SUBSIDIARY

CONVENIENCE TRANSLATION INTO ENGLISH
OF THE CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED
31 DECEMBER 2022
WITH INDEPENDENT AUDITOR'S REPORT
(Originally issued in Turkish)

22 February 2023
This report includes 5 pages of independent auditor's report and
92 pages of consolidated financial statements together with their explanatory notes

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CONVENIENCE TRANSLATION OF THE INDEPENDENT AUDITOR'S REPORT ORIGINALLY PREPARED AND ISSUED IN TURKISH TO ENGLISH

To the Shareholders of Brisa Bridgestone Sabancı Lastik ve Sanayi Anonim Şirketi

A) Audit of the Financial Statements

Opinion

We have audited the consolidated financial statements of Brisa Bridgestone Sabancı Lastik ve Sanayi Anonim Şirketi ("the Company") and its subsidiaries (together will be referred to as "the Group"), which comprise the consolidated statement of financial position as at 31 December 2022, the consolidated statements of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

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

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Key Audit Matters

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

Revenue recognition

Refer to Note 2.4.2 to the consolidated financial statements for summary of significant accounting policies and significant accounting estimates and assumptions for revenue recognition.

The key audit matter	**How the matter was addressed in our audit**
Revenue of the Company for the year ended 31 December 2022 mainly comprised of the sale of tyres. The Company recognize revenue when the Company fulfill the performance obligation by transferring the committed product or service to customers. The recognition of revenue in the period when the product is sold is related to the sales contract of the product and depends on the proper evaluation of the control over the terms of the contract. Since sales contracts may be complex, it requires significant judgment to be made when determining the specific recognition basis for each case. Therefore, there is a risk that revenue may not be recognized in the proper period or amount for those may be returned from the delivered products or those whose invoices have not yet been issued to the customer. Due to the nature of the Company's activities and the size of its operations, the revenue recognition was identified as key audit matter, as determination and recognition of revenue in the relevant accounting period requires significant management judgment.	We have performed the following audit procedures to be responsive to this area: - Assessing the design of the key internal controls over sales. - Assessing of the compliance of the accounting policies applied by the Company with TFRS 15 by examining the contracts selected on a sample basis from the grouped sales contracts. - Obtaining third party confirmation for sales transactions, on a sample basis, and performing reconciliations of account balances received in the confirmation letters and financial statements. - Inspecting, on a sampling basis, relevant underlying documentation for revenue recognition in order to assess whether the revenue recognition are properly accounted for in the appropriate financial period and in compliance with the accounting policies. - Obtaining confirmation letters for trade receivables, on a sample basis, and performing reconciliations of account balances received in the confirmation letters and financial statements. - Performing analytical procedure to identify any unusual transaction. - Inspecting relevant underlying documentation for sales returns on subsequent period in order to assess whether the revenue sales returns are properly accounted in the appropriate financial period. Assessing the appropriateness and adequacy of the disclosures in the financial statements of the Company with the disclosures required in accordance with TFRS 15.

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

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Responsibilities of auditors in an audit are as follows:

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

As part of an audit in accordance with the standards on auditing issued by the CMB and Standards on Auditing issued by POA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

• Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

• Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

• Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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

• Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

B) Other Legal and Regulatory Requirements

1) Pursuant to the fourth paragraph of Article 398 of Turkish Commercial Code ("TCC") numbered 6102; the Independent Auditor's Report on System and Committee of Early Identification of Risks is presented to the Board of Directors of the Company on 22 February 2023.

2) Pursuant to the fourth paragraph of Article 402 of the TCC; no significant matter has come to our attention that causes us to believe that for the period between 1 January 2022 and 31 December 2022, the Company's bookkeeping activities and consolidated financial statements are not in compliance with TCC and provisions of the Company's articles of association in relation to financial reporting.

3) Pursuant to the fourth paragraph of Article 402 of the TCC; the Board of Directors provided us the necessary explanations and required documents in connection with the audit.

KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi

Mustafa Şafak Erdur, SMMM
Partner
22 February 2023
İstanbul, Türkiye

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BRİSA BRIDGESTONE SABANCI LASTİK SANAYİ VE TİCARET A.Ş AND ITS SUBSIDIARY AUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2022

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

		Audited	**Audited**
		Current Period	**Prior Period**
ASSETS	**Notes**	**31 December 2022**	**31 December 2021**
Current Assets			
Cash and Cash Equivalents	4	3.642.509.918	3.344.879.436
Financial Investments	4	1.241.607.392	133.920.137
Trade Receivables	7	2.399.757.977	1.043.298.112
Trade Receivables from Related Parties	27	206.780.013	135.935.818
Trade Receivables from Third Parties		2.192.977.964	907.362.294
Other Receivables	8	25.266.605	14.357.205
Other Receivables from Related Parties	27	153.266	58.139
Other Receivables from Third Parties		25.113.339	14.299.066
Derivative Financial Instruments	6	75.898.195	114.518.244
Inventories	9	2.364.176.593	1.108.722.999
Prepaid Expenses	10	123.836.544	67.137.844
Current Tax Assets	25	434.741	2.774.389
Other Current Assets	18	59.776.299	54.649.750
Total Current Assets		**9.933.264.264**	**5.884.258.116**
Non-Current Assets			
Trade Receivables	7	1.590.219	17.503.736
Other Receivables	8	224.882	595.405
Other Receivables from Related Parties	27	-	255.548
Other Receivables from Third Parties		224.882	339.857
Derivative Financial Instruments	6	2.071.002.819	2.006.609.450
Property, Plant and Equipment	11	2.750.281.504	2.017.050.602
Right of Use Assets	12	33.398.987	10.950.526
Intangible Assets	13	303.927.439	126.460.828
Goodwill	14	27.402.832	-
Other Intangible Assets		276.524.607	126.460.828
Prepaid Expenses	10	88.173.519	45.137.470
Deferred Tax Assets	25	389.813.464	180.752.598
Total Non-Current Assets		**5.638.412.833**	**4.405.060.615**
TOTAL ASSETS		**15.571.677.097**	**10.289.318.731**

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

BRİSA BRIDGESTONE SABANCI LASTİK SANAYİ VE TİCARET A.Ş AND ITS SUBSIDIARY AUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2022

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

		Audited	Audited
LIABILITIES	**Notes**	**Current Period 31 December 2022**	**Prior Period 31 December 2021**
Current Liabilities			
Short-term Borrowings	5	1.845.400.496	391.219.731
Short-term Portion of Long-Term Borrowings	5	3.287.454.651	1.675.344.950
Trade Payables	7	4.375.832.527	2.807.484.397
Trade Payables to Related Parties	27	1.484.889.722	1.072.393.563
Trade Payables to Third Parties		2.890.942.805	1.735.090.834
Payables Related to Employee Benefits	17	113.130.974	41.989.719
Other Payables	8	51.168.357	37.678.275
Other Payables to Related Parties	27	2.020.126	1.905.017
Other Payables to Third Parties		49.148.231	35.773.258
Derivatives	6	42.368.590	-
Deferred Income	10	98.462.016	40.496.381
Current Tax Liability	25	4.616.663	-
Short-term Provisions		172.994.955	93.790.817
Short-term Provisions for Employee Benefits	17	86.638.755	42.253.239
Other Short-term Provisions	15	86.356.200	51.537.578
Other Current Liabilities		8.137.269	152.118
Total Current Liabilities		**9.999.566.498**	**5.088.156.388**
Non-Current Liabilities			
Long-term Borrowings	5	1.696.982.758	2.723.553.052
Long-term Provisions		579.066.312	168.516.983
Long-term Provisions for Employee Benefits	17	579.066.312	168.516.983
Total Non-Current Liabilities		**2.276.049.070**	**2.892.070.035**
Total Liabilities		**12.275.615.568**	**7.980.226.423**
EQUITY			
Equity of the Parent Company		**3.247.224.087**	**2.309.092.308**
Share Capital	19	305.116.875	305.116.875
Adjustment to Share Capital	19	54.985.701	54.985.701
Share Premium	19	4.903	4.903
Accumulated Other Comprehensive Income or Expenses That Will Be Reclassified to Profit or Loss			
Hedging Reserve (Losses) / Gains	19	149.070.272	235.393.906
Foreign Currency Conversion Adjustments		(3.553.610)	-
Accumulated Other Comprehensive Income or Expenses That Will Not Be Reclassified to Profit or Loss			
Actuarial (Losses)/ Gains	19	(332.595.641)	(42.964.394)
Restricted Reserves	19	236.806.032	172.029.650
Other Reserves		992.905	689.259
Retain Earnings		856.040.360	579.261.062
Net Income for The Period		1.980.356.290	1.004.575.346
Not Controlling Interest		**48.837.442**	-
Total Equity		**3.296.061.529**	**2.309.092.308**
TOTAL LIABILITIES AND EQUITY		**15.571.677.097**	**10.289.318.731**

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

BRİSA BRIDGESTONE SABANCI LASTİK SANAYİ VE TİCARET A.Ş AND ITS SUBSIDIARY AUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 31 DECEMBER 2022

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

		Audited	
	Notes	**Current Period 1 January- 31 December 2022**	**Prior Period 1 January- 31 December 2021**
Sales	20	14.080.500.153	6.634.262.406
Cost of Sales (-)	20-21	(9.805.631.183)	(4.618.321.892)
GROSS PROFIT		**4.274.868.970**	**2.015.940.514**
General Administrative Expenses (-)	21	(360.683.395)	(180.606.624)
Marketing Expense (-)	21	(1.238.186.374)	(587.053.993)
Research and Development Expenses (-)	21	(27.538.055)	(1.555.118)
Impairment Loss on Trade Receivables, net (-)	21	(25.752.080)	104.908
Other Operating Income	22	499.293.820	188.157.837
Other Operating Expenses (-)	22	(1.122.084.641)	(791.607.152)
OPERATING PROFIT		**1.999.918.245**	**643.380.372**
Income From Investing Activities	23	92.557.989	3.721.631
Expenses From Investing Activities (-)	23	(115.291)	(4.541.766)
PROFIT BEFORE FINANCIAL EXPENSES		**2.092.360.943**	**642.560.237**
Financing Income	24	621.007.094	788.520.456
Financing Expenses (-)	24	(847.413.308)	(545.617.575)
PROFIT BEFORE TAX		**1.865.954.729**	**885.463.118**
Taxation on Income (-)		**125.243.574**	**119.112.228**
Current Tax Expense (-)	25	(23.805.343)	(11.025.232)
Deferred Tax Income / Expense (-)	25	149.048.917	130.137.460
PROFIT FOR THE PERIOD		**1.991.198.303**	**1.004.575.346**
DISTRIBUTION OF PROFIT FOR THE PERIOD			
- Non-Controlling Shares		10.842.013	-
- Parent Company Shares		**1.980.356.290**	**1.004.575.346**
Earnings per share	26	**6,185**	**3,147**
Diluted earnings per share		**6,185**	**3,147**

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

BRİSA BRIDGESTONE SABANCI LASTİK SANAYİ VE TİCARET A.Ş AND ITS SUBSIDIARY AUDITED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2022

(Amounts expressed in Turkish Lira (”TL”) unless otherwise indicated)

	Notes	Audited Current Period 1 January- 31 December 2022	Audited Prior Period 1 January- 31 December 2021
PROFIT FOR THE PERIOD		**1.991.198.303**	**1.004.575.346**
OTHER COMPREHENSIVE INCOME:			
Items that will never be reclassified to profit or loss		**(289.911.193)**	**(27.688.954)**
Actuarial (Losses) / Gains (-)		(362.391.969)	(34.611.192)
Other Comprehensive or Expenses That Will Not Be Reclassified to Profit or (Loss)			
Deferred Tax Income / (Expense) (-)	25	72.480.776	6.922.238
Items that are or may be reclassified to profit or loss		**(90.321.445)**	**163.180.310**
Hedging Reserve Gains/ Losses (-)		(90.836.462)	186.906.070
Foreign Currency Conversion Adjustments		(3.997.811)	-
Other Comprehensive Income or Expenses That Will Be Reclassified to Profit or Loss (-)			
Deferred Tax Income (-)	25	4.512.828	(23.725.760)
OTHER COMPREHENSIVE INCOME/ EXPENSE (-)		**(380.232.638)**	**135.491.356**
TOTAL COMPREHENSIVE INCOME / EXPENSE (–)		**1.610.965.665**	**1.140.066.702**

DISTRIBUTION OF TOTAL COMPREHENSIVE INCOME			
- Non-Controlling Shares		10.117.866	-
- Parent Company Shares		1.600.847.799	1.140.066.702

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

BRİSA BRIDGESTONE SABANCI LASTİK SANAYİ VE TİCARET A.Ş AND ITS SUBSIDIARY AUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2022

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

				Other Comprehensive Income or Expenses That Will Be Reclassified Profit or Loss		Other Comprehensive Income or Expenses That Will Not Be Reclassified Profit or Loss			Retained Earnings				
	Share Capital	**Adjustment Share Capital**	**Share Premium**	**Currency Translation Differences**	**Hedging Reserve Gains/ (Losses)**	**Actuarial (Losses) /Gains**	**Restricted Reserves**	**Other Reserves**	**Retained Earnings**	**Net Income for The Period**	**Equity of the Parent Company**	**Non-Controlling Interests**	**Shareholders 'Equity**
Balance 1 January 2021 (Beginning of the Period)	**305.116.875**	**54.985.701**	**4.903**	**-**	**72.213.596**	**(15.275.440)**	**127.693.782**	**200.582**	**353.497.183**	**539.949.789**	**1.438.386.971**	**-**	**1.438.386.971**
Transfers	-	-	-	-	-	-	44.335.868	(143.478)	495.757.399	(539.949.789)	-	-	-
Other Funds	-	-	-	-	-	-	-	632.155	-	-	632.155	-	632.155
Dividends (*)	-	-	-	-	-	-	-	-	(269.993.520)	-	(269.993.520)	-	(269.993.520)
Total Comprehensive Income	-	-	-	-	163.180.310	(27.688.954)	-	-	-	1.004.575.346	1.140.066.702	-	1.140.066.702
Balance on 31 December 2021 (End of the Period)	**305.116.875**	**54.985.701**	**4.903**	**-**	**235.393.906**	**(42.964.394)**	**172.029.650**	**689.259**	**579.261.062**	**1.004.575.346**	**2.309.092.308**	**-**	**2.309.092.308**
Balance on 1 January 2021 (Beginning of the Period)	**305.116.875**	**54.985.701**	**4.903**	**-**	**235.393.906**	**(42.964.394)**	**172.029.650**	**689.259**	**579.261.062**	**1.004.575.346**	**2.309.092.308**	**-**	**2.309.092.308**
Transfers	-	-	-	-	-	-	64.776.382	(1)	939.798.965	(1.004.575.346)	-	-	-
Other Funds	-	-	-	-	-	-	-	303.647	-	-	303.647	-	303.647
Dividends (*)	-	-	-	-	-	-	-	-	(663.019.667)	-	(663.019.667)	-	(663.019.667)
Acquisition Effect	-	-	-	-	-	-	-	-	-	-	-	38.719.576	38.719.576
Total Comprehensive Income	-	-	-	(3.553.610)	(86.323.634)	(289.631.247)	-	-	-	1.980.356.290	1.600.847.799	10.117.866	1.610.965.665
Balance on 31 December 2021 (End of the Period)	**305.116.875**	**54.985.701**	**4.903**	**(3.553.610)**	**149.070.272**	**(332.595.641)**	**236.806.032**	**992.905**	**856.040.360**	**1.980.356.290**	**3.247.224.087**	**48.837.442**	**3.296.061.529**

(*) The dividend paid by the Group pers hare with a nominal value of 1 TL is 2,02790 TL gross (2021: 0,80700 TL).

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

BRİSA BRIDGESTONE SABANCI LASTİK SANAYİ VE TİCARET A.Ş AND ITS SUBSIDIARY AUDITED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2022

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

		Audited	
	Notes	Current Period 1 January- 31 December 2022	Prior Period 1 January- 31 December 2021
Net Profit for The Period		**1.991.198.303**	**1.004.575.346**
Adjustments to Reconcile Profit for The Period		**409.890.600**	**(68.207.644)**
Adjustments Related to Depreciation and Amortization Expenses	21	288.659.632	236.667.998
Provisions for Employee Benefits		87.675.973	37.624.547
Adjustments Related to Retirement Pay Provision		52.530.172	25.920.620
Lawsuit Provision	15	18.020.259	2.122.438
Adjustment Related to Other Provisions	15	36.349.371	26.269.366
Adjustments Related to Doubtful Receivables	7	26.139.435	(4.095.274)
Interest Income	22-23-24	(216.309.402)	(41.128.518)
Interest Expense	22-24	670.024.287	305.543.934
Unrealized Foreign Exchange Losses / (Gains)		99.715.670	220.553.352
(Gains) / Losses from Derivative Financial Instruments	6	(313.946.861)	(96.126.851)
Adjustments Related to Tax Expense / (Income)	25	(125.243.574)	(119.112.228)
Losses / (Gain) on Sale of Property, Plant and Equipment and Intangible Assets, Net		(1.290.109)	3.640.921
Adjustments Related to Losses / (Gains)			
Impairment on Property, Plant and Equipment and Intangible Assets		-	(2.820.786)
Impairment on Inventories	9	11.752.079	3.431.637
Finance expense accruals from credit purchases (net)	7	(67.863.595)	(27.757.181)
Finance income accruals from credit sales (net)	7	190.664.432	37.572.398
Adjustments Related to Other Items that Cause Cash Flows from Investing or Financing Activities (*)		(346.987.169)	(676.514.017)
Changes In Working Capital		**(1.260.172.704)**	**807.898.671**
Adjustments Related to Increase / Decreases in Trade Receivables		(1.509.645.551)	(331.624.835)
Adjustments Related to Increase / Decreases in Inventory		(1.345.918.103)	(384.728.235)
Adjustments Related to Increase / Decreases in Other Receivables Related to Operations		(15.274.552)	(34.702.352)
Adjustments Related to Increase / Decreases in Prepaid Expenses		(97.939.064)	(56.101.402)
Adjustments Related to Increase / Decreases in Trade Payables		1.614.475.136	1.580.048.636
Adjustments Related to Increase / Decreases in Deferred Income		20.532.909	11.750.869
Adjustments Related to Increase / Decreases in Employee Benefits Payables		67.578.171	8.764.858
Adjustments Related to Increase / Decreases in Other Payables Related to Operations		6.018.350	14.491.132
Cash Flows from Operating Activities		**364.342.822**	**26.630.851**
Collection from doubtful receivables	7	387.355	2.193.510
Interest Received		17.274.686	11.300.929
Interest Paid		(23.896.809)	(9.722.441)
Taxes Paid / Reimbursed		(16.424.925)	(14.921.748)
Paid / Reversed Provisions		(60.359.036)	(28.919.199)
Paid / Reversed Lawsuit Provisions	15	(2.482.429)	(1.830.520)
Retirement Benefits Paid		(8.764.706)	(4.535.458)
Cash Inflows / (Outflows) from Financial Derivatives		458.608.686	73.065.778
A. NET CASH GENERATED FROM OPERATING ACTIVITIES		**1.505.259.021**	**1.770.897.224**
Proceeds From Sale of Property, Plant and Equipment and Intangible Assets		1.655.698	1.420.277
Net Cash Effect of Subsidiary Acquisition	3	(135.925.446)	-
Acquisition of Property, Plant and Equipment and Intangible Assets	11-13-24	(997.121.639)	(439.729.264)
Change in Financial Investments	4	(1.078.813.124)	-
Interest Received	23	62.489.333	-
B. CASH FLOWS FROM INVESTING ACTIVITIES		**(2.147.715.178)**	**(438.308.987)**
Proceeds from of Borrowings	5	3.247.996.000	1.218.303.599
Cash outflows from Repayment of Borrowings	5	(1.400.562.894)	(819.413.278)
Interest Paid	5	(609.392.944)	(267.061.574)
Interest Received		130.139.828	31.299.219
Other Cash Inflows / (Outflows) (*)		245.724.825	799.391.482
Cash Outflows from Lease Liabilities	5	(18.153.987)	(11.671.017)
Cash inflows from Factoring	5	949.923	(2.768.633)
Dividends Paid		(663.019.667)	(269.993.520)
C. CASH FLOWS FROM FINANCING ACTIVITIES		**933.681.084**	**678.086.278**
Net Increase / (Decrease) in Cash and Cash Equivalents before translation effect of foreign currency (A+B+C)		**291.224.927**	**2.010.674.515**
D. Translation Effect Of Foreign Currency on Cash and Cash Equivalents		-	614.718
Net Increase / (Decrease) in Cash and Cash Equivalents (A+B+C+D)		**291.224.927**	**2.011.289.233**
Cash and Cash Equivalents at the beginning of the period	4	3.343.107.280	1.331.818.047
Cash and Cash Equivalents at the end of the period	**4**	**3.634.332.207**	**3.343.107.280**

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

(Amounts expressed in Turkish Lira (”TL”) unless otherwise indicated)

1.ORGANIZATION AND NATURE OF OPERATIONS OF THE GROUP

Brisa Bridgestone Sabancı Lastik Sanayi ve Ticaret A.Ş. (“Brisa” or “Group”) was established in 1974 as a subsidiary of Hacı Ömer Sabancı Holding A.Ş.

Brisa is primarily engaged in manufacturing, marketing and selling vehicle tires in Turkey. In 1988, the Group entered into a license agreement with Bridgestone Corporation for the purpose of manufacturing and selling Bridgestone tires.

The control of the Group is jointly held by H.Ö. Sabancı Holding A.Ş. and Bridgestone Corporation.

The Group’s employee headcount with indefinite-term employment contract is 3.429 (31 December 2021: 3.115). This number includes, 2.590 employees who are subject to Collective Bargaining Agreement terms (31 December 2021: 2.489), 820 employees who are not subject to these terms (31 December 2021: 621). There are 19 foreign employees (31 December 2021: 5). In addition, there are employees who is subject to definite-term employment contracts (31 December 2021: 38).

Brisa is registered with the Capital Markets Board (“CMB”) and its shares have been quoted in Borsa İstanbul A.Ş. since 1986. As of December 31, 2022, and 31 December 2021, the Group has a 10.24% shareholding in Borsa İstanbul. As at 31 December 2022 and 31 December 2021, the main shareholders and their respective shareholding in the Group are as follows.

	31 December 2022	31 December 2021
	%	%
Hacı Ömer Sabancı Holding A.Ş.	43,63	43,63
Bridgestone Corporation	43,63	43,63
Other	12,74	12,74
Total	**100,00**	**100,00**

The gross dividend payment of 2,0279 TL per share with a nominal value of 1 TL has been decided with the decision of the Board of Directors of the Group, dated 22 February 2023 and numbered 2022/06. (2021:The gross dividend payment of 0,80700 TL per share with a nominal value of 1 TL has been decided with the decision of the Board of Directors of the Company, dated 19 February 2021 and numbered 2021/07.) The dividend payment was made in cash in March 2022 (2021: The dividend payment was made in cash in March 2021).

The address of the registered office of the Company is as follows:
Küçük Çamlıca Mahallesi Şehit İsmail Moray Sokak
Temsa Sitesi No:2/1 Üsküdar, İstanbul

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Basis of Presentation

Statement of compliance with TFRS

The accompanying consolidated financial statements are prepared based in accordance with Turkish Financial Reporting Standards (“TFRS”) published by Public Oversight Accounting and Auditing Standards Authority (“POA”) as set out in the Communiqué numbered II-14.1 “Communiqué on Principles of Financial Reporting in Capital Markets” published in the Official Gazette numbered 28676 on 13 June 2013.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Cond’t)

2.1 Basis of Presentation (Cond’t)

Statement of compliance with TFRS (cond’t)

TFRS consist of standards and interpretations which are published as Turkish Accounting Standards (“TAS”), Turkish Financial Reporting Standards, interpretations of TAS and interpretations of TFRS.

Consolidated financial statements are presented in accordance with the TFRS taxonomy developed based on the Illustrative Financial Statements and User Guide published in the Official Gazette numbered 28676 on 7 June 2019.

Approval of consolidated financial statements:

The consolidated financial statements for the period 1 Janaury-31 December 2022 have been approved for issue by the Board of Directors on 22 February 2023 and signed on behalf of the Board of Directors by Haluk Kürkçü, General Manager, and Neslihan Döngel Özlem, Chief Financial Officer. The General Assembly of the Group has the right to amend and relevant regulatory bodies have the right to request the amendment of these consolidated financial statements.

The consolidated financial statements have been prepared on a historical cost basis except for derivative financial assets and liabilities that are measured at fair value. See Note 29 for fair value disclosures.

Functional currency

The financial statements of the Group are presented in the currency of the primary economic environment in which the entity operates (its functional currency). The results and financial position are expressed in Turkish Lira (“TL”), which is the functional currency of the Group and the reporting currency for the financial statements.

Preparation of consolidated financial statements in hyperinflationary periods

The accounting policies summarized in Note 2, differ from International Financial Reporting Standards (“IFRS”) due to non-application of IAS 29 Financial Reporting in Hyperinflationary Economies. Accordingly, the accompanying (consolidated) financial statements are not intended to present the financial position and results of operations in accordance with IFRS standards.

The cumulative inflation over the past three years has risen to just above 100% in the first quarter of 2022. Based on this information, Turkey is considered a hyperinflationary economy for reporting periods ending on or after 30 April 2022. Accordingly, entities with operations whose functional currency is the Turkish Lira should expect to apply IAS 29 *Financial Reporting in Hyperinflationary Economies* (“IAS 29”) for those operations in the financial statements for reporting periods ending on or after 30 April 2022. Therefore, IAS 29 has not been applied in the financial statements as at and for the year ended 31 December 2022.

(Amounts expressed in Turkish Lira (”TL”) unless otherwise indicated)

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Cond’t)

2.1 Fundamentals of Presentation (cont’d)

Consolidation Principles

Subsidiaries

Subsidiaries are groups over which the Group has control. Group's control; Exposure to variable returns in these groups is provided by the power to be entitled to and direct these returns. Subsidiaries are consolidated using the full consolidation method from the date on which the control passes to the Group. They are excluded from the scope of consolidation as of the date of loss of control.

The acquisition method is used in accounting for group business combinations. The acquisition cost includes the fair value of the assets transferred at the acquisition date, the liabilities incurred by the former owners of the acquired business and the costs of equity instruments issued by the Group. Acquisition cost includes the fair value of transferred assets and liabilities arising from contingent acquisition agreements.

Identifiable assets, liabilities and contingent liabilities acquired in a business combination are measured at their fair value at the acquisition date. For each acquisition, the Group's non-controlling interests acquired are accounted for either at their fair value or at their proportional share of the Group's net assets.

The table below shows the subsidiaries and shareholding ratios as of 31 December 2022 and 31 December 2021.

Subsidiaries	**31 December 2022**	**31 December 2021**
Arvento Mobil Sistemler A.Ş.	%89	-
Arvento Kurumsal Hizmetler ve Danışmanlık A.Ş.	%89	-
Arvento Mobile Systems Services Company LLC	%89	-
Arvento Mobile Systems GmbH	%89	-

2.2 Changes in Significant Accounting Policies

The accounting policy changes arising from the first time application of a new standard are applied retrospectively or prospectively in accordance with the transitional options, if any. Changes to which no transition clauses are included, material changes in accounting policies or voluntary accounting errors are applied retrospectively and prior period financial statements are restated. If changes in accounting estimates are related to only one period, they are applied in the current period that estimation change made. If changes in accounting estimates are related to the future period, they are applied both in the current period when the amendment is made and for the future periods, both in the current period and in the future.

Since the date of 1 January 2022, there are no changes in accounting policies.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Cont’d)

2.3 Changes and Errors in the Accounting Estimates

Changes in accounting estimates should be applied prospectively, if only for a period in which the change in the current period. If it relates to future periods, they are recognized to prospectively both in the current period and in the future period considering the impact on the profit of loss. There are no important changes in the accounting policies for the current period. Identified accounting errors are corrected in financial statements retrospectively.

2.4 Summary of Significant Accounting Policies

2.4.1 Standards and interpretations issued but not yet effective as of 31 December 2022

Standards issued but not yet effective and not early adopted

A number of new standards, interpretations of and amendments to existing standards are not effective at reporting date and earlier application is permitted; however, the Group has not early adopted are as follows.

Initial Application of IFRS 17 and IFRS 9—Comparative Information (Amendment to IFRS 17)

In December 2021, IASB issued Initial Application of IFRS 17 and IFRS 9—Comparative Information (Amendment to IFRS 17). The amendment is a transition option relating to comparative information about financial assets presented on the initial application of IFRS 17. The amendment is aimed at helping entities to avoid temporary accounting mismatches between financial assets and insurance contract liabilities, and therefore improve the usefulness of comparative information for users of financial statements. IFRS 17 incorporating the amendment is effective for annual reporting periods beginning on or after 1 January 2023.

The application of this amendment in TFRS 17 is not expected to have a significant impact on the Group's consolidated financial statements.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Cont’d)

2.4 Summary of Significant Accounting Policies (cont’d)

2.4.1 Amendments published but not yet effective and not early implemented as of 31 December 2022 (cont’d)

Classification of Liabilities as Current or Non-current (Amendments to IAS 1)

On 23 January 2020, IASB issued *Classification of Liabilities as Current or Non-Current* which amends IAS 1 *Presentation of Financial Statements* to clarify its requirements for the presentation of liabilities in the statement of financial position.

The amendments clarify one of the criteria in IAS 1 for classifying a liability as non-current—that is, the requirement for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period.
After reconsidering certain aspects of the 2020 amendments; IASB has removed the requirement for a right to be unconditional and instead, now requires that a right to defer settlement must have substance and exist at the end of the reporting period.

This right may be subject to a company complying with conditions (covenants) specified in a loan arrangement. Additional disclosure is also required for non-current liabilities subject to future covenants. The amendments also clarify how an entity classifies a liability that can be settled in its own shares.

The Group shall apply retrospectively these amendments for annual periods beginning on or after 1 January 2024 with earlier application permitted. It also specifies the transition requirements for companies that may have early-adopted the previously issued but not yet effective 2020 amendments.

The implementation of this amendment in IAS 1 is not expected to have a significant impact on the Group's consolidated financial statements.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Cont'd)

2.4 Summary of Significant Accounting Policies (cont'd)

2.4.1 Amendments published but not yet effective and not early implemented as of 31 December 2022 (cont'd)

Changes that have been published but not yet effective and not early implemented (cont'd)

Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction – Amendments to IAS 12 Income Taxes

In May 2021 IASB issued *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*, which amended IAS 12 Income Taxes.

The amendments to IAS 12 Income Taxes clarify how companies should account for deferred tax on certain transactions – e.g. leases and decommissioning provisions.

The amendments narrow the scope of the initial recognition exemption so that it does not apply to transactions that give rise to equal and offsetting temporary differences. As a result, companies will need to recognize a deferred tax asset and a deferred tax liability for temporary differences arising on initial recognition of a lease and a decommissioning provision.

The amendments clarify that the exemption does not apply to transactions such as leases and decommissioning obligations. These transactions give rise to equal and offsetting temporary differences.

For leases and decommissioning liabilities, the associated deferred tax asset and liabilities will need to be recognized from the beginning of the earliest comparative period presented, with any cumulative effect recognized as an adjustment to retained earnings or other components of equity at that date. If a company previously accounted for deferred tax on leases and decommissioning liabilities under the net approach, then the impact on transition is likely to be limited to the separate presentation of the deferred tax asset and the deferred tax liability.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023. Earlier application is permitted.

The implementation of this amendment in IAS 12 is not expected to have a significant impact on the Group's consolidated financial statements.

Definition of Accounting Estimates (Amendments to IAS 8)

The amendments introduce a new definition for accounting estimates: clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty which is issued by IASB on 12 February 2021.

The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Cont'd)

2.4 Summary of Significant Accounting Policies (cont'd)

2.4.1 Amendments published but not yet effective and not early implemented as of 31 December 2022 (cont'd)

Definition of Accounting Estimates (Amendments to IAS 8) (cont'd)

- Selecting a measurement technique (estimation or valuation technique) – e.g. an estimation technique used to measure a loss allowance for expected credit losses when applying IFRS 9 Financial Instruments; and
- Choosing the inputs to be used when applying the chosen measurement technique – e.g. the expected cash outflows for determining a provision for warranty obligations when applying IAS 37 Provisions, Contingent Liabilities and Contingent Assets.
- The effects of changes in such inputs or measurement techniques are changes in accounting estimates. The definition of accounting policies remains unchanged.
- The amendments are effective for periods beginning on or after 1 January 2023, with earlier application permitted, and will apply prospectively to changes in accounting estimates and changes in accounting policies occurring on or after the beginning of the first annual reporting period in which the company applies the amendments.

The application of these amendments to IAS 8 is not expected to have a significant impact on the consolidated financial statements of the Group.

Disclosure of Accounting Policies (Amendments to IAS 1)

IASB has issued amendments to IAS 1 Presentation of Financial Statements and an update to IFRS Practice Statement 2 Making Materiality Judgements to help companies provide useful accounting policy disclosures on 12 February 2021.

The key amendments to IAS 1 include:

- requiring companies to disclose their material accounting policies rather than their significant accounting policies.
- clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and
- clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements.

The amendments are effective from 1 January 2023, but companies can apply it earlier.

The Group does not expect that application of these amendments to Amendments to IAS 1 will have significant impact on its consolidated financial statements.

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

2.4 Summary of Significant Accounting Policies (cont’d)

2.4.1 Amendments published but not yet effective and not early implemented as of 31 December 2022 (cont’d)

Lease liability in sales and leaseback transactions - Amendments to IFRS 16 Leases

In September 2022, the IASB issued the amendments to the Lease Liability for Sales and Leaseback Transactions - TFRS 16 Leases. Changes to TFRS 16 Leases affect how variable lease payments that arise in a seller-lessee sale and leaseback transaction are accounted for. The changes introduce a new accounting model for variable lease payments and will require seller-lessees to reassess and possibly reorganize sales and leaseback transactions from 2019.

Changes include:

• At initial recognition, variable lease payments are included when the seller-lessee measures the lease liability arising from a sale and leaseback transaction.

• After initial recognition, the seller-lessee applies the general requirements for subsequent recognition of the lease liability, without recognizing any gains or losses on the right of use it holds.

The seller-tenant may apply different approaches in subsequent measurements that meet the new requirements.

These amendments are valid for reporting periods beginning on or after January 1, 2024, with earlier application permitted.

In accordance with TAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, the seller-lessee must apply retrospectively the changes regarding sales and leaseback transactions made after the initial application date of TFRS 16. Sales and leaseback transactions since the implementation of TFRS 16 in 2019 should be identified and re-examined, and those involving variable lease payments should be re-arranged where possible.

The application of this amendment in TFRS 16 is not expected to have a significant impact on the Group's consolidated financial statements.

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

2.4 Summary of Significant Accounting Policies (cont’d)

2.4.1 Amendments published but not yet effective and not early implemented as of 31 December 2022 (cont’d)

Changes that have entered into force.

The amendments that have entered into force for accounting periods beginning on or after January 1, 2022, are as follows:

1. Annual Improvements to TFRSs - 2018 – 2020-TFRS 1 First Implementation of Turkish Financial Reporting Standards, TFRS 9 Financial Instruments, IAS 41 Amendments to Agricultural Activities
2. Amendment to References to the Conceptual Framework in TFRS 3
3. Tangible Fixed Assets — Making them fit for their intended use (Amendment to IAS 16)
4. Economically disadvantageous contracts-Costs to fulfill the contract (amendment to IAS 37) These newly implemented standard amendments did not have a significant impact on the Group's consolidated financial statements.

These newly implemented standard amendments did not have a significant impact on the Group's consolidated financial statements.

Improvements in TFRS

TFRS 1- First Application of Turkish Financial Reporting Standards

This amendment simplifies the application of TFRS 1 if a subsidiary begins to apply TFRSs later than the parent; for example; if a subsidiary subsequently adopts IFRSs from the parent, the accumulated foreign currency translation differences for all foreign currency transactions, taking advantage of the exemption in paragraph 1.D16(a) of IFRS 1.D16(a), are included in the parent's consolidated financial statements based on the parent's transition date to IFRS Standards. You can choose to measure over. With this change, by applying this optional exemption for subsidiaries, it will facilitate the transition to TFRS by i) reducing unnecessary costs and ii) eliminating the need to keep similar simultaneous accounting records.

TFRS 9 Financial Instruments

This amendment stipulates that in order to perform the '10% test' for derecognition of financial liabilities - in determining the fees charged on the net amount less the fees paid for these transactions - the fees to be considered are only those paid or exchanged between or on behalf of the debtor and the lender clarifies that it includes fees charged.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Cont'd)

2.4 Summary of Significant Accounting Policies (cont'd)

2.4.1 Amendments published but not yet effective and not early implemented as of 31 December 2022 (cont'd)

Improvements in TFRS (cont'd)

TAS 41 Agricultural Activities

This amendment aligns the fair value measurement provisions in TAS 41 with the transaction costs required to be taken into account in determining fair value in TFRS 13 Fair Value Measurement, by removing the provision for not taking into account payments for taxes in determining fair value. This amendment provides flexibility in using TFRS 13 where appropriate.

Changes that have entered into force.

The changes that have entered into force for accounting periods beginning on or after January 1, 2021, are as follows:

Benchmark Interest Rate Reform – Phase 2 (TFRS 9 Financial Instruments, TAS 39 Financial Instruments: Recognition and Measurement, TFRS 7 Financial Instruments: Disclosures, TFRS 4 Insurance Contracts and TFRS 16 Leases Amendments)

2.4.2 Revenue

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

Step 1: Identifying the contract.

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

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

Step 2: Identifying the performance obligations.

The Group defines 'performance obligation' as a unit of account for revenue recognition. The Group assesses the goods or services promised in a contract with a customer and identifies as:

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Cont’d)

2.4 Summary of Significant Accounting Policies (cont’d)

2.4.2 Revenue (cont’d)

Step 2: Identifying the performance obligations (cont’d)

(a) A performance obligation either a good or service that is distinct

(b) Or a series of distinct goods or services that are substantially the same and have the same pattern of transfer to the customer.

If the Company can define a good or service in the contract separately from other commitments in the contract and enables the customer to benefit from the good or service separately or in combination with other resources ready to use, it defines it as a different good or service.

A contract may contain promises to deliver a series of distinct goods or services that are substantially the same. At contract inception, an entity determines whether the series of goods or services is a single performance obligation.

Step 3: Determining the transaction price.

In order to determine the transaction price, the Company assesses how much consideration it expects to be entitled to by fulfilling the contract. In arriving at the assessment, the Company considers variable elements of consideration, as well as the existence of a significant financing component.

Significant financing component

The Company revises the promised amount of consideration for the effect of a significant financing component to the amount that reflects the cash selling price of the promised good or service.

Variable consideration

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

Step 4: Allocating the transaction price to performance obligations.

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

2.4 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Cont’d)

2.4 Summary of Significant Accounting Policies (Cont’d)

2.4.2 Revenue (Cont’d)

Step 5: Recognition of revenue

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

- Customer simultaneously receives and consumes the benefits as the entity performs, or.

- The customer controls the asset as the entity creates or enhances it, or

- Group’s performance does not create an asset for which the entity has a use; and alternative there is a right to payment for performance to date.

For each performance obligation that is satisfied over time, an entity selects a single measure of progress, which depicts the transfer of control of the goods or services to the customer. The Group uses a method that measures the work performed reliably.

The Group uses cost incurred to measure the progress towards completion of the project where the input method is used and uses units transferred to measure the progress towards to completion of the project where the output method is used.

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

Contract modifications

The Company recognizes a contract modification as a separate contract if the modification results in a promise to deliver additional goods or services that are distinct and an increase in the price of the contract by an amount of consideration that reflects the entity's stand-alone selling price of those goods or services adjusted to reflect the circumstances of the contract. If the goods or services are distinct, then the entity accounts for the modification as if it were a termination of the existing contract and the creation of a new contract. If the modification to the contract does not add distinct goods or services, then the entity accounts for it on a combined basis with the original contract, as if the additional goods or services were part of the initial contract.

Revenues are recognized at the time of transfer of control. Net sales represent the invoiced value of goods sold less sales returns and commissions and exclude sales taxes. When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The difference between the fair value and the nominal amount of the consideration is recognized as interest income on a time proportion basis that takes into account the effective yield on the asset.

2.4 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Cont’d)

2.4 Summary of Significant Accounting Policies (Cont’d)

2.4.2 Inventories

Inventories are valued at the lower cost or net realizable value. Cost elements included in inventories are expenditure incurred in acquiring the inventories, production or conversion costs, foreign currency differences of derivative financial instruments designed as hedging instrument and other costs incurred in bringing them to their existing location and condition. The cost of unproduced finished goods and semi-finished goods includes general overhead expenses in accordance with normal production capacity. The unit cost of inventories is determined on the moving weighted average basis (Note 9). Net realizable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses.

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 statement of income/(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 changed economic circumstances, the amount of the write-down is reversed. The reversal amount is limited to the amount of the original write-down.

2.4.4 Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are recorded at historical cost. Accordingly, items of property, plant and equipment are accounted for at cost, after deducting accumulated depreciation and impairment, if any (Note 10). Cost refers to expenses directly related to the acquisition of the relevant asset. The cost of assets constructed by the Company includes the following items:

- Material and direct labor costs.

- Costs directly attributable to making the asset operational for the Company's intended use.

- If the Company has an obligation to dispose of the asset or restore the site, the costs of dismantling or restoring its parts, relocating parts and restoring the site where it is located.

- Capitalized borrowing costs.

The purchased software is booked as part of the equipment when it is an integral element for the use of the relevant equipment.

When the parts that make up items of property, plant and equipment have different useful lives, they are booked for as separate parts (significant parts) of the items of property, plant and equipment.

Gains and losses on the disposal of a tangible asset are recognized in profit or loss.

(ii) Subsequent costs

Subsequent expenditures and expenses arising from replacing any part of items of property, plant and equipment and maintenance and repair costs can only be capitalized in cases where it is possible to transfer future economic benefits to the Company as a result of these expenditures. All other expenses are recognized in profit or loss when incurred.

(Amounts expressed in Turkish Lira (”TL”) unless otherwise indicated)

2.4 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Cont’d)

2.4 Summary of Significant Accounting Policies (Cont’d)

2.4.5 Property, plant and equipment(cont’d)

(iii) Depreciation

Items of property, plant and equipment are depreciated as of the day they are available for use and for assets constructed by the Company, on the day these assets are completed and ready for use. Depreciation is calculated using the straight-line method over the estimated useful lives of the items, after deducting the estimated residual values from the costs of the items of property, plant and equipment. Depreciation is generally recognized in profit or loss unless it is included in the carrying amount of another asset.

The leased assets are depreciated over the lease term and the shorter of the useful life if the Company does not acquire ownership of the leased asset at the end of the lease with reasonable certainty. Land is not depreciated. The estimated useful lives of property, plant and equipment are as follows:

	Useful Life (Years)
Land and land improvement	10-20
Buildings	4-50
Machinery and equipment	3-20
Motor vehicles	5-10
Furniture and fixtures	5-10

Any gain or loss from the disposal of an item of property, plant and equipment is determined by comparing the book value with the collected amounts and is recognized in profit or loss.

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

Normal maintenance and repair expenditures on property, plant and equipment are recognized as expenses. Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Company.

Large-scale maintenance and repair expenses, including replacement parts changes and labor costs, are capitalized and depreciated over the average lifetime between the next large-scale maintenance.

2.4.5 Intangible assets

Intangible assets include acquired rights, software, licenses, development costs and other identifiable rights. Intangible assets are carried at cost less accumulated amortization. Amortization is calculated using the straight-line method (Note 13).

	Useful Life (Years)
Capitalized development costs	5-10
Rights	5
Other intangible assets	3-10
Customer Contracts	6
Trademark	15

2.4 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Cont'd)

2.4 Summary of Significant Accounting Policies (Cont'd)

2.4.5 Intangible assets (Cont'd)

Amortization is calculated to write off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives and is generally recognized in profit or loss.

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

Research and development

Expenditure on research activities is recognized in profit or loss as incurred.

Development expenditure is capitalized only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Company intends to and has sufficient resources to complete development and to use or sell the asset. Otherwise, it is recognized in profit or loss as incurred. Subsequent to initial recognition, development expenditure is measured at cost less accumulated amortization and any accumulated impairment losses.

2.4.6 Cash and cash equivalents

Cash and cash equivalents are reflected in the balance sheet with their cost values. Cash and cash equivalents include cash on hand, bank deposits and short-term, highly liquid investments with a definite amount, easily convertible into cash, with an insignificant risk of change in value and with a maturity of 3 months or less (Note 4). In cases where cash and cash equivalents are not impaired for any reason, the Group calculates impairment using the expected credit loss model.

The Group presents the deposits with a maturity of more than 3 months as financial investments in the statement of financial position. Currency Protected TL Time Deposit Account is a deposit product that provides foreign exchange protection in case of higher interest rates at the end of the maturity date of TL-sized USD and Euro exchange rates. Currency protection deposit accounts are accounted for as financial assets at fair value through profit or loss.

2.4.7 Trade Receivables

Trade receivables that are created by the Group by way of providing goods or services directly to a debtor are carried at amortized cost. Short-term receivables with no stated interest rate are measured at the original invoice amount unless the effect of imputing interest is significant. A credit risk provision for trade receivables is established if there is objective evidence that the Group will not be able to collect all amounts due. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of all cash flows, including amounts recoverable from guarantees and collateral, discounted based on the original effective interest rate of the originated receivables at inception. In cases where the trade receivables are not impaired for certain reasons, the Group measures the expected credit loss provision from an amount equal to lifetime expected credit losses. In calculating the expected credit losses, the dealer and customer rating model is taken into consideration, which includes past credit loss experiences and the Group's future forecasts.

Those with maturities greater than 1 year are classified as non-current assets. If the amount of the impairment subsequently decreases due to an event occurring after the write-down, the release of the provision is credited as income (Note 7).

2.4 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Cont'd)

2.4 Summary of Significant Accounting Policies (Cont'd)

2.4.8 Maturity difference finance charges / (expenses)

Maturity difference charges /(expenses) represent the income / (expenses) that are resulting from credit purchase or sales. These income / (expenses) are considered as income and expenses which result from credit purchase or sales during the period and included in other operating income / (expense) throughout the maturity period.

2.4.9 Taxes on income

Income tax expense consists of the sum of period tax and deferred tax. Income tax is recognized in profit or loss other than those associated with business mergers or directly with equity or other comprehensive income.

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

Deferred tax is recognized as temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases which is used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax assets are recognized if it is probable that taxable profit will be generated in the future for tax advantages and deductible temporary differences, which will be sufficient to offset them in the future. Taxable profit is determined according to the Group's business plans. Deferred tax assets are reviewed at each reporting date and likely future taxable profits deferred tax asset recognized on previously not being limited to the amount that would be recognized.

Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or 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 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.

2.4 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Cont'd)

2.4 Summary of Significant Accounting Policies (Cont'd)

2.4.9 Taxes on income

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period

Current and deferred tax are recognized as an expense or income in profit or loss, except when they relate to items that are recognized outside profit or loss whether in other comprehensive income or directly in equity.

2.4.10 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 income statement as financial expense over the period of the borrowings.

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of that asset in the period in which the asset is prepared for its intended use or sale. All other borrowing costs are charged to the income statement when they are incurred (Note 5).

2.4.11 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method (Note 7).

Those with maturities greater than 1 year are classified as non-current liabilities.

2.4.12 Foreign currency transactions

The financial statements are presented in Turkish Lira ("TL"), which is the functional currency and the presentation currency of the Company.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the profit or loss statement except when deferred in other comprehensive income according to effectiveness as qualifying cash flow hedges.

Foreign currency differences related with borrowings and cash and cash equivalents are recognized in the financial income / (expense), whereas foreign currency differences related with other monetary assets and liabilities are recognized in the other operating income/(expense) in the statement of profit or loss.

2.4 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Cont’d)

2.4 Summary of Significant Accounting Policies (Cont’d)

2.4.13 Provisions, contingent assets and liabilities

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

Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation. The discount rate used to calculate the present value of the provision should be pre-tax rate reflecting the current market assessments of the time value of money and the risks specific to the liability. The discount rate shall not reflect risks for which future cash flow estimates have been adjusted.

2.4.14 Employee Benefits

Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Vacation pays liability

In accordance with the existing labor law in Turkey, the Company is required to pay to the employee, whose employment is terminated due to any reasons, the wage of the deserved and unused vacation days over the gross prevailing wage and other benefits subject to contract at the date the contract is terminated. Unused leave provision is the earned and unused vacation rights of its employees of the Company, and measured on an undiscounted basis and are recognized in profit or loss as the related service is provided.

Long-term employee benefits

In accordance with the current labor law in Turkey, the Group is obliged to pay certain amounts to employees who have completed 1 year who quit their jobs for reasons such as retirement, military service or death. The provision for severance pays represents the present value of the Group's estimated probable future liability in the event of the retirement of its employees. The provision for severance pay is calculated as if all employees would be subject to such payment and is reflected in the financial statements on an accrual basis. The provision for severance pay is calculated according to the severance pay ceiling announced by the government. As explained in Note 15, the management of the Group used some estimates in the calculation of the provision for severance pay.

All actuarial gains and losses are accounted under the other comprehensive income.

2.4 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Cont’d)

2.4 Summary of Significant Accounting Policies (Cont’d)

2.4.15 Share Capital

Ordinary shares are classified as equity. Dividends payables are recognized in the financial statements as a result of profit distribution in the period in which they are declared.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.4.16 Earnings per share

Earnings per share disclosed in the income statement are determined by dividing net income excluding net income attributable to redeemed shares by the weighted average number of shares outstanding during the period concerned.

In Turkey, companies can increase their share capital through a pro-rata distribution of shares (“bonus shares”) to existing shareholders from retained earnings and inflation adjustment to equity. For the purpose of earnings per share computations, the weighted average number of shares in existence during the period has been adjusted in respect of bonus share issues without a corresponding change in resources, by giving them retroactive effect for the period in which they were issued and each earlier period as if the event had occurred at the beginning of the earliest period reported (Note 26).

2.4.17 Related Parties

a) A person or a member of that person's close family is related to the Company in the following cases:

- (i) Having control or joint control over the company,
- (ii) In case of having significant influence over the Company,
- (iii) In case of being a member of the Company of Company’s main ownership’s key management personnel.

b) If any of the following conditions are met, the entity is counted as related with the Company:

- (i) In case of, Entity and the Company are members of the same group.
- (ii) In case of entity is another company's subsidiary or joint venture (or in case of a membership of a groups' member)
- (iii) In case of both the companies having a business partnership with the same third party,
- (iv) One of the companies having a business partnership with a third party and the other company is a subsidiary of that third party,
- (v) In case of having Entity’s, Company’s or the associated Company's employees having a post-employment defined benefit plans (In case of Company has such a plan, the sponsoring companies are also related with the Company).
- (vi) Company's control or jointly controlled by a person identified in the article (a),
- (vii) A person who is identified as in (a) article, at (i) part, in the presence of a significant impact on a person's business or such entity (or of a parent of these businesses) in the case of being a member of the key management personnel.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Cont'd)

2.4 Summary of Significant Accounting Policies (Cont'd)

2.4.17 Related Parties (Cont'd)

In terms of these consolidated financial statements, the partners, Hacı Ömer Sabancı Holding A.Ş. Group companies, Bridgestone Corporation Group companies, the Group's senior management staff, their families and companies controlled by or affiliated with them, affiliates and partnerships are considered and expressed as related parties. The Group has determined the senior management staff as the members of the board of directors and the executive board (Note 27).

2.4.18 Financial instruments

I. Recognition and initial measurement

The Group records its trade receivables on the date they are incurred. The Group recognizes all other financial assets and liabilities only and only on the date of the transaction in which it becomes a party to the contractual terms of the financial instrument.

In the initial measurement of financial assets (other than trade receivables that do not have a significant financing component) and financial liabilities other than those at fair value through profit or loss, the transaction costs directly attributable to their acquisition or issuance are added to the fair value. Trade receivables that do not have a significant financing component are measured at the transaction price at initial recognition.

ii. Classification and subsequent measurement

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

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

Financial assets are not reclassified after initial recognition unless the Group changes its business model to manage the financial assets. In this case, all affected financial assets are reclassified on the first day of the first reporting period following the change in business model.

A financial asset is measured at amortized cost if both of the following conditions are met, and it is not classified as fair value (“VAR”) at profit or loss:

– Holding the financial asset under a business model aimed at collecting contractual cash flows; and

– The contractual terms of the financial asset give rise to cash flows on specified dates that include only payments of principal and interest on the principal balance.

A debt instrument is measured at fair value through other comprehensive income if both of the following conditions are met and it is not classified as at fair value through profit or loss:

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

2.4 Summary of Significant Accounting Policies (cont’d)

2.4.18 Financial instruments (cont’d)

ii. Classification and subsequent measurement (cont’d)

– Holding the financial asset under a business model aimed at collecting contractual cash flows and selling financial assets; and

– The contractual terms of the financial asset give rise to cash flows on certain dates that include only payments of principal and interest on the principal balance.

In the initial recognition of investments in equity instruments that are not held for trading, an irrevocable choice may be made to present subsequent changes in fair value in other comprehensive income. The choice of this preference can be made on the basis of each investment.

All financial assets that are not measured at amortized cost or at fair value through other comprehensive income are measured at fair value through profit or loss. These include all derivative financial assets. At the initial recognition of financial assets, a financial asset is irreversibly recognized at fair value, provided that it eliminates or significantly reduces an accounting mismatch that would result from measuring financial assets differently and recognizing gains or losses on them differently. or can be defined as measured through loss.

Financial assets - Evaluation of the business model

The Group considers the purpose of holding a financial asset at the portfolio level so that its business model best reflects the way assets are managed and the information provided to management. The information covered includes:

- Policies and targets set for the portfolio and the use of these policies in practice. These include whether management's strategy focuses on generating contractual interest income, continuing to enjoy a specified interest rate, matching the maturity of financial assets with the maturity of the liabilities funding those assets, or realizing cash flows through the sale of assets.

- The business model and how the performance of financial assets held within the scope of the business model is reported to the Group management.
- Risks affecting the performance of the business model (financial assets held under the business model), and in particular the way these risks are managed.

- How the additional payments to business managers are determined (for example, whether the bonuses are based on the fair value of the assets managed or the contractual cash flows collected) and the frequency, value, timing and reason for sales in prior periods and future sales prospects.

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

2.4 Summary of Significant Accounting Policies (cont'd)

2.4.18 Financial instruments (cont'd)

ii. Classification and subsequent measurement (cont'd)

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

Financial assets held for trading or managed on a fair value basis and whose performance is evaluated on this basis are classified as measured at fair value through profit or loss.

Financial assets – Evaluate whether there are contractual cash flows that include only principal and interest payments on the principal balance:

For the purposes of this assessment, the principal is the fair value of the financial asset at initial recognition in the consolidated financial statements. Interest: It consists of the time value of money, the credit risk of the principal balance for a given time period, other key lending risks and costs (for example, liquidity risk and management costs), and the profit margin.

In assessing whether the contractual cash flows are only contractual cash flows that include payments of principal and interest on the principal balance, the Group relies on the characteristics of the contractual cash flows. This assessment requires evaluating whether the financial asset contains contractual terms that change the timing or amount of contractual cash flows so that they do not meet this condition. In making this assessment, the Group considers the following:

- Any contingent event (i.e., a triggering event) that could change the timing or amount of the contractual cash flows;
- Terms that adjust the contractual coupon rate, including variable rate features.
- Features that allow early payment and extend the maturity;
- Terms that restrict the Group's contractual rights to receive cash flows from certain assets (for example, non-recourse).

The prepayment feature is consistent with the criterion of paying only principal and interest on the principal balance if, where the contract is terminated prematurely, prepaid amounts that include reasonable consideration substantially reflect the outstanding amount of principal and interest on the principal balance.

In addition, if (i) the financial asset is received at a premium or discount to its contractual face value, (ii) the prepaid amounts, including a reasonable surcharge if the contract is terminated prematurely, substantially reflect the contractual face value and accrued (but unpaid) interest. and (iii) if the fair value of the prepayment feature is immaterial at initial recognition, it is considered to meet this criterion.

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

2.4 Summary of Significant Accounting Policies (cont'd)

2.4.18 Financial instruments (cont'd)

ii. Classification and subsequent measurement (cont'd)

Financial assets – Subsequent measurement and gains or losses:

Financial assets measured at fair value through profit/loss.

These assets are measured at their fair value in subsequent measurements. Net gains and losses related to them, including any interest or dividend income, are recognized in profit or loss. For derivatives defined as hedging instruments, see section (v) below.
Financial assets measured at fair value through profit/loss.

Financial assets measured at amortized cost.
These assets are subsequently measured at amortized cost using the effective interest method. Amortized costs, if any, are reduced by the number of impairment losses. Interest income, foreign currency gains and losses and impairments are recognized in profit or loss. Gains or losses resulting from their derecognition are recognized in profit or loss.

Financial liabilities – Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortized cost and at fair value through profit or loss.

A financial liability is classified as at fair value through profit or loss if it meets the definition of held for trading. A financial liability is classified as a financial liability held for trading if it is a derivative or designated as such at initial recording. Financial liabilities at fair value through profit or loss are measured at fair value and net gains and losses, including interest income, are recognized in profit or loss.

Other financial liabilities, after initial recognition, are measured at effective interest rates and amortized cost values of future principal and interest cash flows, less any impairment. Interest expenses and foreign exchange differences are recognized in profit or loss. Gains or losses resulting from derecognition of these liabilities are recognized in profit or loss. For derivatives defined as hedging instruments, see section (v) below.

iii. Financial derecognition

Financial assets

When the contractual rights to the cash flows related to the financial asset expire, or when the Group transfers substantially all the risks and rewards of ownership of the financial asset, or when it neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, derecognizes the financial asset if it does not continue to have control over the financial asset.

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

2.4 Summary of Significant Accounting Policies (Cont’d)

2.4.18 Financial instruments (cont’d)

iii. Financial derecognition (cont’d)

If the Group continues to retain substantially all the risks and rewards of ownership of a financial asset, it continues to recognize the financial asset in the statement of financial position.

Financial liabilities

The Group derecognizes a financial liability and only when the liability for the liability is eliminated or canceled. In addition, the Group derecognizes a financial liability in the event of a material change in the terms or cash flows of an existing financial liability. Instead, it requires the recognition of a new financial liability at its fair value based on the modified terms.

On derecognition of a financial liability, the difference between its carrying amount and the amount paid for this liability (including any non-cash assets transferred or any liabilities assumed) is recognized in the consolidated financial statements as profit or loss.

iv. Offsetting of financial assets and liabilities

The Group offsets its financial assets and liabilities and presents the net amount in its consolidated financial statements only when it has a legal right to offset and it intends to settle the transaction on a net basis or to realize the asset and settle the liability simultaneously.

v. Derivative financial instruments and hedge accounting

TFRS 9 also includes new hedge accounting rules aimed at aligning hedge accounting with risk management practices. TFRS 9 provides the option to defer the adoption of hedge accounting of TFRS 9 and continue to apply the hedge accounting provisions of TAS 39 in the choice of accounting policy. In this context, the Group continues to apply the hedge accounting provisions of TAS 39.

The derivative financial instruments of the Group consist of forward foreign exchange purchase contracts and cross currency and interest swap contracts. The Group hedges its derivative financial instruments (hedging instrument) from cash flow (hedged item) risk from foreign purchases and cash flow (hedged item) risk from floating rate foreign currency loans. At the same time, time deposits are used as a hedging instrument and are used to hedge the exchange rate risk in future raw material purchases.

Derivative financial instruments are initially recorded with their fair values, and in the following periods, fair value is calculated separately for each derivative financial instrument. The accounting method of the resulting profit or loss varies depending on whether the related derivative transaction is for hedging purposes and, if so, the content of the hedged item.

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

2.4 Summary of Significant Accounting Policies (cont'd)

2.4.18 Financial instruments (cont'd)

iii. Financial derecognition (cont'd)

The Group documents the relationship between the hedging instrument and the hedged item at the transaction date, together with the Group's risk management objectives and strategies for hedging transactions. In addition, the Group regularly documents its assessment that derivative transactions used for hedging purposes can effectively offset changes in the fair value of the hedged item.

The effective portion of the fair value changes of derivative financial instruments for cash flow hedging is accounted for under equity. Gains and losses related to the inactive portion are shown directly in the income statement.
Gains and losses related to the ineffective portion of interest rate swaps for hedging the risk of floating rate debts are shown in the income statement. Gains and losses occur on hedged items (when the hedged item is a forecast transaction); Gains and losses previously recognized in equity are transferred to the profit or loss statement in the relevant period. Gains and losses related to the effective portion of cross currency and interest rate swaps for hedging the risk of floating rate debts are presented in the statement of comprehensive income (Note 5).

Hedge accounting is terminated prospectively when the hedging relationship (or part of it) no longer meets the required criteria, the hedging instrument expires, or is sold, terminated or used. If cash flow hedge accounting is discontinued, the amount accumulated in the hedge fund continues to be classified in equity until a hedged forecast transaction is recognized in the non-financial item, the cost of the hedge is included directly in the initial cost of the non-financial item or, for other cash flow hedges, the financial The cost of hedging is reclassified to profit or loss in the period or periods in which the estimated future cash flows hedged affect profit or loss.
If the estimated future cash flows that are hedged are no longer expected to occur, the amount accumulated in the hedge fund and the cost of that fund is immediately reclassified to profit or loss.

vi. Impairment

Non-Derivative Financial instruments and contract assets

The Group recognizes a loss allowance for expected credit losses for:

– financial and contract assets measured at amortized cost.

The Group measures the following loss allowance at the amount equal to lifetime ECLs:
-Debt instruments determined to have low credit risk at the reporting date, and
–Bank balances for which the credit risk (i.e., the risk of default over the expected life of the financial instrument) has not increased significantly since initial recognition.

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

2.4 Summary of Significant Accounting Policies (cont’d)

2.4.18 Financial instruments (cont’d)

vi. Impairment (cont'd)

Measurement of SEEs

The ECAs are a probability-weighted estimate of credit losses over the expected life of the financial instrument. In other words, they are credit losses measured at the present value of all cash deficits (for example, the difference between the contractual cash inflows to the business and the cash flows the business expects to receive).

The Group has calculated the EQUs based on past year’s credit losses experience, customers' analysis of their current financial position, and their expectations for the future. The Group performed BKZ rate calculations separately for domestic customers and dealer customers. The Group makes separate assessments for export customers and other private customers and sets aside provisions when deemed necessary.

Considering the receivables remaining after the current collaterals of the dealers, their payment habits, and the credit risk score status of independent credit rating firms, the method of allocation of doubtful receivables provision has been applied.

The cash gap is the difference between the contractual cash flows to the business and the cash flows that the business expects to receive. Because expected credit losses consider the amount and timing of payments, a credit loss is incurred even if the entity expects to receive full payment later than the contractual maturity.

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

Loan impaired financial assets

At the end of each reporting period, the Group assesses whether financial assets measured at amortized cost are impaired. A financial asset is credit impaired when one or more events occur that adversely affect the estimated future cash flows of a financial asset.
Evidence of a financial asset's credit impairment includes the following observable data:
– The borrower or issuer is in significant financial difficulty.
– breach of contract, such as the debtor's default or 181 days past due date of the financial instrument.
– restructuring of a loan or an advance, subject to conditions that the Group would not consider otherwise.
– The debtor is likely to go into bankruptcy or financial restructuring, or
– The disappearance of an active market for security due to financial difficulties.

Presentation of impairment

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

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

2.4 Summary of Significant Accounting Policies (cont’d)

2.4.18 Financial instruments (cont’d)

vi. Impairment (cont'd)

Dropout

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

The Group makes an individual assessment of the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group does not anticipate any significant recovery regarding the write-off amount.
However, financial assets written off may still be subject to enforcement activities to comply with the Group's procedures for recovery of amounts due.

2.4.19 Cash flow reporting

In the cash flow statement, cash flows for the period are classified and reported based on operating, investing and financing activities. Cash flows from operating activities represent the cash flows from the Group's main activities.

Cash flows from investing activities represent the cash flows that the Group uses and generates in its investing activities (asset investments and financial investments).

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

Cash and cash equivalents include cash, bank deposits and short-term, highly liquid investments with a maturity of 3 months or less that can be easily converted into cash (Note 4).

2.4.20 Provision for warranty expense

Provision for warranty expense is set aside for returns that may occur as a result of manufacturing defects within the next two years regarding the products sold under warranty by the Group. In addition to the general reserve, the Group has set aside a provision for the files whose files have been accepted but whose invoices have not yet been issued, which are within the scope of warranty.

2.4.21 Events after the reporting period

It represents events that occur in favor of or against the entity between the reporting date and the date of authorization for the issue of the consolidated financial statements. Events after the reporting date are divided into two:

• There is new evidence that the relevant events existed as of the reporting date; and

• There is evidence that the relevant events occurred after the reporting date (non-adjusting events after the reporting date).

The Group adjusts its consolidated financial statements in accordance with the new situation, in case there is new evidence that the said events exist as of the reporting date or if the related events occur after the reporting date and these events necessitate the restatement of the consolidated financial statements. If the said events do not require the restatement of the consolidated financial statements, the Group explains the said issues in the related footnotes.

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

2.4 Summary of Significant Accounting Policies (cont'd)

2.4.22 Impairment of non-financial assets

On each reporting date, the Group examines the carrying value of its tangible and intangible assets, excluding inventories and deferred tax assets, to determine if there are any signs of impairment. If such an indicator exists, the asset's recoverable amount is estimated. In order to determine the amount of impairment, the recoverable amount of the assets, if any, is estimated. Where the recoverable amount of an asset cannot be measured, the Group measures the recoverable amount of the cash-generating unit associated with the asset. If a reasonable and consistent basis of allocation is determined, Group assets are allocated to cash-generating units. Where this is not possible, Group assets are allocated to the smallest cash-generating units to determine a reasonable and consistent basis of allocation.

When the recoverable amount of an asset (or cash-generating unit) is less than it carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. In cases where the related asset is not measured at the revalued amount, the impairment loss is recognized directly in profit/loss.

In the event that the impairment loss is reversed in subsequent periods, the carrying amount of the asset (or related cash-generating unit) is increased to correspond to the estimated amount re-updated for the recoverable amount. The increased carrying amount should not exceed the carrying amount of the asset (or related cash-generating unit) that it would have had had no impairment loss for the asset been recognized in prior periods. Unless the asset is presented at a revalued amount, the reversal of the impairment loss is recognized directly in profit or loss.

2.4.23 Comparative information and restatement of prior period consolidated financial statements.

The consolidated financial statements of the Group are prepared comparatively with the previous period in order to enable the determination of the financial position and performance trends. In order to comply with the presentation of the current period consolidated financial statements, comparative information is reclassified when deemed necessary and significant differences are disclosed.

Doubtful Receivables foreign exchange gains amounting to TL 3.777.568, which were shown in Other Operating Expenses (-) in the financial statements dated 31 December 2021, were classified as Impairment Loss on Trade Receivables (-) in the consolidated financial statements as of 31 December 2022.

2.4.24 Finance income and finance expenses

Financing income consists of interest income from bank deposits, which form part of the cycle used for financing, and foreign exchange income on financial assets and liabilities (other than trade receivables and payables). Financial expenses include interest expenses on bank loans, early collection commission expenses on credit cards and foreign exchange expenses on financial assets and liabilities (other than trade receivables and payables). Borrowing costs that are not directly attributable to the acquisition, construction or production of an asset are recognized in profit or loss using the effective interest rate.

Foreign exchange income and expenses on financial assets and liabilities (other than trade receivables and payables) are reported next in finance income or finance expenses, according to the net position of the foreign exchange movements. Foreign exchange differences and rediscount incomes on trade receivables and payables are reported under other operating income, and foreign exchange difference and rediscount expenses are reported under other operating expenses. Interest income is accounted for using the effective interest method.

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

2.4 Summary of Significant Accounting Policies (cont'd)

2.4.24 Finance income and finance expenses (cont’d)

An entity that calculates interest income by applying the effective interest method to the amortized cost of a financial asset during a reporting period may consider that if the credit risk on the financial instrument improves such that the financial asset is no longer credit-impaired, and that improvement can be objectively attributed to an event (a debtor's credit rating). Calculates interest income for subsequent reporting periods by applying the effective interest rate to the gross book value.

2.5 Significant Accounting Estimates and Assumptions

While preparing the consolidated financial statements, management made judgments, estimates and assumptions that affect the application of the Group's accounting policies and the amounts of reported assets, liabilities, income and expenses. Actual amounts may vary from estimated amounts.

Estimates and associated assumptions are reviewed on an ongoing basis. Changes in estimates are accounted for prospectively.

Useful lives and goodwill impairment of tangible and intangible assets

Tangible and intangible assets are presented with their net value less accumulated depreciation and impairment, if any. Depreciation is allocated using the straight-line method based on the useful lives of tangible and intangible assets. The useful lives and method of depreciation are based on management's best estimates, reviewed at each reporting date and adjusted if necessary (Note 11-13).

The net book value of goodwill is reviewed annually and, when deemed necessary, adjusted for permanent depreciation. Provision for impairment of goodwill is not canceled in subsequent periods (Note 14).

Provision for doubtful debt

If there is a situation that indicates that it will not be able to collect its trade receivables in line with the expected credit loss calculations, the Group creates a provision for impairment for such receivables. The Group measures the expected credit loss allowance at an amount equal to lifetime expected credit losses. In the calculation of expected credit losses, the model that includes the Group's forecasts for the future, together with the past credit loss experiences, is taken into account. (Note 7).

Fair values of derivatives and other financial instruments

The Group calculates the fair values of financial instruments that do not have an active market, using market data, using arm's-length similar transactions, taking the fair values of similar instruments as a reference, and discounted cash flow analysis (Note 6).

Other provisions

Provisions are recognized when the Group has a legal or constructive obligation as a result of past events and it is probable that an outflow of resources will be required to settle this obligation, and the amount to be paid can be reliably estimated (Note 15).

2.5 Significant Accounting Estimates and Assumptions (cont’d)

Deferred tax asset.

As of 31 December 2022, the Group estimates that it will benefit from reduced corporate tax in the following years within the scope of incentive investment documents. However, since it is not possible to predict how long the benefit will be realized, the Group calculates for 3 predictable years. In this calculation, the deferred tax asset is recorded by taking into account the average tax rate to be paid for each year in the next 3 years including that year (Note 25).

Net realizable value

In accordance with the accounting policy stated in Note 2.4, inventories are valued at the lower cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less than the estimated cost of completion and the estimated cost of selling necessary to make the sale.

Recovery of internally generated intangible assets

Internally created intangible assets that arise as a result of development activities (or the development phase of an intra-Group project) are only technically feasible when these assets are ready for use or sale, the entity has the intention to complete, use or sell the asset, the ability to use or sell the asset, determine how the intangible asset will generate probable economic benefits, also have a market for the output of the intangible asset or the intangible asset itself, or if the intangible asset is usable if it is to be used internally, complete the development phase; and They are recognized when adequate technical, financial and other resources are available to use or sell the intangible asset, and the expenditure incurred on the intangible asset during development can be reliably measured.

When internally generated intangible assets cannot be recognized, they are recorded as research expenses in the period in which they are incurred. During the period, the Group management re-examined the existence of possible economic benefits of intangible fixed assets created within the company. The Group management believes that the projects will continue as expected and based on the analysis, predicts that the projects will create similar economic benefits.

Management is confident that even if the economic benefit decreases, the carrying amount of the assets can be recovered. This situation is closely monitored by the Group management and will make such adjustments when future market activities require adjustments. (Note 14).

Measurement of fair values

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; In the absence of an active market, it refers to the most advantageous market to which the Group has access. The fair value of a liability reflects the effect of the risk of default.

The Group's various accounting policies and disclosures require determining the fair values of both financial and non-financial assets and liabilities.

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

2.5 Significant Accounting Estimates and Assumptions (cont'd)

Fair value measurement (cont'd)

Where there is an active market, the Group measures the fair value for a financial asset or liability using the quoted price of the asset or liability in the active market. A market is considered to be active, in which asset or liability transactions occur continuously with sufficient frequency and volume to provide pricing information.

If there is no quoted price in the active market, the Group uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of non-observable inputs. The chosen valuation technique includes all the factors that market participants would consider when pricing a transaction.

If an asset or liability measured at fair value has an offer price and a bid price, the Group measures the asset and long positions at the bid price, and liabilities and short positions at the purchase price.

At initial recognition, the best indicator of fair value is the transaction price realized (i.e. the fair value of the consideration received or paid). If the group determines at initial recognition that fair value differs from the transaction price, and the fair value is not proven based on a quoted price in an active market for the same asset or liability or a valuation technique using unobservable inputs, the financial instrument is initially measured at fair value if it is immaterial. It is measured at fair value and adjusted to defer the difference between fair value and transaction price. Following initial recognition, it is recognized in profit or loss on an appropriate basis over the life of the financial instrument. However, recognition in profit or loss continues as long as the valuation is fully supported by observable market data or until the time the transaction is closed.

The evaluation team regularly reviews unobservable data and evaluation corrections. If third-party information, such as intermediary quoted prices or pricing services, is used to measure fair value, the evaluation team must evaluate the results of evaluating information obtained from third parties in accordance with the requirements of TFRS, including at what level in the fair valuation hierarchy fair valuations should be classified. reviews to support compliance outcome.

Significant assessment matters are reported to the Group's Audit Committee.

When measuring the fair value of an asset or liability, the Group uses market-observable information whenever possible. Fair valuations are classified into different levels in the fair valuation hierarchy determined based on the information used in the valuation techniques specified below.

Level 1: At the quoted (unadjusted) price in active markets for identical assets or liabilities.

Level 2: Data that is directly (through prices) or indirectly (derived from prices) observable data in terms of assets or liabilities, other than recorded prices in Level 1; and.

Level 3: Data on assets or liabilities that are not based on observable market data (non-observable data).

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

2.5 Significant Accounting Estimates and Assumptions (cont’d)

Fair value measurement (cont’d)

If the information used to measure the fair value of an asset or liability can be classified to a different level of the fair valuation hierarchy, that fair valuation is classified to the same level of the fair valuation hierarchy that includes the smallest information that is significant to the overall measurement.

The Group recognizes transfers between levels in the fair valuation hierarchy at the end of the reporting period in which the change occurs.

Further information on the assumptions used in making fair valuation measurements is set out in the following notes: (Note 6 – Derivative instruments)

2.6 Reporting by Division

The Group is engaged in the production of radial, passenger car, pickup truck, minibus, truck, bus tires and tread rubber, as well as the sales of radial and conventional construction equipment tires, various inner tubes and columns, and the sale of mixtures. On March 1, 2022, the Group acquired Arvento M2M Elektronik Sistemler Sanayi Ticaret A.Ş. (“Arvento”), which operates in the field of vehicle tracking and fleet management. The effect of Arvento on the consolidated financial statements of the Group as of 31 December 2022 is limited. Therefore, in line with the managerial approach, the Group's operations are considered as a single operating segment as of 31 December 2022 and the Group's operating results, the determination of the resources to be allocated to this activity and the examination of the performances of these activities are evaluated within this framework.

(Amounts expressed in Turkish Lira (”TL”) unless otherwise indicated)

3. BUSINESS COMBINATIONS

Acquisitions realized between 1 January 2022 - 31 December 2022

The company and Özer Hıncal and Track Holdings S.A.R.L. Between them, a Share Purchase-Sale agreement on 14 December 2021 for the purpose of taking over all of the shares representing 88.89% of the capital of Arvento M2M Elektronik Sistemleri Sanayi Ticaret A.Ş. (“Arvento”) for a consideration of TL 291.469.028.30 has been signed. The necessary conditions for the planned payment transfer have been fulfilled and the relevant permits and approvals have been obtained. It was taken over by the Company in 2022.
As of March 1, 2022, the Group has obtained control over Arvento and has been consolidated using the full consolidation method in accordance with TFRS 3. The fair value of the assets and liabilities recorded at the transaction date (March 1, 2022) is as follows:

Total cash acquisition amount	**337.159.439**
Net assets acquired	309.756.607
Total cash acquisition amount	**337.159.439**
Cash and cash equivalents - acquired	201.233.993
Net cash impact of subsidiary acquisition	135.925.446
Goodwill (Note 14)	**27.402.832**
Cash and cash equivalents	201.233.993
Commercial debts	51.024.675
Inventories	37.061.603
Other current assets	2.260.588
Tangible assets	2.903.721
Intangible assets	151.131.616
Right-of-use assets	5.274.227
Other fix assets	46.271
Deferred tax liabilities	(16.981.656)
Trade Payables	(16.197.707)
Deferred Income	(37.884.314)
Other liabilities	(31.396.834)
Fair value of total identifiable net assets (100%)	**348.476.183**
Net assets acquired (corresponding to 88.89% purchased) (*)	**309.756.607**

(*) The rate of purchased shares owned by the company is 88,88888889%.

The fair value of identifiable assets, liabilities and contingent liabilities acquired as a result of the full consolidation transaction, exceeding the book value per group share amounting to TL 27.402.832 is recorded as goodwill in the statement of financial position.

Arvento M2M Elektronik Sistemleri Sanayi ve Ticaret Anonim Şirketi merged with Arvento Mobil Sistemler A.Ş on September 15, 2022 by transferring its current assets and liabilities as a whole.

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

3. BUSINESS COMBINATIONS (Cont'd)

Purchases realized between January 1, 2021 - December 31, 2021
None.

4. CASH AND CASH EQUIVALENTS AND FINANCIAL INVESTMENTS

	31 December 2022	31 December 2021
Cash on hand	17.635	262
Cash at banks	3.642.492.283	3.344.879.174
Demand deposits	129.746.940	146.186.781
Time deposits	1.599.220.441	2.960.891.694
Credit cards slip receivables	1.913.524.902	237.800.699
Total cash and cash equivalents	**3.642.509.918**	**3.344.879.436**
Interest accruals	(8.177.711)	(1.772.156)
Cash and cash equivalents in the cash flow statement	**3.634.332.207**	**3.343.107.280**

The nature and extent of the risks on cash and cash equivalents are described at Note 28. Demand deposits comprise collections from direct debiting system (DDS) and cheques kept under current accounts based on agreements made with banks. Credit card slip receivables contain POS balances which have less than three months' maturity.

<u>**Financial Investments**</u>

Currency-protected deposit accounts are a financial asset with cash flows that include principal and interest or dividends, but they also show a derivative product feature as these cash flows may change depending on the change in exchange rates. Therefore, currency protected deposit accounts are treated as hybrid contracts and accounted for as financial assets whose fair value is recognized in profit or loss in line with the provisions of TFRS 9 regarding mixed contracts. Changes in the fair value of currency-protected deposit accounts are accounted for under "Income/Expense from Investing Activities" in the Statement of Profit or Loss and Other Comprehensive Income.

The details of short-term financial investments:

Current Assets	**31 December 2022**	**31 December 2021**
KKM (*)	1.107.589.643	-
Eurobond	133.062.297	-
Other	955.452	-
Time deposits over 3 months' maturity	-	133.920.137
	1.241.607.392	**133.920.137**

The Group presents deposits with maturities over 3 months and currency protected deposits as financial investments. The Group classifies its venture capital fund, Eurobond and currency protected deposits in cash flows from investing activities in the cash flow statement.

(*) The income of the Group amounting to TL 91.152.589 from foreign currency-protected deposit accounts has been accounted for under income from investment activities.

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

5. FINANCIAL BORROWING

	31 December 2022		31 December 2021	
	Weighted average interest rate%	TL	Weighted average interest rate%	TL
Short-term TL bank borrowings	23,64	1.498.162.896	19,03	371.620.854
Short-term ABD borrowings	7,95	322.745.951		-
Short-term bank factoring liabilities	18,75	20.548.801	19,65	19.598.877
Short-term leasing liabilities		3.942.848		-
Short-term borrowings		**1.845.400.496**		**391.219.731**
Short-term portion of long-term TL bank borrowings	22,85	1.817.703.913	8,74	596.044.619
Short-term portion of long-term USD bank borrowings	5,96	59.922.080	2,14	10.606.296
Short-term portion of long-term USD bank borrowings (*)	2,55	1.404.794.359	1,37	1.060.988.846
Short-term portion of long-term lease liabilities		5.034.299		7.705.189
		3.287.454.651		**1.675.344.950**
Total short-term borrowings		**5.132.855.147**		**2.066.564.681**
Long-term TL bank borrowings	22,77	364.961.478	12,82	510.013.656
Long-term USD bank borrowings	2,55	236.065.741	2,14	482.284.149
Long-term USD bank borrowings (*)	5,95	1.068.068.544	1,58	1.726.567.224
Long-term lease liabilities		27.886.995		4.688.023
Total long-term borrowings		**1.696.982.758**		**2.723.553.052**
Total financial liabilities		**6.829.837.905**		**4.790.117.733**

The Group's net financial liability calculation is as follows:

	31 December 2022	31 December 2021
Total financial borrowings (**)	6.792.973.763	4.777.724.521
Less: Valuation difference from US Dollar borrowings for hedging	(1.955.780.239)	(1.912.226.689)
Less: Cash and cash equivalents	(3.642.509.918)	(3.344.879.436)
Less: Financial investments	(1.241.607.392)	(133.920.137)
Net financial debt	**(46.923.786)**	**(613.301.741)**

Bank Borrowings

(*) The Company entered into cross currency and interest rate swaps to mitigate floating interest rate and foreign currency exchange risks for the long-term foreign currency denominated borrowings when they were received. TL values of the Company's foreign currency denominated borrowings may increase or decrease as a result of exchange rates fluctuations, in return the fair value of cross currency swaps are shown under derivative assets. (**) Total bank borrowings does not include lease liabilities.

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

5. FINANCIAL BORROWINGS (Cont'd)

As of 31 December 2022, accumulated foreign exchange loss due to bank borrowings designed for hedge accounting amounting to TL 1.955.780.239 (31 December 2021: TL 1.912.226.689) fair value of cross currency and interest rate swap contracts designed for hedge accounting amounting to TL 2.139.643.445 (31 December 2021: TL 2.121.127.694) (Note 6), equity hedging reserve amounting to TL 147.091.345 (31 December 2021: TL 167.121.584) and deferred tax liability amounting to TL 36.771.861 (31 December 2021: TL 41.779.421) were recognized in the financial statements.

Loan commission and expenses amounting to TL 3.718.911 and TL 2.256.517 TL were net off with the borrowings in the short-term portion of long-term borrowings, and in the long-term bank borrowings, respectively (31 December 2021 respectively TL 4.692.142 and TL 6.975.427 TL).

As of 31 December 2022, and 31 December 2021, all of the bank borrowings consist of unsecured bank loans.

As of 31 December 2022, and 31 December 2021, the movement table of financial liabilities is as follows:

	31 December 2022	31 December 2021
Opening balance	4.790.117.733	3.165.536.998
Cash inflows from borrowing	3.247.996.000	1.218.303.599
Cash outflows from Repayment of Borrowings	(1.400.562.894)	(819.413.278)
Interest expense accounted under profit or loss (Note 24)	646.127.478	295.821.493
Capitalized interest expense at tangible assets (Note 24)	11.242.145	1.380.001
Interest paid	(609.392.944)	(267.061.574)
Cash Outflows Related to Rental Agreements	(18.153.987)	(11.671.017)
Cash Inflows / (Outputs) from Factoring Transactions	949.923	(2.768.633)
Exchange difference	116.758.872	1.198.932.039
Other	44.755.579	11.058.105
Closing balance	**6.829.837.905**	**4.790.117.733**

The Group has fulfilled its financial commitments as of 31 December 2022.

As of 31 December 2022, and 31 December 2021, the repayment schedule of its financial debts is as follows:

	31 December 2022	31 December 2021
2022	-	2.066.564.681
2023	5.132.855.147	1.554.675.971
2024	1.039.104.587	708.076.045
2025	608.487.581	426.475.609
2026	49.390.590	34.325.427
	6.829.837.905	**4.790.117.733**

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

6. DERIVATIVE FINANCIAL INSTRUMENTS

	31 December 2022		31 December 2021	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Cross currency and interest rate swaps	68.640.625	-	114.518.244	-
Forward currency exchange contract	4.783.909	42.368.590	-	-
Option	2.473.661	-	-	-
Short term derivative instruments that hedge accounting applied	**75.898.195**	**42.368.590**	**114.518.244**	-
Cross currency and interest rate swaps	2.071.002.819	-	2.006.609.450	-
Long term derivative instruments that hedge accounting applied	**2.071.002.819**	**-**	**2.006.609.450**	-
	2.146.901.014	**42.368.590**	**2.121.127.694**	-

The Company's derivative financial instruments include cross currency and interest rate swap contracts and valuation differences related to these transactions are accounted for in equity accounts.

The valuation of derivative instruments is based on the market prices quoted for similar instruments at the balance sheet date.

During the current period, income amounting 351.519.782 (December 31, 2021: TL 96.126,851) was recorded in the profit or loss statement regarding derivative contracts maturing during the period and hedge transactions to hedge currency risk.

7. TRADE RECEIVABLES AND PAYABLES

Trade Receivables

As of the balance sheet date, the Group's trade receivables are as follows:

Short-term trade receivables	**31 December 2022**	**31 December 2021**
Account receivables	2.510.676.902	1.085.025.410
Notes receivables	42.335.701	2.770.247
Trade receivables from related parties (Note 25)	206.780.013	135.935.818
Unearned credit finance income	(190.664.432)	(37.572.398)
Doubtful receivables provision (-)	(169.370.207)	(142.860.965)
	2.399.757.977	**1.043.298.112**

Long-term trade receivables	**31 December 2022**	**31 December 2021**
Account receivables	26.610.145	17.551.356
Doubtful receivables provision (-)	(25.019.926)	(47.620)
	1.590.219	**17.503.736**

(Amounts expressed in Turkish Lira (”TL”) unless otherwise indicated)

7. TRADE RECEIVABLES AND PAYABLES (Cont’d)

Trade receivables mainly include non-collected amounts arising from the sales of finished goods and trade goods.

As of 31 December 2022, and 31 December 2021, the maturities of trade receivables are 77 days and 80 days on average and they are discounted with average annual interest rates of 23,27% and 13,86%.

As of 31 December 2021, the receivables from third parties amounting to TL 178.908.583 (31 December 2021: TL 93.692.881) were past due but not impaired.

As of 31 December 2022, collaterals amounting to TL 92.901.825 have been received for receivables from third parties that overdue (31 December 2021: TL 49.697.565).

The aging of overdue receivables from third parties as of 31 December 2022 and 2021 is as follows:

	31 December 2022	31 December 2021
Between 0 - 1 months	98.004.470	75.911.076
Between 1 - 3 months	35.964.470	966.393
Between 3 - 12 months	44.939.643	16.815.413
	178.908.583	**93.692.882**

The allowance for doubtful receivables is determined based on past experiences of collection of receivables and risk rating matrix developed for the expected credit loss computation.

Movements in provision for doubtful receivables are as follows:

	1 Ocak- 31 December 2022	1 Ocak- 31 December 2021
Opening balance as of 1 January	142.908.585	145.419.802
Acquire effect	22.796.812	-
Doubtful receivables exchange difference	2.932.656	3.777.566
Additions / (cancellation) (*)	26.139.435	2.088.604
Collections	(387.355)	(2.193.510)
Deleted receivables (**)	-	(6.183.877)
Closing balance	**194.390.133**	**142.908.585**

(**) The provision amounting to TL 6.183.877 set aside in the previous period has been removed from the list of doubtful trade receivables as of 31 December 2021, since the possibility of collection has completely disappeared.

(Amounts expressed in Turkish Lira (”TL”) unless otherwise indicated)

7. TRADE RECEIVABLES AND PAYABLES (Cont'd)

Trade Payables

As of the balance sheet date, the Group's trade payables detail is as follows:

Short-term trade payables	**31 December 2022**	**31 December 2021**
Trade payables	2.958.806.400	1.762.848.015
Trade payables to related parties (Note 27)	1.484.889.722	1.072.393.563
Unrealized finance expense due to credit purchases	(67.863.595)	(27.757.181)
	4.375.832.527	**2.807.484.397**

Trade payables mainly include non-paid amounts arising from trade purchases and ongoing expenditures.

As of 31 December 2022 and 31 December 2021, the maturities of trade payables are 93 days and 117 days on average and they are discounted with average annual interest rates of %23,27 and %13,86 respectively. The Group has financial risk management policy in order to manage the maturity structure of liabilities.

8. OTHER RECEIVABLES AND PAYABLES

Other Receivables

Other Short-term Receivables	**31 December 2022**	**31 December 2021**
Due from personnel	18.448.135	6.536.381
Other receivables from related parties (Note 27)	153.266	58.139
Receivables from tax Office	3.668.026	3.935.359
Other miscellaneous receivables	2.997.178	3.827.326
	25.266.605	**14.357.205**

Other Long-term Receivables	**31 December 2022**	**31 December 2021**
Other receivables from related parties (Note 27)	-	255.548
Deposits and guarantees given	224.882	339.857
	224.882	**595.405**

Other Payables

Other Short-term Payables	**31 December 2022**	**31 December 2021**
Other payables to public authorities	47.275.031	26.815.292
Other payables to related parties (Note 25)	2.020.126	1.905.017
Deposits and guarantees taken	1.873.200	8.957.966
	51.168.357	**37.678.275**

(Amounts expressed in Turkish Lira (”TL”) unless otherwise indicated)

9. INVENTORIES

	31 December 2022	31 December 2021
Raw materials	816.184.023	324.187.638
Materials and supplies	136.221.211	83.228.293
Semi-finished goods	197.864.998	99.206.923
Finished goods	513.590.108	186.863.865
Trade goods	190.757.831	71.912.979
Goods in transit	546.847.174	364.556.792
Less: Impairment on inventories	(37.288.752)	(21.233.491)
	2.364.176.593	**1.108.722.999**

As of 31 December 2022 and 31 December 2021 movements in provision for impairment on inventories are as follows:

	1 January- 31 December 2022	1 January- 31 December 2021
Opening balance	21.233.491	17.801.854
Acquire effect	4.303.182	-
Period charge / (cancellation)	11.752.079	3.431.637
Closing balance	**37.288.752**	**21.233.491**

(*) It is expensed in the cost of goods sold.

10. PREPAID EXPENSES AND DEFERRED INCOME

Short-term Prepaid Expenses	**31 December 2022**	**31 December 2021**
Prepaid expenses	84.847.348	26.247.110
Order advances given	38.411.102	40.739.338
Advances given to personnel	578.094	28.484
Advances given to dealers (*)	-	122.912
	123.836.544	**67.137.844**

Long-term Prepaid Expenses	**31 December 2022**	**31 December 2021**
Prepaid expenses	31.600.366	24.576.819
Advances given for fixed assets	56.573.153	20.560.651
	88.173.519	**45.137.470**

Short-term Deferred Income	**31 December 2022**	**31 December 2021**
Advances received	28.800.114	21.846.044
Contract liability arising from sales of goods	67.354.911	16.166.893
Deferred income	2.306.991	2.483.444
	98.462.016	**40.496.381**

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

11. PROPERTY, PLANT AND EQUIPMENT

	1 January 2022	Acquire effect	Additions	Transfers (*)	Disposals	31 December 2022
Cost						
Land and land improvements	79.356.609	-	-	61.276	-	79.417.885
Buildings	729.770.190	-	353.661	31.104.078	-	761.227.929
Machinery and equipment	2.767.975.567	32.175	1.904.965	318.162.287	(3.795.617)	3.084.279.377
Motor vehicles	27.647.556	1.795.555	5.955.066	11.473.820	(378.921)	46.493.076
Furniture and fixtures	189.130.822	4.785.214	29.678.193	13.261.651	(291.302)	236.564.578
Other fixed assets	150.674.593	4.332.397	49.828.812	-	(499.907)	204.335.895
Construction in progress	214.427.912	-	912.334.364	(422.800.915)	-	703.961.361
	4.158.983.249	**10.945.341**	**1.000.055.061**	**(48.737.803)**	**(4.965.747)**	**5.116.280.101**
Accumulated depreciation						
Land and land improvements	23.641.238	-	3.199.420	-	-	26.840.658
Buildings	219.617.585	-	16.395.822	-	-	236.013.407
Machinery and equipment	1.726.885.572	32.175	160.349.428	-	(3.795.617)	1.883.471.558
Motor vehicles	12.138.334	1.206.334	4.163.699	-	(378.921)	17.129.446
Furniture and fixtures	94.882.569	3.585.060	20.986.348	-	(81.086)	119.372.891
Other fixed assets	64.767.349	3.218.051	15.529.771	-	(344.534)	83.170.637
	2.141.932.647	**8.041.620**	**220.624.488**	**-**	**(4.600.158)**	**2.365.998.597**
Net book value	**2.017.050.602**	**2.903.721**	**779.430.573**	**(48.737.803)**	**(365.589)**	**2.750.281.504**

(*) TL 48.737.803 of construction in progress, transferred to intangible assets at the current year (31 December 2021: TL 48.678.436). Transfers in the current period are related with Aksaray and İzmit plants which continues investments in buildings, machinery and equipment.

For the year ended 31 December 2022, TL 162.500.723 of the depreciation expense is charged to cost of goods sold, TL 176.347 is charged to research and development expenses, TL 24.753.992 is charged to selling and marketing expenses, TL 7.537.493 charged to general administrative expenses, TL 23.159.361 of the depreciation expense is charged to inventories, TL 2.4964.572 of the depreciation expense is charged to capitalized development costs.

The amount of borrowing costs capitalized during the period is TL 11,242,145 (31 December 2021: 807,640 TL).

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

11. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

As of 31 December 2022, there are no mortgages on property, plant and equipment and intangible assets (31 December 2021: None).

	1 January 2021	Additions	Transfers	Provision for impairment (**)	Disposals	31 December 2021
Cost						
Land and land improvements	79.300.520	-	56.089	-	-	79.356.609
Buildings	705.145.385	789.918	23.834.887	-	-	729.770.190
Machinery and equipment	2.569.149.507	629.252	199.205.725	-	(1.008.917)	2.767.975.567
Motor vehicles	25.357.355	816.874	1.893.668	-	(420.341)	27.647.556
Furniture and fixtures	157.436.952	18.586.389	13.333.891	-	(226.410)	189.130.822
Other fixed assets	144.605.249	23.563.820	107.687	6.953.779	(24.555.942)	150.674.593
Construction in progress	108.592.394	392.945.901	(287.110.383)	-	-	214.427.912
	3.789.587.362	**437.332.154**	**(48.678.436)**	**6.953.779**	**(26.211.610)**	**4.158.983.249**
Accumulated depreciation						
Land and land improvements	20.446.098	3.195.140	-	-	-	23.641.238
Buildings	203.509.216	16.108.369	-	-	-	219.617.585
Machinery and equipment	1.581.301.660	146.592.830	-	-	(1.008.918)	1.726.885.572
Motor vehicles	9.355.574	3.087.343	-	-	(304.583)	12.138.334
Furniture and fixtures	79.173.020	15.844.881	-	-	(135.332)	94.882.569
Other fixed assets	66.172.255	14.163.680	-	4.132.993	(19.701.579)	64.767.349
	1.959.957.823	**198.992.243**	**-**	**4.132.993**	**(21.150.412)**	**2.141.932.647**
Net book value	**1.829.629.539**	**238.339.911**	**(48.678.436)**	**2.820.786**	**(5.061.198)**	**2.017.050.602**

(**) It is the provision for the other fixed assets which were located in the closed dealer

For the year ended 31 December 2021, TL 151.167.724 of the depreciation expense is charged to cost of goods sold, TL 166.942 is charged to research and development expenses, TL 22.644.532 is charged to selling and marketing expenses, TL 4.221.622 charged to general administrative expenses, TL 18.677.421 of the depreciation expense is charged to inventories, TL 2.114.002 of the depreciation expense is charged to capitalized development costs.

12. RIGHT OF USE ASSETS

	1 January 2022	Acquisition Impact	Additions	Disposals	31 December 2022
Cost					
Buildings	6.617.814	13.255.539	11.665.896	(35.411)	31.503.838
Motor vehicles	21.151.990	2.330.306	19.284.004	(15.682.210)	27.084.090
Rights	-	4.513.678	-	-	4.513.678
	27.769.804	**20.099.523**	**30.949.900**	**(15.717.621)**	**63.101.606**
Accumulated depreciation					
Buildings	2.719.277	9.781.642	3.351.510	(35.411)	15.817.018
Motor vehicles	14.100.001	1.655.532	9.495.992	(15.682.210)	9.569.315
Rights	-	3.388.122	928.164	-	4.316.286
	16.819.278	**14.825.296**	**13.775.666**	**(15.717.621)**	**29.702.619**
Net book value	**10.950.526**	**5.274.227**	**17.174.234**	**-**	**33.398.987**

For the period ending on 31 December 2022, 1.207.159 TL of depreciation expenses is spent on cost of goods sold, 1.036.105 TL on research and development expenses, 850.755 TL on marketing expenses, 10.681.647 TL on general management expenses. İncluded in the expenses.

(Amounts expressed in Turkish Lira (”TL”) unless otherwise indicated)

12. RIGHT TO USE ASSETS (Cont’d)

	1 January 2021	Additions	Disposals	31 January 2021
Cost				
Buildings	8.251.865	785.367	(2.419.418)	6.617.814
Motor Vehicles	20.200.341	3.158.193	(2.206.544)	21.151.990
	28.452.206	**3.943.560**	**(4.625.962)**	**27.769.804**
Accumulated depreciation				
Buildings	3.005.377	1.567.199	(1.853.299)	2.719.277
Motor Vehicles	9.302.491	7.004.054	(2.206.544)	14.100.001
	12.307.868	**8.571.253**	**(4.059.843)**	**16.819.278**
Net book value	**16.144.338**	**(4.627.693)**	**(566.119)**	**10.950.526**

TL 8.571.253 of depreciation expenses for the period ended 31 December 2021 is included in general administrative expenses.

13. INTANGIBLE ASSETS

	1 January 2022	Acquisition Impact	Additions	Transfers	Disposals	31 December 2022
Cost						
Capitalized development costs	159.563.355	-	-	41.493.778	-	201.057.133
Rights	96.258.017	1.611.391	112.252	-	-	97.981.660
Customer contracts and relations (*)	-	125.934.000	-	-	-	125.934.000
Trademark(*)	-	24.700.000	-	-	-	24.700.000
Other intangible assets	109.711.310	-	10.723.419	7.244.025	-	127.678.754
	365.532.682	**152.245.391**	**10.835.671**	**48.737.803**	**-**	**577.351.547**
Accumulated depreciation						
Capitalized development costs	66.895.894	-	26.331.107	-	-	93.227.001
Customer contracts and relations (*)	-	-	17.538.753	-	-	17.538.753
Trademark(*)	-	-	1.375.982	-	-	1.375.982
Rights	94.125.321	1.113.775	1.252.971	-	-	96.492.067
Other intangible assets	78.050.639	-	14.142.498	-	-	92.193.137
	239.071.854	**1.113.775**	**60.641.311**	**-**	**-**	**300.826.940**
Net book value	**126.460.828**	**151.131.616**	**(49.805.640)**	**48.737.803**	**-**	**276.524.607**

Of the amortization expenses for the period ending on 31 December 2022, 27,208,220 TL goes to cost of goods sold, 2,665 TL to research and development expenses, 7,256.176 TL to marketing expenses, 26,143,874 TL to general administrative expenses, 30,376 TL. TL is included in the capitalized development expenses.

(*) It is the purchase price distribution effect of the business combination realized during the period.

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

13. INTANGIBLE ASSETS (Cont'd)

	1 January 2021	Additions	Transfers	Disposals	31 December 2021
Cost					
Capitalized development costs	118.920.827	-	40.642.528	-	159.563.355
Rights	96.448.017	-	-	(190.000)	96.258.017
Customer contracts and relations (*)	95.755.150	5.920.252	8.035.908	-	109.711.310
	311.123.994	**5.920.252**	**48.678.436**	**(190.000)**	**365.532.682**
Accumulated depreciation					
Capitalized development costs	45.065.973	21.829.921	-	-	66.895.894
Rights	91.727.277	2.588.044	-	(190.000)	94.125.321
Customer contracts and relations (*)	67.019.512	11.031.127	-	-	78.050.639
	203.812.762	**35.449.092**	**-**	**(190.000)**	**239.071.854**
Net book value	**107.311.232**	**(29.528.840)**	**48.678.436**	**-**	**126.460.828**

Of the amortization expenses for the period ending on 31 December 2021, 22,402,635 TL goes to cost of goods sold, 2.004 TL to research and development expenses, 7,456,787 TL to marketing expenses, 5,539,228 TL to general administrative expenses, 19,299. TL 29,139 is included in stocks and TL 29,139 is included in capitalized development expenses.

14. GOODWILL

The movement table of goodwill for the periods ending as of 31 December 2022 and 2021 is as follows:

	1 January-31 December 2022	1 January-31 December 2021
Opening balance	-	-
Additions	-	-
Acquire (Note3)	27.402.832	-
Foreign currency conversion difference	-	-
Closing balance	**27.402.832**	-

Goodwill impairment test

The Group tests the goodwill amount for impairment each year. The recoverable amounts of cash generating units have been determined according to value in use calculations.

The goodwill impairment test was performed on 3-year projections approved by the management between January 1, 2023 and December 31, 2025.

In order to predict future cash flows (infinite), 4.00% is used as a constant growth rate.

In order to calculate the recoverable value of the unit, the weighted average cost of capital ratio of 26.35% was used as the after-tax discount rate.

As a result of the impairment tests performed using the assumptions above, no impairment has been detected in the goodwill amount as of 31 December 2022.

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

15. PROVISIONS, CONTINGENT AND LIABILITIES

Provisions

Other short-term provisions	**31 December 2022**	**31 December 2021**
Provision for sales discount premium	44.790.955	26.269.366
Lawsuits	30.031.189	14.493.358
Warranty claims	6.601.327	1.919.911
Other provisions	4.932.729	8.854.943
	86.356.200	**51.537.578**

The sales discount is the estimated portion of the premium amounts to be paid to the customers corresponding to the relevant period.

Provision for lawsuits consists of reemployment and occupational accident lawsuits against Group.

The provision for warranty claims represents the present value of management's best estimate of the future outflow of economic benefits that will be required under the Group's 24-month warranty program for tires. The estimate has been made on the basis of historical warranty expenses.

Other provisions mainly consist of advertising promotion expenditures to be invoiced in the next period.

Movements of provisions during the period are as follows:

	Provision for sales campaigns	**Lawsuits**	**Warranty claims**	**Other provisions**	**Total**
1 January 2022	26.269.366	14.493.358	1.919.911	8.854.943	51.537.578
Additions	31.667.955	18.020.259	4.681.416	-	54.369.630
Payments/reversals	(13.146.366)	(2.482.428)	-	(3.922.214)	(19.551.008)
31 December 2022	**44.790.955**	**30.031.189**	**6.601.327**	**4.932.729**	**86.356.200**

	Provision for sales campaigns	**Provision for sales discount premium**	**Lawsuits**	**Warranty claims**	**Other provisions**	**Total**
1 January 2021	7.763.916	-	14.201.440	1.311.677	8.097.007	31.374.040
Additions	-	26.269.366	2.122.438	-	-	28.391.804
Payments/reversals	(7.763.916)	-	(1.830.520)	608.234	757.936	(8.228.266)
31 December 2021	-	**26.269.366**	**14.493.358**	**1.919.911**	**8.854.943**	**51.537.578**

(Amounts expressed in Turkish Lira (”TL”) unless otherwise indicated)

16. COMMITMENTS

Received commitments	**31 December 2022**	**31 December 2021**
Direct debiting system (“DDS”) limits	1.203.091.965	546.217.158
Letter of guarantees received	1.331.731.159	691.460.928
Export insurance	728.893.088	426.078.547
Mortgages	238.753.698	145.061.936
Domestic receivables insurance	105.538.628	81.729.428
Cheques and notes receivables received as guarantee	15.973.600	15.550.607
Letter of credit	181.507.464	21.009.956
Payment guarantees obtained from banks	89.207.410	33.066.170
Foreign currency blockage received as guarantee	1.869.830	10.003.587
	3.896.566.842	**1.970.178.317**

The Group has obtained bank collaterals and guarantee cheques and notes from its suppliers due to advances given to suppliers for purchases of goods and services.

The Group has guarantees comprising letters of guarantee received, mortgages, notes obtained from customers and DDS limits provided to customers through banks in order to minimize customer credit risk in sales made to domestic customers on due. The Group also has guarantees for receivables from foreign customers due to credit risk management including export insurance, bank guarantee letters and letter of credit.

Group’s total guarantees received from international export insurance Group in order to carry out open account transactions with overseas non-related party customers have been disclosed as export insurance.

The amount of collaterals received by the Group within the scope of the agreement made with the domestic and international insurance companies in order to enable the Group to open account and term sales to the domestic dealers and fleet customers is stated as domestic receivables insurance.

(Amounts expressed in Turkish Lira (”TL”) unless otherwise indicated)

16. COMMITMENTS (Cont’d)

As of 31 December 2022, and 2021 collaterals, pledges and mortgages (“CPM”) given by the Group is as follows:

		31 December 2022			31 December 2021	
CPM given by the Group	**Currency**	**Amount**	**TL Equivalent**	**Currency**	**Amount**	**TL Equivalent**
A. Total of CPMs given on behalf of own legal personality	TL	45.722.512	45.722.512	TL	19.646.793	19.646.793
	Avro	2.956.888	58.945.267	Avro	2.903.147	43.877.873
B. Total of CPMs given on behalf of subsidiaries consolidated in full	-	-	-	-	-	-
C. CPM given for continuation of its economic activities on behalf of third parties	-	-	-	-	-	-
D. Total amount of other CPM	-	-	-	-	-	-
i) Total amount of CPM given on behalf of the majority shareholder	-	-	-	-	-	-
ii) Total amount of CPM given to on behalf of other Group companies which are not in scope of B and C	-	-	-	-	-	-
iii) Total amount of CPM given on behalf of third parties which are not in scope of C	-	-	-	-	-	-
			104.667.779			**63.524.666**

The ratio of other CPM to equity is 0% (31 December 2021: 0%).

There are no CPMs given by the Group on behalf of third parties, other than those given on behalf of the Group itself. The guarantees given by the Group comprise guarantees to customs office for import transactions made under the inward processing certificate, guarantees to executive offices for labor matters, guarantees to several governmental institutions to participate in several tenders.

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

17. EMPLOYEE BENEFITS

Payables related to employee benefits

	31 December 2022	31 December 2021
Salaries and wages payable	19.076.326	8.889.301
Social security premiums payable	63.104.018	18.405.581
Withholding personnel income tax payable	29.268.043	14.046.393
Private pension contributions payable	1.682.587	648.444
	113.130.974	**41.989.719**

Short-term provisions for employee benefits

Short-term liabilities	31 December 2022	31 December 2021
Bonus accruals	62.373.300	33.184.265
Unused vacation pay provision	24.265.455	9.068.974
	86.638.755	**42.253.239**

Movements of provisions during the period are as follows:

	Bonus accruals	Unused vacation pay provision	Personnel expense provisions	Total
1 January 2022	33.184.265	9.068.974	-	42.253.239
Additions	71.773.612	15.902.361	-	87.675.973
Payments / Cancellations	(42.584.577)	(705.880)	-	(43.290.457)
31 December 2022	**62.373.300**	**24.265.455**	**-**	**86.638.755**

	Bonus accruals	Unused vacation pay provision	Personnel expense provisions	Total
1 January 2021	20.499.845	6.642.878	7.422	27.150.145
Additions	34.499.993	3.131.976	(7.422)	37.624.547
Payments / Cancellations	(21.815.573)	(705.880)	-	(22.521.453)
31 December 2021	**33.184.265**	**9.068.974**	**-**	**42.253.239**

(Amounts expressed in Turkish Lira (”TL”) unless otherwise indicated)

17. EMPLOYEE BENEFITS (Cont'd)

Provision for retirement pay liability

According to the Turkish Labor Law, the Group is responsible for those who have completed at least one year of service and retired after 25 years for men and 20 years for women (aged 58 for women, 60 for men), dismissed, called for military service or passed away. Every employee is obliged to pay severance pay.

Severance pay to be paid as of 31 December 2022 is subject to a monthly ceiling of 15,371.40 TL (31 December 2021: 8,284.51 TL).

Severance pay liability is not legally subject to any funding. The provision for employment termination benefits is calculated by estimating the present value of the future probable obligation of the Group arising from the retirement of the employees. TAS 19 Employee Benefits requires the company's liabilities to be developed using actuarial valuation methods within the scope of defined benefit plans. Accordingly, the actuarial assumptions used in the calculation of total liabilities are as follows:

The main assumption is that the maximum liability amount for each year of service will increase in line with inflation. Therefore, the discount rate applied represents the expected real rate after adjusting for the effects of future inflation. Therefore, provisions in the accompanying financial statements as of 31 December 2022 are calculated by estimating the present value of the future probable obligation arising from the retirement of the employees.

TAS 19 “Employee Benefits” requires actuarial valuation methods to be developed to estimate the provision for severance pay. Accordingly, the following actuarial assumptions were used in the calculation of the total liability:

	31 December 2022	31 December 2021
Discount rate (%)	0,5	3,91

The basic assumption is that the ceiling provision for each year of service will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the expected effects of inflation. The Group's provision for employment termination benefits is calculated over TL 19.982.83 (1 January 2022: TL 10.848.59) effective from 1 January 2023, since the maximum liability is adjusted every six months. As of 31 December 2022, voluntary turnover rates were 3.11% (31 December 2021: 6.14%).

(Amounts expressed in Turkish Lira (”TL”) unless otherwise indicated)

17. EMPLOYEE BENEFITS (Cont’d)

Provision for retirement pay liability (cont’d)

The movement of employee termination benefits is as follows:

	1 January- 31 December 2022	1 January- 31 December 2021
As of 1 January	168.516.983	112.520.630
Service cost	20.614.234	12.107.867
Interest cost	31.915.938	13.812.753
Payments during the year	(8.764.706)	(4.535.458)
Actuarial gain / (loss)	362.391.969	34.611.191
Acquire	4.391.894	-
As of 31 December	**579.066.312**	**168.516.983**

18. OTHER ASSETS AND LIABILITES

Other Current Assets	31 December 2022	31 December 2021
Deferred VAT	59.122.083	54.649.750
Other miscellaneous current assets	654.216	-
	59.776.299	**54.649.750**

19. SHARE CAPITAL, RESERVES AND OTHER EQUITY ITEMS

Paid-in capital and adjustment to share capital

The company has accepted the registered capital system in accordance with the provisions of the Capital Market Law and has adopted this system with the permission of the Capital Markets Board dated 24.2.1989 and numbered 96. The registered capital ceiling of the company is 400,000,000,- (Four hundred million) TL. It is divided into 40.000.000.000 shares, each with a nominal value of 1 kr (One Kurus).

The registered capital ceiling permission granted by the Capital Markets Board is valid between 2018-2022 (5 years). Even if the authorized registered capital ceiling has not been reached at the end of 2022, in order for the board of directors to take a capital increase decision after this date; It is obligatory to obtain authorization from the General Assembly for a new period by obtaining permission from the Capital Markets Board for the previously allowed ceiling or a new ceiling amount. If the said authorization is not obtained, no capital increase can be made with the decision of the Board of Directors. The Board of Directors is authorized to increase the issued capital by issuing registered shares up to the registered capital ceiling, when deemed necessary, in accordance with the provisions of the Capital Markets Law.

In accordance with the provisions of the Capital Markets Board's Communiqué on Registered Capital System numbered II-18.1, our Board of Directors decided to extend the validity period of the registered capital ceiling for a new five-year period to be valid for the years 2023-2027 and to increase the registered capital ceiling amount to TL 750.000.000. It has been decided to obtain the necessary permissions from the Capital Markets Board, the Ministry of Customs and Trade and other relevant institutions to amend Article 6 of the Company's Articles of Association with the title of "Capital" in order to determine.

(Amounts expressed in Turkish Lira (”TL”) unless otherwise indicated)

19. SHARE CAPITAL, RESERVES AND OTHER EQUITY ITEMS (Cont’d)

The fully paid-up capital of the company is 305.116.875 TL (31 December 2021: 305.116.875 TL) divided into 30.511.687.500 (31 December 2021: 30.511.687.500) registered shares, each with a nominal value of 1 kr (One Kurus). All issued shares were paid in cash. The Group's shareholders and their shares in the capital as of 31 December 2022 and 2021 are as follows:

Shareholders	(%)	31 December 2022	(%)	31 December 2021
H.Ö. Sabancı Holding A.Ş.	43,63	133.111.388	43,63	133.111.388
Bridgestone Corporation	43,63	133.111.388	43,63	133.111.388
Other	12,74	38.894.099	12,74	38.894.099
Nominal capital	**100**	**305.116.875**	**100**	**305.116.875**
Adjustment to share capital		54.985.701		54.985.701
Total		**360.102.576**		**360.102.576**

The shares are divided into seven classes, such as (A), (B), (C), (D), (E), (F) and (G) as listed below. In case of increase of the issued capital, new shares shall be issued for each class of shares in proportion with their share ratios in the issued capital.

Share Classes	Numbers of Shares	Issued Capital Amount (TL)
A	6.865.129.687,50	68.651.296,875
B	762.792.187,50	7.627.921,875
C	762.792.187,50	7.627.921,875
D	762.792.187,50	7.627.921,875
E	10.679.090.625,00	106.790.906,25
F	3.059.101.102,00	30.591.011,020
G	7.619.989.523,00	76.199.895,230
Total	**30.511.687.500,00**	**305.116.875,00**

As stated in the article of association, Hacı Ömer Sabancı Foundation which owns 100 redeemed shares has privilege in profit sharing. These privileges are being computed in accordance with the article of association. There are no privileges for shares other than that.

Share premium

Share premium which is considered as a part of capital results from equity movements such as cancelled shares and gains on the sales of shares. As at 31 December 2022, The Company’s share premium in the financial statements is TL 4.903 (31 December 2021: TL 4.903).

Restricted reserves and retained earnings

Restricted reserves are reserves which are reserved for specific purposes other than law or contractual obligations or dividend payments. These reserves are presented as the same amount in Group’s statutory books and differences arising preparing the financial statements in accordance with TFRS are associated with prior years' profit or losses.

(Amounts expressed in Turkish Lira (”TL”) unless otherwise indicated)

19. SHARE CAPITAL, RESERVES AND OTHER EQUITY ITEMS (Cont’d)

Restricted reserves and retained earnings (cont'd)

The details of the Group's restricted reserves account as of 31 December 2022 and 2021 are as follows:

	31 December 2022	31 December 2021
First order general legal reserve	60.985.835	60.985.835
Second order general legal reserve	175.820.197	111.043.815
Total	**236.806.032**	**172.029.650**

Pursuant to Article 519 of the TCC, 5% of the annual commercial profit reaches 20% of the paid-in capital as the first-order general legal reserve; After the 5% dividend is paid to the shareholders, 10% of the total amount to be distributed to those who will receive a share of the profit is set aside as the second order general legal reserve fund.

As of 31 December 2022, the Group's first-order general legal reserves amount to 20% of its paid-in capital (20% of 31 December 2021), and there is no limit for the second-order general legal reserves. As long as the said reserves do not exceed half of the Group's paid/issued capital, they can only be used to cover losses, to continue the business when things are not going well, or to take measures suitable to prevent unemployment and mitigate its consequences.

The details of the Group's equity accounts are as follows:

	31 December 2022	31 December 2021
Restricted reserves separated from profit	236.806.032	172.029.650
Other refills	992.905	689.259
Net profit for the period	1.980.356.290	1.004.575.346
Retain earnings	856.040.360	579.261.062
Non-Controlling Interests	48.837.442	-
Total equity	**3.123.033.029**	**1.756.555.317**

(Amounts expressed in Turkish Lira (”TL”) unless otherwise indicated)

19. SHARE CAPITAL, RESERVES AND OTHER EQUITY ITEMS (Cont’d)

Other Accumulated Comprehensive Income or Expenses to be Reclassified to Profit or Loss

	Hedging Gain / (Loss)
Balances as of January 1, 2021 (beginning of the period)	**72.213.596**
Increase / (decrease) during the period	186.906.070
Tax impact	(23.725.760)
Balances as of 31 December 2021 (End of the period)	**235.393.906**
Balances as of January 1, 2022 (beginning of the period)	**235.393.906**
Increase / (decrease) during the period	(90.836.462)
Tax impact	4.512.828
Balances as of 31 December 2022 (End of the period)	**149.070.272**

Other Accumulated Comprehensive Income or Expenses Not to be Reclassified to Profit or Loss

	Actuarial (Loss)/ Earnings Fund
Balances as of January 1, 2021 (beginning of the period)	**(15.275.440)**
Increase / (decrease) during the period	(34.611.192)
Tax Effect	6.922.238
Balances as of 31 December 2021 (End of the period)	**(42.964.394)**
Balances as of January 1, 2021 (beginning of the period)	**(42.964.394)**
Increase / (decrease) during the period (*)	(362.112.023)
Tax impact	72.480.776
Balances as of 31 December 2022 (End of the period)	**(332.595.641)**

(*) Includes Actuarial difference of TL (279.946) arising from the opening balance sheet of 1 March 2022 Arvento purchase.

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

20. SALES AND COST OF SALES

Revenue	1 January-31 December 2022	1 January-31 December 2021
Domestic sales	10.066.598.283	4.458.818.125
Export sales	4.902.962.730	2.542.156.114
Sub-total	**14.969.561.013**	**7.000.974.239**
Sales returns (-)	(34.591.695)	(16.408.036)
Sales discounts (-)	(854.469.165)	(350.303.797)
Net Sales	**14.080.500.153**	**6.634.262.406**
Cost of sales	(9.805.631.183)	(4.618.321.892)
Gross profit	**4.274.868.970**	**2.015.940.514**

The details of domestic and export sales are as follow:

	1 January-31 December 2022	1 January-31 December 2021
Finished goods	13.551.543.836	6.236.108.956
Trade goods	1.265.915.431	724.676.723
Semi-finished goods	5.115.851	37.957.242
Other	146.985.895	2.231.318
Total	**14.969.561.013**	**7.000.974.239**

21. EXPENSES BY NATURE

	1 January-31 December 2022	1 January-31 December 2021
Raw materials and supplies	7.287.992.845	3.233.028.246
Personnel expenses and direct labor expenses	1.423.932.512	733.112.219
Production overheads	1.075.406.921	326.348.361
Cost of trade goods sold	717.161.665	437.867.801
Transportation and storage expenses	414.949.368	170.572.433
Depreciation and amortization	288.659.632	236.667.998
Royalty and sales commission expenses	227.661.731	103.737.674
Advertisement expenses	172.439.468	96.847.460
Communication and information technology expenses	46.238.987	27.172.104
Consultancy expenses	43.986.246	28.273.996
Service, maintenance and repair expenses	38.107.319	16.257.900
Energy expenses	26.513.191	7.408.661
Doubtful receivables expense,net	25.752.080	(104.908)
Insurance expenses	14.294.732	7.225.958
Claims for defective tires	13.898.018	6.070.534
Provision for inventory impairment	11.752.079	3.431.637
Other taxes and charges	7.148.832	3.116.437
ELT (end of life-tire) management service	1.457.597	870.474
Change in semi-finished goods	(85.629.628)	(45.622.154)
Change in finished goods	(442.795.416)	(69.190.841)
Other expenses	148.862.908	64.340.729
Total	**11.457.791.087**	**5.387.432.719**

(Amounts expressed in Turkish Lira (”TL”) unless otherwise indicated)

21. EXPENSES BY NATURE(Cont'd)

The details of general administrative expenses and marketing expenses are as follows:

General Administrative Expenses	**1 January- 31 December 2022**	**1 January- 31 December 2021**
Personnel expenses and direct labor expenses	145.060.161	71.117.326
Depreciation and amortization	44.363.014	18.332.102
Communication and information technology expenses	40.560.684	25.478.493
Service, maintenance and repair expenses	23.919.827	9.499.171
Other taxes and charges	4.238.740	1.605.562
Energy expenses	14.490.020	4.079.401
Insurance expenses	6.294.846	2.370.448
ELT (end of life-tire) management service	1.457.597	870.474
Consultancy expenses	30.402.579	22.587.453
Other expenses	49.895.927	24.666.194
	360.683.395	**180.606.624**

Marketing Expenses	**1 January- 31 December 2022**	**1 January- 31 December 2021**
Personnel expenses and direct labor expenses	233.007.882	116.161.059
Depreciation and amortization	32.860.923	30.101.318
Advertisement expenses	172.439.468	96.847.460
Royalty and sales commission expenses	227.661.731	103.737.674
Communication and information technology expenses	5.633.049	1.674.197
Rent expenses	4.638.895	2.913.235
Service, maintenance and repair expenses	13.858.125	6.711.937
Other taxes and charges	2.893.442	1.503.644
Claims for defective tires	13.898.018	6.070.534
Transportation and storage expenses	414.879.890	170.546.529
Energy expenses	11.199.559	3.107.836
Insurance expenses	7.967.538	4.839.297
Consultancy expenses	13.559.942	5.675.485
Other expenses	83.687.912	37.163.788
	1.238.186.374	**587.053.993**

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

21. EXPENSES BY NATURE (Cont'd)

The functional breakdown of depreciation, amortization and personnel expenses is as follows:

Depreciation and amortization expenses	1 January-31 December 2022	1 January-31 December 2021
Cost of sales	210.220.578	188.065.632
Marketing expenses	32.860.923	30.101.318
General administrative expenses	44.363.014	18.332.102
Research and development expenses	1.215.117	168.946
	288.659.632	**236.667.998**

(*) As of 31 December 2021, TL 19.304.476 depreciation expense remained on inventories is recognized under cost of sales after the sales of related inventories in 2022.

Personnel expenses	1 January-31 December 2022	1 January-31 December 2021
Cost of sales	1.018.459.779	544.393.210
Marketing expenses	233.007.882	116.161.059
General administrative expenses	145.060.161	71.117.326
Research and development expenses	27.404.690	1.440.624
	1.423.932.512	**733.112.219**

22. OTHER OPERATING INCOME AND EXPENSES

Details of other operating income for years ended 31 December 2022 and 2021 are as follows:

Other operating income	1 January-31 December 2022	1 January-31 December 2021
Income from derivative financial instruments, net (**)	38.409.709	29.559.746
Finance income on credit sales	412.067.246	135.952.215
Interest income from operations	17.274.686	11.300.929
Other income	31.542.179	11.344.947
	499.293.820	**188.157.837**

Other operating expenses	1 January-31 December 2022	1 January-31 December 2021
Foreign exchange losses on operations, net (*)	504.093.502	581.956.596
Due date expenses on trade payables	417.872.696	139.808.876
Loss from derivative financial instruments, net (**)	56.888.788	11.880.000
Interest expense from operations	23.896.809	9.722.441
Credit card commission expenses	94.497.929	43.069.374
Other expenses	24.834.917	5.169.865
	1.122.084.641	**791.607.152**

(*) The amount consists of the foreign exchange gains and losses resulting from trade receivables and payables.

(**) The amount consists of gain and losses resulting from derivative instruments made for the purpose of balance sheet hedging.

(Amounts expressed in Turkish Lira (”TL”) unless otherwise indicated)

23. INCOME AND EXPENSES FROM INVESTING ACTIVITIES

Income from Investing Activities	**31 December 2022**	**31 December 2021**
Reversal of impairment on property, plant and equipment(*)	91.152.589	2.820.786
Gain on sale of property, plant and equipment	1.405.400	900.845
	92.557.989	**3.721.631**

Expenses from Investing Activities(-)	**31 December 2022**	**31 December 2021**
Loss on sale of property, plant and equipment	115.291	4.541.766
	115.291	**4.541.766**

(*) For the period ended 31 December 2022, the Group has accounted for the fair value difference of TL 28.663.256 for the currency protected deposit account in its consolidated statement.

24. FINANCING INCOME & EXPENSES

Details of financial income & expenses for years ended 31 December 2022 and 31 December 2021 are as follows:

	1 January-31 December 2022	**1 January-31 December 2021**
Foreign currency gains from bank deposits	484.461.711	752.258.372
Interest income from banks	132.693.216	27.538.748
Interest income from Eurobond	3.852.167	2.288.841
Foreign currency gains from Eurobond	-	6.434.495
Total financial income	**621.007.094**	**788.520.456**

	1 January-31 December 2022	**1 January-31 December 2021**
Interest expenses on borrowings	654.026.507	294.522.702
Interest expense included in cost of fixed assets	(11.242.145)	(1.380.001)
Total interest expense	**642.784.362**	**293.142.701**
Foreign currency losses from borrowings, net	96.814.801	221.882.076
Investment fund financial expense	822.564	-
Interest expense from leases	3.343.116	2.678.792
Sukuk export coupon participation expense	61.500.694	-
Other financial expenses	42.147.771	27.914.006
Total financial expenses	**847.413.308**	**545.617.575**

(Amounts expressed in Turkish Lira (”TL”) unless otherwise indicated)

25. TAXATION ON INCOME

Corporate tax

	31 December 2022	31 December 2021
Corporate income tax provision for the current period (*)	28.007.704	6.852.537
Less: Prepaid taxes	(23.825.782)	(9.626.926)
Tax liabilities / (assets) related with the current period	**4.181.922**	**(2.774.389)**

(*) Includes the tax effect foreign exchange losses of the time deposits within the scope of hedging, which is classified into other comprehensive income (31 December 2021: TL 423.157).

The portion of the current corporate tax provision exceeding the prepaid corporate tax amount, amounting to TL 434.741, is included in Current Period Tax Assets and 4.616.663 Period Profit Tax Liability. (31 December 2021: Assets Related to Current Period Tax of TL 2,774,389).

The Company and its subsidiaries located in Turkey are subject to the tax legislation and practices in force in Turkey. Corporate tax is declared until the evening of the twenty-fifth day of the fourth month following the end of the relevant accounting period and is paid in one installment until the end of the relevant month. Necessary provisions have been made in the accompanying consolidated financial statements for the estimated tax liabilities of the Group related to the current period operating results. The corporate tax rate to be accrued on the taxable corporate income is added to the tax base, which is deducted as expense in the determination of business income, and tax-exempt gains, non-taxable income and It is calculated over the remaining base after deducting other discounts (past year losses, if any, and investment discounts used if preferred).

In Turkey, the corporate tax rate applied to the legal tax base to be found by adding the expenses that are not accepted as deductible in accordance with the tax laws to the commercial income of the corporations in Turkey and by deducting the exemptions in the tax laws was applied as 20% after January 1, 2021. However, with the Provisional Article 13 added to the Corporate Tax Law no. The rate is set to be 25% for corporate earnings for the 2021 taxation period and 23% for corporate earnings for the 2022 taxation period. Therefore, in the consolidated financial statements for the interim accounting period dated 31 December 2022, the tax rate is used as 23% for the period tax calculations. As of 31 December 2022, the tax rate used in the deferred tax calculation is 20% within the scope of the said amendment. (December 31, 2021: 23% and 20%, respectively, for the portions of temporary differences that will have tax effects in 2022 and beyond).
As of 31 December 2022, the tax rate used in the deferred tax calculation is 20% within the scope of the said amendment (December 31, 2021: 23% and 20%, respectively, for the portions of temporary differences that will have tax effects in 2022 and beyond).

	1 January- 31 December 2022	1 January- 31 December 2021
Current period corporate tax expense (-) (*)	(23.805.343)	(11.025.232)
Deferred tax income / (expense)	149.048.917	130.137.460
	125.243.574	**119.112.228**

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25. TAXATION ON INCOME (Cont'd)

Corporate tax (cont'd)

Current period tax reconciliation for the years ended 31 December 2022 and 31 December 2021 is as follows:

Current tax provision reconciliation:	**1 January- 31 December 2022**	**%**	**1 January- 31 December 2021**	**%**
Profit before taxation on income	1.865.954.729		885.463.118	
Corporate tax rate %23 (2020: %25)	(429.169.588)	(23,00)	(221.365.780)	(25,00)
Tax effect:				
- Non-taxable income (*)	30.895.672	1,66	3.145.601	0,36
- Non-deductible expenses	(25.567.480)	(1,37)	(11.891.130)	(1,34)
- The effect of change in corporate tax rate	(14.784.008)	(0,79)	(7.332.699)	(0,83)
- Research and development incentive	24.210.543	1,30	7.668.838	0,87
- Reduced corporate tax deferred tax income/expense	127.334.708	6,82	41.069.261	4,64
-Revaluation			52.852.294	5,97
- Other	13.891.830	0,74	(16.750.000)	(1,89)
- Reduced corporate tax	398.431.897	21,35	271.715.843	30,69
Tax income / (expense) recognized in statement of profit or loss	**125.243.574**	**6,71**	**119.112.228**	**13,45**

(*) Corporate Tax Exemption advantage amounting to TL 25.207.887 has been provided due to the income obtained from the Group's foreign currency protected deposit account.

Tax legislation in Turkey does not allow the Company and its subsidiaries to file consolidated tax returns. Therefore, the tax provision reflected in the consolidated financial statements has been calculated on a company-by-company basis.

Tax legislation in Turkey does not allow the Company and its subsidiaries to file consolidated tax returns. Therefore, the tax provision reflected in the consolidated financial statements has been calculated on a company-by-company basis.

According to the Corporate Tax Law, financial losses shown on the declaration can be deducted from the corporate tax base of the period, provided that they do not exceed 5 years. Declarations and related accounting records can be examined by the tax office within five years and tax accounts can be revised.

25. TAXATION ON INCOME (Cont'd)

Corporate tax (cont'd)

Dividend payments made to resident joint stock companies in Turkey, to those who are not responsible for and exempt from corporate tax and income tax, and to real persons and non-resident legal entities in Turkey are subject to 10% income tax. Dividend payments made from joint stock companies residing in Turkey to joint stock companies residing in Turkey are not subject to income tax. In addition, if the profit is not distributed or added to the capital, income tax is not calculated.

Dividend earnings of corporations from participation in the capital of another fully liable corporation (except for participation certificates of mutual funds and dividends obtained from shares of investment partnerships) are exempt from corporate tax. In addition, 75% of the profits arising from the sale of the participation shares in the assets of the corporations for at least two full years and the founding certificates of the real estates (immovables) owned for the same period of time, the usufruct shares and the preference rights, are exempt from corporate tax as of 31 December 2017. However, with the amendment made with the Law No. 7061, this rate has been reduced from 75% to 50% in terms of immovables and this rate is used as 50% in tax returns to be prepared as of 2018.

In order to benefit from the exemption, the said income must be kept in a passive fund account and not withdrawn from the business for 5 years. The sales price must be collected until the end of the second calendar year following the year of sale.

There is no practice in Turkey to reach an agreement with the tax administration regarding the taxes to be paid. Corporate tax returns are submitted within four months following the end of the accounting period. The tax inspection authorities may examine the tax returns and the accounting records underlying them for five years following the accounting period and make a reassessment as a result of their findings.

Income tax withholding

There is a withholding tax liability on dividend distributions, and this withholding liability is accrued in the period when the dividend payment is made. Dividend payments are subject to a 15% withholding tax until December 22, 2021, except for non-resident companies that generate income through a workplace or their permanent representative in Turkey, and those made to companies residing in Turkey. However, in accordance with the Presidential Decision No. 4936, published in the Official Gazette dated December 22, 2021 and numbered 31697, the provisions of the Income Tax Law No. has been downloaded. The withholding tax rates in the relevant Double Taxation Prevention Agreements are also taken into account in the application of the withholding tax rates for profit distributions to non-resident companies and real persons. The addition of retained earnings to the capital is not considered as profit distribution, so it is not subject to withholding tax.

Transfer pricing regulations

In Turkey, transfer pricing regulations are specified in Article 13 of the Corporate Tax Law, titled "Disguised profit distribution through transfer pricing". The communiqué dated 18 November 2007 on disguised profit distribution through transfer pricing regulates the details of the implementation. If the taxpayer buys or sells goods or services with related parties at the price or price they have determined in

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25. TAXATION ON INCOME (Cont'd)

Corporate tax (cont'd)

violation of the arm's length principle, the profit is deemed to have been distributed implicitly through transfer pricing in whole or in part. Disguised profit distribution through such transfer pricing is considered as an expense that is not legally accepted for corporate tax.

Deferred tax

The Group recognizes deferred tax assets and liabilities for temporary timing differences arising from the differences between the tax base legal consolidated financial statements and the consolidated financial statements prepared in accordance with TFRS. These differences are generally due to the fact that some income and expense items are included in different periods in the tax base consolidated financial statements and in the consolidated financial statements prepared in accordance with TFRS, and the said differences are stated below.

	Temporary differences		Deferred income tax / assets/ liabilities	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021
Deferred tax assets				
Allowance for doubtful receivables	78.470.409	47.361.478	15.694.081	10.893.140
Provision for employment termination benefits	579.066.312	168.516.980	115.813.263	33.703.396
Trade receivables	191.410.779	37.513.501	38.282.156	8.628.105
Provision for bonus premium	62.373.300	33.184.265	12.474.660	7.632.381
Inventories	88.861.509	185.857.787	15.844.902	42.747.291
Provision for lawsuits	30.031.189	14.493.360	6.006.238	3.333.473
Provision for unused vacation liability	24.265.455	9.068.974	4.853.091	2.085.864
Provision for warranty claims	6.601.325	1.919.911	1.320.265	441.579
Investment incentive	-	-	309.573.379	182.238.671
Export seasonality adjustment	31.347.275	14.605.217	6.269.455	3.359.200
Rental liability	36.864.142	12.393.212	7.372.828	2.850.439
Deferred income	67.333.418	-	13.466.684	-
Other Provision	44.790.955	26.269.366	8.958.191	6.041.954
Other	6.187.694	6.712.326	1.237.539	1.543.834
	1.247.603.762	**557.896.377**	**557.166.732**	**305.499.327**
Deferred tax liabilities				
Forward currency valuation differences	143.886.734	208.897.105	28.777.346	41.779.421
Property, plant and equipment and intangible assets	640.838.482	381.623.483	124.384.749	76.324.697
Trade payables	67.863.595	27.757.181	13.572.719	6.384.152
Other	3.092.267	1.123.735	618.454	258.459
	855.681.078	**619.401.504**	**167.353.268**	**124.746.729**
Deferred tax assets / (liabilities), net			**389.813.464**	**180.752.598**

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25. TAXATION ON INCOME (Cont’d)

The movements in deferred tax assets / (liabilities) for the years ended 31 December 2022 and 31 December 2021 are as follows:

	1 January-31 December 2022	1 January-31 December 2021
Opening as of 1 January	180.752.598	67.418.660
Acquire effect (Not 3)	(16.981.656)	-
Recognized in profit or loss statement	149.048.918	130.137.460
Income / (expense) recognized in equity	76.993.604	(16.803.522)
Closing as of 31 December	**389.813.464**	**180.752.598**

The movements of deferred tax income/(expense) for the years ended 31 December are as follows:

	1 January 2022	Acquire Effect	Recognized in profit or loss	Recognized in other comprehensive income	31 December 2022
Allowance for doubtful receivables	10.893.140	1.725.047	3.075.894	-	15.694.081
Provision for employment termination benefits	33.703.396	392.548	9.236.543	72.480.776	115.813.263
Trade receivables	8.628.105	-	29.654.051	-	38.282.156
Provision for bonus premium	7.632.381	-	4.842.279	-	12.474.660
Inventories	42.747.291	(937.668)	(25.964.721)	-	15.844.902
Provision for lawsuits	3.333.473	(49.338)	2.722.103	-	6.006.238
Provision for unused vacation liability	2.085.864	1.033.479	1.733.748	-	4.853.091
Provision for warranty claims	441.579	-	878.686	-	1.320.265
Investment incentive	182.238.671	-	127.334.708	-	309.573.379
Export seasonality adjustment	3.359.200	-	2.910.255	-	6.269.455
Leasing liability	2.850.439	2.295.019	2.227.370	-	7.372.828
Deferred income	-	10.893.620	2.573.064	-	13.466.684
Other provision	6.041.954	-	2.916.237	-	8.958.191
Forward currency valuation differences	(41.779.421)	-	8.489.247	4.512.828	(28.777.346)
Tangible and intangible assets	(76.324.697)	(30.277.399)	(17.782.653)	-	(124.384.749)
Trade Payables	(6.384.152)	(71.805)	(7.116.762)	-	(13.572.719)
Other	1.285.375	(1.985.158)	1.318.868	-	619.085
	180.752.598	**(16.981.655)**	**149.048.917**	**76.993.604**	**389.813.464**

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

25. TAXATION ON INCOME (Cont'd)

	1 January 2021	Recognized in profit or loss	Recognized in other comprehensive income	31 December 2021
Allowance for doubtful receivables	9.348.643	1.544.497	-	10.893.140
Provision for employment termination benefits	22.504.126	4.277.032	6.922.238	33.703.396
Trade receivables	4.073.162	4.554.943	-	8.628.105
Provision for bonus premium	4.099.969	3.532.412	-	7.632.381
Inventories	9.229.677	33.517.614	-	42.747.291
Provision for lawsuits	2.840.288	493.185	-	3.333.473
Provision for unused vacation liability	1.328.576	757.288	-	2.085.864
Provision for warranty claims	262.335	179.244	-	441.579
Allowance for doubtful receivables	141.169.410	41.069.261	-	182.238.671
Forward currency valuation differences	(18.053.664)	3	(23.725.760)	(41.779.421)
Tangible and intangible assets	(115.545.721)	39.221.024	-	(76.324.697)
Trade Payables	(2.244.830)	(4.139.322)	-	(6.384.152)
Other	8.406.689	5.130.279	-	13.536.968
	67.418.660	**130.137.460**	**(16.803.522)**	**180.752.598**

Investment incentive certificate

T.R. Pursuant to the letter of the Ministry of Economy, General Directorate of Incentive Implementation and Foreign Capital dated 10 June 2013 and numbered 40613, the Large Scaled Investment Incentive Certificate of 366,623,571 TL issued within the scope of Regional Incentive Practices, dated 1 June 2010 and numbered 5534, is valid. Within the scope of investments, Investment Incentive Certificate numbered 5534/B amounting to TL 481,014,717 was reissued. With the said change, the investment amount increased by TL 114.391.146 and the investment contribution rate provided by the investment incentive certificate increased from 20% to 30%. The tax deduction rate is 50%. The term of the said document expired on May 20, 2015, and an investment completion visa amounting to TL 472.729.954 was obtained on June 29, 2017. The company benefited from reduced corporate tax amounting to TL 27.947.505 between 2010 and 2021, and TL 8.845.690 for the accounting period of 1 January - 31 December 2022.

In line with the Group's second factory investment decision to be located in Aksaray Organized Industrial Zone, T.C. The Investment Incentive Certificate application made to the Ministry of Economy, General Directorate of Incentive Implementation and Foreign Capital was approved and an Investment Incentive Certificate dated 13 February 2014 and numbered 113798 was issued for a new factory investment of 495,000,000 TL, with a starting date of 9 October 2013, within the scope of Large-Scale Investments. The investment contribution rate provided by the investment incentive certificate is 60% and the tax deduction rate is 90%.

25. TAXATION ON INCOME (Cont’d)

Investment incentive certificate (cont’d)

T.R. Based on the letter numbered 67577454-401.07 - E.36663 of the Ministry of Economy, General Directorate of Incentive Implementation and Foreign Capital on March 28, 2016, the domestic and imported machinery and equipment lists of the Aksaray Factory Complete New Investment have been revised and approved, and the total investment expenditure figure is 755.998. It has been increased to 847 TL. On February 9, 2021, the document was revised again and the total investment amount was increased to 1,238,225,012 TL. In addition, on October 5, 2021, the document was revised again and the total investment amount was increased to 1,374,547,375 TL. There has been no change in the support elements that the new investment incentive certificate will benefit from. Within the scope of this incentive certificate, the Group benefited from reduced corporate tax in the amount of 383,170,755 TL between 2013 and 2021 and 331,700,100 TL in the accounting period of 1 January - 31 December 2022.

The duration of the Investment incentive certificate dated 9 October 2013 for the Aksaray factory of the Group was extended from 9 October 2018 to 9 April 2022 with the time extension permit obtained on 23 March 2021. In addition, the investment period of the incentive certificate was extended until April 9, 2023, pursuant to the provision of the temporary article 14, which was amended by the Presidential Decision numbered 2021/4191 published in the Official Gazette dated 29 June 2021 and numbered 31526. With this extension, the 90% corporate tax reduction within the scope of Aksaray large-scale investment incentive will continue to be applied.

In line with the expansion investment decision that the Group plans to make in its Izmit factory, T.C. The investment incentive certificate application made to the Ministry of Economy, General Directorate of Incentive Implementation and Foreign Capital has been approved and within the scope of large-scale investments, the start date is 21 May 2015 and the end date is 21 May 2020 for a total investment of 690,443,917 TL, dated 20 August 2015 and numbered 120314. Investment Incentive Certificate was issued. The investment contribution rate provided by the investment incentive certificate is 25% and the tax deduction rate is 50%. On 22 July 2022, the amount of the document was increased to 1.513.666.277 TL. In addition, on 20 December 2022, the document was revised again and the total investment amount was increased to 2.087.461.936 TL. The investment period of the Group's first investment incentive certificate dated 20 August 2015 for the Izmit factory was published in the Official Gazette dated 9 November 2018 and numbered 30590. According to Article 2, the duration of the certificate was extended by 2.5 years to November 2022. In accordance with the provision of the provisional article 14, which was amended by the Presidential Decision No. 2021/4191, published in the Official Gazette dated 29 June 2021 and numbered 31526, an additional period of 2 years was extended to 21 November. It has been extended until 2024. Within the scope of this incentive certificate, the Group benefited from reduced corporate tax amounting to TL 42.514.010 between 2015 and 2021, and TL 41.869.259 for the accounting period of 1 January - 31 December 2022.
The Decision on the Amendment of the Decision on State Aids in Investments (Decision Number: 2846) was published in the Official Gazette dated 21 August 2020 and numbered 31220. The dates of 2017-2019 in paragraph 1 of Article 8 of this published decision have been changed to 2017-2022. Based on this change, the Group obtained 15% additional contribution right and 100% tax deduction right for investment expenditures made within the scope of incentive certificates in 2022.

As of 31 December 2022, the Group estimates that it will be able to benefit from reduced corporate tax amounting to TL 1.499.222.741 in the following years within the scope of incentive investment documents. However, since it is not possible to estimate how long the benefit will be realized, the Group has recorded a deferred tax asset of TL 309.573.379 calculated for the foreseeable 3 years.

(Amounts expressed in Turkish Lira (”TL”) unless otherwise indicated)

26. EARNINGS PER SHARE

Earnings per share for each class of share disclosed in the statements of income is determined by dividing the net income attributable to that class of share by the weighted average number of shares of that class outstanding during the year.

	31 December 2022	31 December 2021
Average number of shares during the period	30.511.687.500	30.511.687.500
Net profit for the period	1.980.356.290	1.004.575.346
Profit attributable to redeemed to shares	93.297.736	44.273.156
Earnings shares with nominal value of TL 1	6,185	3,147
Diluted earnings share with nominal value of TL 1	6,185	3,147

27. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Trade receivables from related parties generally arise from sales transactions and their approximate maturity is 8 days (31 December 2021: 4 days). Trade payables to related parties generally arise from purchase transactions and have an approximate maturity of 158 days (31 December 2021: 154 days).

Balances with related parties	**31 December 2022**			
	Receivables Short / Long term		**Payables Short / Long term (*)**	
	Trade	Non-Trade	Trade	Non-Trade
Shareholders				
H.Ö. Sabancı Holding A.Ş.	-	-	142.599	-
Bridgestone Corporation	620.525	-	188.670.936	2.020.126
Other companies managed by the main partners				
Bridgestone Europe S.A/N.V.	45.390.228	-	31.586.334	-
Bridgestone Italia Manufacturing S.A.	971.751	-	-	-
Bridgestone Poznan Sp. Z.O.O	4.625.078	-	-	-
Akbank T.A.Ş (*)	138.325.522	-	-	-
Ak Sigorta A.Ş.	40.510	-	3.108.419	-
Bridgestone Singapore Pte. Ltd.	-	-	869.562.993	-
Temsa Ulaşım Araçları San. Tic. A.Ş.	13.457.847	-	-	-
Kordsa Teknik Tekstil A.Ş.	-	-	259.877.278	-
Enerjisa Enerji Üretim A.Ş.	-	-	55.162.131	-
Radiflow Limited	-	-	3.765.132	-
Bridgestone Plant Engineering Co.Ltd.	-	-	165.952	-
Sabancı Dijital Teknoloji Hizmetleri A.Ş.	-	-	27.837.045	-
Bridgestone Carbon Black Co. Ltd.	-	-	7.552.742	-
Enerjisa Müşteri Çözümleri A.Ş	-	-	24.059.087	-
Firestone Polymers, LLC.	-		3.816.111	
Lasder Lastik Sanayicileri Derneği	-	-	3.711.102	-
Akçansa Çimento Sanayi Ve Ticaret A.Ş	1.787.361	-	-	-
Other	1.561.191	153.266	5.871.861	-
	206.780.013	**153.266**	**1.484.889.722**	**2.020.126**

(*) Akbank T.A.Ş. includes credit card pos receivables over 90 days.

(Amounts expressed in Turkish Lira (”TL”) unless otherwise indicated)

27. TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Cont’d)

Balances with related parties	31 December 2021			
	Receivables Short / Long term		Payables Short / Long term (*)	
	Trade	Non-Trade	Trade	Non-Trade
Shareholders				
H.Ö. Sabancı Holding A.Ş.	2.061	-	104.074	-
Bridgestone Corporation	-	-	92.125.905	1.901.732
Other companies managed by the main partners				
Bridgestone Europe S.A/N.V.	54.037.735	255.548	68.260.982	-
Bridgestone France S.A.	-	-	1.057.973	-
Bridgestone Poznan Sp. Z.O.O.	-	-	3.093.790	-
Bridgestone Hispania	278.802	-	2.742.629	-
Akbank T.A.Ş (*)	63.311.667	-	-	-
Ak Sigorta A.Ş.	15.479	-	1.686.302	-
Bridgestone Singapore Pte. Ltd.	-	-	670.824.347	-
Temsa Ulaşım Araçları San. Tic. A.Ş.	4.054.050	-	-	-
Kordsa Teknik Tekstil A.Ş.	-	-	156.898.224	-
Enerjisa Enerji Üretim A.Ş.	-	-	21.529.296	-
Bridgestone (Shenyang) Steel Cord Co.	-	-	3.791.918	-
Sabancı Dijital Teknoloji Hizmetleri A.Ş.	-	-	15.140.868	-
Bridgestone Carbon Black Co. Ltd.	-	-	6.283.254	-
Bridgestone Stargard SP.ZO.O	13.218.363	-	1.782.893	-
Akçansa Çimento Sanayi ve Ticaret A.Ş.	983.522	-	-	-
Bridgestone Plant Engineering CO. L	-	-	611.371	-
Enerjisa Müşteri Çözümleri A.Ş.	-	-	19.940.640	-
Firestone Polymers, LLC.	-	-	4.593.920	-
LASDER Lastik Sanayicileri Derneği	-	-	1.829.693	-
Other	34.139	58.139	95.484	3.285
	135.935.818	**313.687**	**1.072.393.563**	**1.905.017**

(*) Akbank T.A.Ş. includes credit card pos receivables over 90 days.

Sales of finished goods and trade goods	1 January-31 December 2022	1 January-31 December 2021
Shareholders		
Bridgestone Corporation	878.327	84.175
Other companies managed by the main partners		
Bridgestone Europe SA./N.V.	1.358.517.186	802.205.042
Bridgestone Italia Manufacturing S.A.	10.961	1.509.450
Temsa Ulaşım Araçları San.ve Tic. A.Ş.	32.632.279	-
Bridgestone Tatabanya Termelo	335.587	23.435.601
Bridgestone Poznan Sp. Z.o.o.	4.465.846	-
Bridgestone Hispania	59.953	865.840
Akbank T.A.Ş.	107.552	-
Other	8.249.206	24.703.990
	1.405.256.897	**852.804.098**

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

27. TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Cont'd)

Other sales	1 January-31 December 2022	1 January-31 December 2021
Shareholders		
Bridgestone Corporation	103.190	416.208
Other companies managed by the main partners		
Bridgestone Europe SA./N.V.	2.288.588	2.005.320
Temsa Ulaşım Araçları San.ve Tic. A.Ş.	694.860	-
Temsa Motorlu Araçlar Paz. Dağ. A.Ş	586.623	-
Other	8.149.884	8.041.758
	11.823.145	**10.463.286**

Purchases of Raw Materials, Semi Finished Goods and Consumables	1 January-31 December 2022	1 January-31 December 2021
Shareholders		
Bridgestone Corporation	20.743.321	7.947.762
Other companies managed by the main partners		
Bridgestone Singapore Pte. Ltd.	1.733.784.499	1.000.914.048
Kordsa Teknik Tekstil A.Ş.	571.717.500	230.712.845
Bridgestone (Shenyang) Steel Cord Co.	1.635.929	19.079.695
Bridgestone Carbon Black Co. Ltd.	33.889.973	17.048.950
Firestone Polymers, LLC.	43.917.833	14.118.197
Other	16.283.210	26.916.365
	2.421.972.265	**1.316.737.862**

Purchases of finished goods and trade goods	1 January-31 December 2022	1 January-31 December 2021
Shareholders		
Bridgestone Corporation	212.472.784	114.667.212
Other companies managed by the main partners		
Bridgestone Europe SA./N.V.	394.112.666	250.747.013
Enerjisa Enerji Üretim A.Ş.	372.756.080	116.293.157
Enerjisa Doğalgaz Toptan Satış A.Ş.	12.140	-
Other	8.642.986	5.187.167
	987.996.656	**486.894.549**

(Amounts expressed in Turkish Lira (”TL”) unless otherwise indicated)

27. TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Cont’d)

Purchases of services	**1 January- 31 December 2022**	**1 January- 31 December 2021**
Shareholders		
H. Ö. Sabancı Holding A.Ş.	1.331.287	151.921
Other companies managed by the main partners		
Sabancı Dijital Teknoloji Hizmetleri A.Ş.	58.815.254	25.661.269
Aksigorta A.Ş.	50.034.501	26.204.644
Lasder Lastik San. Derneği İktisadi İşletmesi	14.778.524	9.142.903
Vista Turizm ve Seyahat A.Ş.	6.410.126	846.328
Other	2.107.178	1.010.450
	133.476.870	**63.017.515**

Rent Expense	**1 January- 31 December 2022**	**1 January- 31 December 2021**
Other companies managed by the main partners		
Exsa Export Sanayi Mamulleri A.Ş.	1.905.360	1.593.120
Temsa Motorlu Araçlar Pazarlama A.Ş.	95.337	80.322
Teknosa İç ve Dış Ticaret A.Ş.	128.444	-
	2.129.141	**1.673.442**

Purchase of fixed assets	**1 January- 31 December 2022**	**1 January- 31 December 2021**
Shareholders		
Bridgestone Corporation	26.793.064	15.148.293
Other companies managed by the main partners		
Sabancı Dijital Teknoloji Hizmetleri A.Ş.	15.500.553	12.903.354
Bridgestone Plant Eng.	6.292.723	3.693.799
Bridgestone Logistics Co.	3.680.618	1.564.324
Other	11.705.324	24.113.470
	63.972.282	**57.423.240**

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

27. TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Cont'd)

Commission expense **(Sales premium, Royalty, and Interest Expense (*))**	**1 January- 31 December 2022**	**1 January- 31 December 2021**
Shareholders		
Bridgestone Europe SA./N.V.	227.584.601	103.657.506
Bridgestone Corporation	77.130	118.105
	227.661.731	**103.775.611**

	1 January- 31 December 2022	**1 January- 31 December 2021**
Financial Income		
Akbank T.A.Ş.	95.686.206	14.239.711
	95.686.206	**14.239.711**
Financial Expense		
Akbank Malta	14.123.369	55.980.129
Akbank T.A.Ş.	109.767.091	22.412.781
	123.890.460	**78.392.910**

	31 December 2022	**31 December 2021**
Demand deposits		
Akbank T.A.Ş.	87.729.849	66.155.261
	87.729.849	**66.155.261**
Time deposits (**) (less than 3 months)		
Akbank T.A.Ş.	816.541.811	1.387.806.899
	816.541.811	**1.387.806.899**
Credit card slip receivables		
Akbank T.A.Ş.	288.270.939	131.285.591
	288.270.939	**131.285.591**
Derivative assets		
Akbank Malta	1.358.388.470	1.207.757.650
	1.358.388.470	**1.207.757.650**
Financial investment		
Akbank T.A.Ş.	526.126.747	-
	526.126.747	**-**
Short-term financial liabilities(***)		
Akbank T.A.Ş.	426.593.028	14.230.734
	426.593.028	**14.230.734**
Long-term financial liabilities		
Akbank Malta	-	264.100.327
	-	**264.100.327**

(**) The interest rates of the Group's time deposits from related parties are 33.81% for TL, 2.13% for USD, 0.01% for Euros, and their maturities are January 2023.
(***) The Group's short-term financial debts to related parties in the current period also include the factoring debts of TL 213.776 to Akbank T.A.Ş.

(Amounts expressed in Turkish Lira (”TL”) unless otherwise indicated)

27. TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Cont’d)

	31 December 2022	31 December 2021
Advanced given		
Bridgestone Corporation	4.442.452	732.721
Bridgestone Europe S.A/N.V.	10.947.808	445.401
Bridgestone Logistic Co. LTD.	886.707	-
Bridgestone Plant Engineering	154.695	111.264
Bridgestone Europe N.V./S.A.	4.993	902.321
	16.436.655	**2.191.707**
Advances received		
Bridgestone Europe N.V./S.A.	-	1.189.727
	-	**1.189.727**

There are no guarantees received or given due to transactions with related parties.

The senior management team of the Group consists of the members of the Board of Directors and the members of the Executive Board. Benefits provided to senior executives include wages, severance pay, premiums, private pension, health insurance, life insurance, rent paid to foreign personnel, overseas moving expenses, passenger car rentals, fuel and mobile phone, etc. consists of payments made within the scope of other expenses, severance pay and other provisions.

The benefits provided to senior management personnel for the periods ending on 31 December 2022 and 2021 are as follows:

	1 January-31 December 2022	1 January-31 December 2021
Salaries and other short-term benefits	44.946.405	17.350.119
Employment termination benefits	785.070	430.445
Other long-term benefits	838.413	287.786
	46.569.888	**18.068.350**

(Amounts expressed in Turkish Lira (”TL”) unless otherwise indicated)

28. NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS

Financial risk management

Financial risk factors

The Group's activities expose it to a variety of financial risks: liquidity risk, market risk (including currency risk, interest rate risk), credit risk and funding risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

Financial risk management is carried out by Chief Financial Officer of Brisa under policies approved by the board of directors. Chief Financial Officer identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units.

(a) Liquidity risk

Prudent 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. Due to the dynamic nature of the underlying business, the Group aims at maintaining flexibility in funding by keeping committed credit lines available.

The table below depicts the cash outflows the Group will pay for the financial liabilities in the balance sheet in accordance with the remaining maturities. The amounts in the table are contractual and non-discounted. The Group performs its liquidity risk management by considering expected non-discounted cash flows.

As of 31 December 2022, and 31 December 2021, liquidity risk analysis of the financial liabilities of the Group is as follows:

31 December 2022 **Contractual Maturities**	**Carrying value**	**Contractual flows total (I+II+III+IV)**	**Less than 3 (I)**	**3-12 Months (II)**	**1-5 years (III)**	**Over 5 Years (IV)**
Non-derivative financial liabilities						
Unsecured bank loans (*)	6.772.424.962	6.801.626.968	1.304.141.349	3.802.906.763	1.694.578.856	-
Lease liabilities	36.864.142	37.614.482	5.921.850	17.747.843	13.944.789	-
Factoring payables	20.548.801	20.548.801	5.137.200	15.411.601	-	-
Trade payables	4.375.832.527	4.443.696.122	2.678.756.839	1.764.939.283	-	-
Other payables	172.436.600	172.436.600	148.171.145	24.265.455	-	-
Total liabilities	**11.378.107.032**	**11.475.922.973**	**4.142.128.383**	**5.625.270.945**	**1.708.523.645**	**-**

Contractual Maturities	**Carrying value**	**Contractual Flows total (I+II+III+IV)**	**3 months (I)**	**3-12 months (II)**	**1-5 years(III)**	**Over 5 years (IV)**
Derivative financial liabilities						
Derivative cash inflows	7.257.570	7.257.570	7.257.570	-	-	-
Derivative cash outflows	(42.368.590)	(42.368.590)	(42.368.590)	-	-	-
	(35.111.020)	**(35.111.020)**	**(35.111.020)**	**-**	**-**	**-**

(Amounts expressed in Turkish Lira (”TL”) unless otherwise indicated)

28. NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS(Cont'd)

(a) Liquidity risk (cont'd)

31 December 2021	Carrying values	Contractual Flows Total (I+II+III+IV)	3 months (I)	3-12 months (II)	1-5 years (III)	Over 5 years (IV)
Contractual Maturities						
Non-derivative financial liabilities						
Unsecured bank loans (*)	4.758.125.644	4.771.337.323	516.337.599	1.527.615.156	2.727.384.568	-
Lease liabilities	12.393.212	14.177.146	2.581.988	5.690.995	5.904.163	-
Factoring payables	19.598.877	19.598.877	4.899.719	14.699.158	-	-
Trade payables	2.807.484.397	2.835.241.578	929.045.231	1.906.196.347	-	-
Other payables	79.820.112	79.820.112	70.751.138	9.068.974	-	-
Total liabilities	**7.677.422.242**	**7.720.175.036**	**1.523.615.675**	**3.463.270.630**	**2.733.288.731**	**-**

Contractual Maturities	Carrying values	Contractual Flows Total (I+II+III+IV)	3 months (I)	3-12 months (II)	1-5 years (III)	Over 5 years (IV)
Derivative financial liabilities						
Derivative cash inflows	-	-	-	-	-	-
Derivative cash outflows	-	-	-	-	-	-
	-	-	-	-	-	-

(*) Cash outflows from bank loans are shown in cash flows that are fixed by cross currency and interest swap agreements.

(b) Market Risk

Interest rate risk

The Group's floating rate loans are exposed to risk as a result of differences resulting from the repricing of various variable rate indicators. The purpose of risk management is to optimize net interest income by keeping market interest rates in line with the Group's operating policies. The Group has secured 80% of its floating rate US Dollar loan against the risk of fluctuations in interest rates in the market. In accordance with this policy, the Group has signed cross rate swap agreements for its floating rate loans. Therefore, as of 31 December 2022 and 2020, the loans under the scope of protection are stated in the table below with fixed interest rates:

	31 December 2022	31 December 2021
Financial instruments with fixed interest rate		
Financial liabilities	6.513.301.283	4.277.628.411
Time deposits	1.599.220.441	2.960.891.694
Financial investments	1.241.607.392	133.920.137
Financial instruments with variable interest rate		
Financial liabilities	618.733.772	492.890.445

(Amounts expressed in Turkish Lira (”TL”) unless otherwise indicated)

28. NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (Cont'd)

(b) Market Risk (cont'd)

Fair value risk of fixed rate instruments:

The Group has no fixed rate financial assets and liabilities at fair value through profit or loss and hedging derivative instruments (forward interest rate swaps) recorded under the fair value hedge accounting model. Therefore, changes in interest rates as of the reporting period will not affect profit or loss.

Fair value risk of variable rate instruments:

	Profit / Loss		Equity	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
31 December 2022				
Financial liabilities	(847.656)	847.656	-	-
Cash flow sensitivity	**(847.656)**	**847.656**	**-**	**-**
31 December 2021				
Financial liabilities	-	-	-	-
Cash flow sensitivity	**-**	**-**	**-**	**-**

Foreign exchange risk

Operating in the international arena, the Group is exposed to exchange rate risk arising from exchange rate changes due to the conversion of foreign currency denominated debts or creditors into Turkish Lira. The said exchange rate risk is followed by analyzing the foreign exchange position. In addition, it is aimed to provide an effective protection against economic risks with foreign currency and forward transactions. The Group carries out its currency risk policy practices and transactions with derivative and non-derivative financial instruments within the framework of the rules and limits in the document officially documented under the name of “Currency Risk Hedge Policy” and given the necessary approvals by the senior management.

Derivative financial instruments

Derivative financial instruments of the Group consist of forward foreign currency purchase and sale contracts, commodity forward contracts, option contracts and cross currency and interest rate swaps. At the same time, time deposits are used as a hedging instrument. The said derivative and non-derivative financial instruments provide an effective protection against risks for the Group economically, and are accounted for as hedging derivative financial instruments in the consolidated financial statements since they meet the requirements of TAS 39 “Accounting for financial instruments” in terms of risk accounting. The Group presents the gains and losses related to the effective hedging transaction as “financial hedge fund” in equity. Derivative financial instruments with a positive fair value are recognized in the balance sheet as assets, and negative ones are recognized as liabilities.

(Amounts expressed in Turkish Lira (”TL”) unless otherwise indicated)

28. NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (Cont'd)

(b) Market Risk (cont'd)

Foreign exchange risk (cont'd)

The Group's assets and liabilities denominated in foreign currencies at 31 December 2022 and 31 December 2021 are as follows:

	31 December 2022				
Foreign currency position table	**TL Equivalent (Functional currency)**	**US Dollar**	**Euro**	**JPY**	**GBP**
Cash and cash equivalents (*)	558.694.826	28.269.958	1.128.424	2.208.156	322.369
Trade receivables	248.159.538	3.041.882	8.194.346	-	1.235.399
Other receivables	685.394	360	32.593	204.700	-
Trade receivables from related parties	153.260	-	7.688	-	-
Current Assets	**807.693.018**	**31.312.200**	**9.363.051**	**2.412.856**	**1.557.768**
Trade receivables	22.569	345	-	-	713
Non-Current Assets	**22.569**	**345**	**-**	**-**	**713**
Total Assets	**807.715.587**	**31.312.545**	**9.363.051**	**2.412.856**	**1.558.481**
Trade payables	1.544.064.632	11.637.236	64.911.681	182.876.623	165.675
Trade payables to related parties	1.271.196.557	53.682.617	12.030.467	178.263.921	-
Other payables	-	-	-	-	-
Other payables to related parties	2.016.852	-	-	14.179.518	-
Short-term bank borrowings	322.745.951	17.229.658	-	-	-
Short-term portion of long-term bank borrowings	1.464.716.439	78.193.275	-	-	-
Short-term Liabilities	**4.604.740.431**	**160.742.786**	**76.942.148**	**375.320.062**	**165.675**
Long-term financial liabilities	1.327.360.872	70.860.606	-	-	-
Long-term Liabilities	**1.327.360.872**	**70.860.606**	**-**	**-**	**-**
Total Liabilities	**5.932.101.303**	**231.603.392**	**76.942.148**	**375.320.062**	**165.675**
Net Foreign Currency Position	**(5.124.385.716)**	**(200.290.847)**	**(67.579.097)**	**(372.907.206)**	**1.392.806**
Total foreign currency amount of off-balance sheet derivative financial assets	3.822.337.310	204.053.881	-	-	-
Total foreign currency amount of off-balance sheet derivative financial liabilities(*)	**3.822.337.310**	**204.053.881**	**-**	**-**	**-**
Net foreign currency asset/ (liability) position	**(1.302.048.406)**	**3.763.034**	**(67.579.097)**	**(372.907.206)**	**1.392.806**
Fair Value of Financial Instruments Used for Foreign Exchange Hedge	33.529.605	-	-	-	-
Hedged Amount of Foreign Currency Assets	-	-	-	-	-
Hedged Amount of Foreign Currency Liabilities	**(3.503.893.310)**	**(204.053.882)**	**-**	**-**	**-**
Export (**)	4.902.962.730	84.123.716	200.055.283	-	8.345.326
Import (**)	5.984.111.777	157.404.209	183.281.199	1.783.574.094	251.070

(*) In addition, as of 31 December 2022, the Group has made forward transactions amounting to USD 17.000.000, Options amounting to USD 15.000.000 and Forward transactions amounting to USD 40.000.000 in order to hedge the foreign exchange risk of import transactions to be realized in 2023. These amounts are not shown in cash and cash equivalents in the currency risk statement.

(**) In the export and import foreign currency balances of 2022 and 2021, the exclusion of sales and purchases from maturity is not taken into account. The exchange rates on the export dates are taken into account for the TL equivalents of exports. The monthly average exchange rate was used to calculate the TL equivalent of imports.

(***) The Group also keeps 1.107.589.643 TL in its foreign currency protected deposit accounts for the foreign currency balances that it can recover when due in order to hedge against currency risks (Note 4).

(Amounts expressed in Turkish Lira (”TL”) unless otherwise indicated)

28. NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (Cont'd)

(b) Market Risk (Cont'd)

	31 December 2021				
Foreign currency position table	**TL Equivalent (Functional currency)**	**US Dollar**	**Euro**	**JPY**	**GBP**
Cash and cash equivalents (*)	2.069.290.131	113.894.772	33.858.873	5.014.937	2.214.587
Financial investments	133.920.137	10.047.276	-	-	-
Trade receivables	142.401.242	3.866.745	4.399.226	-	1.363.166
Other receivables	272.361	360	17.735	-	-
Trade receivables from related parties	67.990.884	-	4.506.677	-	-
Other receivables from related parties	58.144	-	3.854	-	-
Current Assets	**2.413.932.899**	**127.809.153**	**42.786.365**	**5.014.937**	**3.577.753**
Trade receivables	17.409	345	-	-	713
Other receivables from related parties	264.047	-	17.502	-	-
Non-Current Assets	**281.456**	**345**	**17.502**	**-**	**713**
Total Assets	**2.414.214.355**	**127.809.498**	**42.803.867**	**5.014.937**	**3.578.466**
Trade payables	1.022.477.866	17.365.429	49.549.277	336.526.335	143.273
Trade payables to related parties	911.028.006	56.240.988	9.308.123	166.513.743	-
Other payables	8.957.967	670.858	-	-	-
Other payables to related parties	1.917.541	-	-	16.492.561	-
Short-term portion of long-term bank borrowings	1.071.600.946	80.251.265	384	-	-
Current Liabilities	**3.015.982.326**	**154.528.540**	**58.857.784**	**519.532.639**	**143.273**
Long-term bank borrowings	2.211.395.484	165.610.386	-	-	-
Long-term trade payables to related parties	-	-	-	-	-
Non-Current Liabilities	**2.211.395.484**	**165.610.386**	**-**	**-**	**-**
Total Liabilities	**5.227.377.810**	**320.138.926**	**58.857.784**	**519.532.639**	**143.273**
Net Foreign Currency Position	**(2.813.163.455)**	**(192.329.428)**	**(16.053.917)**	**(514.517.702)**	**3.435.193**
Total foreign currency amount of off-balance sheet derivative financial assets	2.787.556.069	208.758.786	-	-	-
Total foreign currency amount of off-balance sheet derivative financial liabilities	-	-	-	-	-
Net foreign currency position of derivative financial instruments	**2.787.556.069**	**208.758.786**	**-**	**-**	**-**
Net foreign currency asset/ (liability) position	**(25.607.386)**	**16.429.358**	**(16.053.917)**	**(514.517.702)**	**3.435.193**
Fair Value of Financial Instruments Used for Foreign Exchange Hedge	-	-	-	-	-
Hedged Amount of Foreign Currency Assets	**-**	**-**	**-**	**-**	**-**
Hedged Amount of Foreign Currency Liabilities	**(2.787.556.069)**	**(208.758.786)**	**-**	**-**	**-**
Export (**)	2.542.156.114	89.136.476	163.063.243	-	7.110.493
Import (**)	2.901.073.581	147.004.075	133.485.004	2.119.684.174	20.735

(*) As of 31 December 2021, the Company holds time deposits amounting to USD 37.000.000 and Euro 11.200.000 for hedge purposes in order to mitigate the exchange rate risk of import transactions that will take place in 2021. This amount is not shown in cash and cash equivalents in foreign currency position table.

28. NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (Cont'd)

(b) Market Risk (Cont'd)

Foreign exchange risk (cont'd)

The Group is exposed to currency risk mainly in US Dollar, Euro, GBP and Japanese Yen. In order to eliminate the risks on the short-term foreign currency short-term balance sheet foreign currency position, the Group holds USD denominated deposits and cash equivalents corresponding to the open position in its balance sheet. In addition, the Group is protected from cash flow risk arising from foreign currency time deposits, funds and derivative transactions and purchases of certain inventory in the future.

The table below shows the Group's sensitivity to 10% increase and decrease in USD, Euro, GBP and Japanese Yen exchange rates. The 10% rate is the rate used when reporting the currency risk within the Group to the senior managers, and the said rate represents the possible change expected by the management in the foreign exchange rates.

The sensitivity analysis includes only outstanding foreign currency denominated monetary items at the end of the period and shows the effects of 10% change in foreign exchange rates at the end of the period. This analysis includes foreign-sourced loans as well as non-functional currency loans of borrowers and borrowers used for foreign operations within the Group. A positive value represents an increase in profit/loss and other equity items.

Foreign currency sensitivity analysis table

	31 December 2022			
	Profit / Loss		Equity	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
Change in USD against TL by 10%				
1 - USD net asset / liability	6.943.392	(6.943.392)	(350.389.332)	350.389.332
2- Hedged USD (-)	-	-	350.389.332	(350.389.332)
3- USD net effect (1 +2)	**6.943.392**	**(6.943.392)**	-	-
Change in Euro against TL by 10%				
4 - Euro net asset / liability	(134.994.477)	134.994.477	-	-
5 - Hedged Euro (-)	-	-	-	-
6- Euro net effect (4+5)	**(134.994.477)**	**134.994.477**	**-**	**-**
Change in other currencies against TL by 10%				
7- Other currencies net asset / liability	(2.153.756)	2.153.756	-	-
8- Hedged other currencies (-)	-	-	-	-
9- Other currencies net effect (7+8)	**(2.153.756)**	**2.153.756**	**-**	**-**
TOTAL (3+6+9)	**(130.204.841)**	**130.204.841**	**-**	**-**

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

28. NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (Cont'd)

(b) Market Risk (Cont'd)

Foreign exchange risk (cont'd)

Foreign currency sensitivity analysis table

	31 December 2021			
	Profit / Loss		Equity	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
Change in USD against TL by 10%				
1 - USD net asset / liability	21.631.379	(21.631.379)	(278.755.607)	278.755.607
2- Hedged USD (-)	-	-	278.755.607	(278.755.607)
3- USD net effect (1 +2)	**21.631.379**	**(21.631.379)**	-	-
Change in Euro against TL by 10%				
4 - Euro net asset / liability	(24.380.156)	24.380.156	-	-
5 - Hedged Euro (-)	-	-	-	-
6- Euro net effect (4+5)	**(24.380.156)**	**24.380.156**	**-**	**-**
Change in other currencies against TL by 10%				
7- Other currencies net asset / liability	188.039	(188.039)	-	-
8- Hedged other currencies (-)	-	-	-	-
9- Other currencies net effect (7+8)	**188.039**	**(188.039)**	**-**	**-**
TOTAL (3+6+9)	**(2.560.738)**	**2.560.738**	**-**	**-**

Forward contracts

The detail information on foreign currency denominated borrowings and cross currency swap transactions is given in disclosures of derivative financial instruments (Note 6) (31.12.2021: None).

(c) Funding Risk

The ability to fund existing and prospective debt requirements is managed by maintaining the availability of adequate committed funding lines from high quality lenders. The borrowings of the Company are from financially strong various financial institutions.

28. NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (Cont’d)

(d) Credit Risk

Credit risk consists of cash and cash equivalents, deposits with banks, derivative instruments, credit card receivables and customers exposed to credit risk. Holding financial instruments also carries the risk that the other party will not be able to fulfill the requirements of the agreement. Group management covers these risks by limiting the average risk for each contracting counterparty and by taking collateral if necessary.

The Group has calculated the remaining credit losses based on past year credit losses experience, current financial position analysis of its customers and their expectations for the future. The Group performed BKZ rate calculations separately for its customers. The Group makes separate assessments for export customers and other private customers, and sets aside provisions when deemed necessary. Considering the receivables remaining after the current collaterals of the dealers, their payment habits, and the credit risk score status of independent credit rating firms, the method of allocation of doubtful receivables provision has been applied.

Deposits in banks, credit card receivables and derivative products are kept in banks and financial institutions with high creditworthiness.

(Amounts expressed in Turkish Lira (”TL”) unless otherwise indicated)

28. NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (Cont’d)

(d) Credit Risk (cont’d)

The credit risks that the Group is exposed to on the basis of financial instrument types as of 31 December 2022 are as follows:

Credit risk regarding the financial instruments	**Receivables**							
	Trade Receivables		**Other Receivables**					
31 December 2022	**Related Parties**	**Third Parties**	**Related Parties**	**Third Parties(*)**	**Bank Deposits**	**Financial Investments**	**Derivative Financial Instruments**	**Other**
Maximum credit risk based on financial instruments as of reporting date	206.780.013	2.194.568.183	153.266	21.445.313	3.642.492.283	1.241.607.392	2.146.901.014	-
- Collateralized or secured with guarantees part of maximum credit risk	-	1.530.523.757	-	-	-	-	-	-
A. Net book value of not due or not impaired financial assets	159.863.053	2.015.659.600	153.266	21.445.313	3.642.492.283	1.241.607.392	2.146.901.014	-
B. Net book value of past due but not impaired financial assets	46.916.960	178.908.583	-	-	-	-	-	-
- Collateralized or guaranteed part	-	92.901.825	-	-	-	-	-	-
C. Net book value of impaired financial assets								
- Gross amount of overdue part	-	196.152.633	-	-	-	-	-	-
- Impairment (-)	-	(194.390.133)	-	-	-	-	-	-
- Collateralized or guaranteed part of net value	-	1.762.500	-	-	-	-	-	-
- Gross amount of not due part	-	-	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-	-	-
- Collateralized or guaranteed part of net value	-	-	-	-	-	-	-	-
D. Off-balance sheet items comprising credit risk	-	-	-	-	-	-	-	-

(*) Receivables from tax office and deposits & guarantees given are not included.

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

28. NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (Cont'd)

(d) Credit Risk (cont'd)

The credit risks that the Group is exposed to on the basis of financial instrument types as of 31 December 2021 are as follows:

Credit risk regarding the financial instruments	**Receivables**							
	Trade Receivables		**Other Receivables**					
31 December 2021	**Related Parties**	**Third Parties**	**Related Parties**	**Third Parties(*)**	**Bank Deposits**	**Financial Investments**	**Derivative Financial Instruments**	**Other**
Maximum credit risk based on financial instruments as of reporting date	135.935.818	924.866.030	313.687	10.363.707	3.344.879.174	133.920.137	2.121.127.694	-
- Collateralized or secured with guarantees part of maximum credit risk	-	472.533.032	-	-	-	-	-	-
A. Net book value of not due or not impaired financial assets	82.112.408	831.173.148	313.687	10.363.707	3.344.879.174	133.920.137	2.121.127.694	-
B. Net book value of past due but not impaired financial assets	53.823.410	93.692.882	-	-	-	-	-	-
- Collateralized or guaranteed part	-	49.697.565	-	-	-	-	-	-
C. Net book value of impaired financial assets								
- Gross amount of overdue part	-	144.671.085	-	-	-	-	-	-
- Impairment (-)	-	(142.908.585)	-	-	-	-	-	-
- Collateralized or guaranteed part of net value	-	1.762.500	-	-	-	-	-	-
- Gross amount of not due part	-	-	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-	-	-
- Collateralized or guaranteed part of net value	-	-	-	-	-	-	-	-
D. Off-balance sheet items comprising credit risk	-	-	-	-	-	-	-	-

(*) Receivables from tax office and deposits & guarantees given are not included.

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

28. NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (Cont'd)

(d) Credit Risk (cont'd)

The Group considers that its receivables from related parties, including the overdue ones, do not have a collection risk considering that they are from Group companies and have been collected in the previous periods. The aging of the Group's receivables, which are overdue but not impaired, including the overdue periods, is as follows:

	31 December 2022	31 December 2021
Between 0-1 months	98.004.470	75.911.076
Between 1-3 months	35.964.470	966.393
Between 3-12 months	44.939.643	16.815.413
	178.908.583	**93.692.882**

As of 31 December 2022, collaterals amounting to TL 92.901.825 have been received for receivables from third parties (31 December 2021: TL 49.697.565).

The Company calculates ECL's based on previous year's credit losses experience, analysis of customers' current financial situation and future expectations. The Company performs the ECL rate calculations separately for customers. The Company makes evaluations separately for export customers and other private customers and provides a provision where necessary. The Company has applied the doubtful receivable provision methodology by taking into consideration the dealers' remaining receivables after deducting existing collaterals, the credit risk score of the creditors evaluated by independent credit rating firms and payment history.

The tables below provide information on credit risk for trade receivables as of 31 December 2022 and 31 December 2021, credit losses, and exposure to ECL.

31 December 2022	**%**	**Gross Trade Receivables(*)**	**Doubtful Receivables Provision**
Domestic – Dealers	10%	1.349.530.047	136.554.572
Export Receivables	16%	218.211.114	35.506.932
Receivables from Automotive Manufacturers	0,8%	453.522.170	3.622.714
Domestic – Customers	3%	558.359.417	18.705.915
Trade Receivables from Related Parties	-	206.780.013	-
	7%	**2.786.402.761**	**194.390.133**

31 December 2021	**%**	**Gross Trade Receivables(*)**	**Doubtful Receivables Provision**
Domestic – Dealers	21%	619.782.155	127.217.284
Export Receivables	5%	167.301.069	8.435.499
Receivables from Automotive Manufacturers	0,2%	179.110.916	419.963
Domestic – Customers	5%	139.152.873	6.835.839
Trade Receivables from Related Parties	-	135.935.818	-
	12%	**1.241.282.831**	**142.908.585**

(*) Gross trade receivables do not include unearned credit finance income amounting to TL 190.664.432 (31 December 2021: 37.572.398 TL). (Note 7)

(Amounts expressed in Turkish Lira (”TL”) unless otherwise indicated)

28. NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (Cont'd)

(e) Capital Risk Management

The Group's objectives when managing capital are to maintain the Group's ability to continue to operate in order to provide returns for shareholders, benefits for other shareholders, and maintain an optimal capital structure to reduce the cost of capital.

The Group monitors capital using the net financial debt/equity + net financial debt ratio. Net financial debt is calculated by deducting cash and cash equivalents from the total financial debt amount.

Capital risk management	**31 December 2022**	**31 December 2021**
Net financial debt (Note 5)	(46.923.786)	(613.301.741)
Equity	3.296.061.529	2.309.092.308
Equity+ Net debt	**3.249.137.743**	**1.695.790.567**
Net financial debt / (Equity + Net Financial Debt) ratio	**(0,01)**	**(0,36)**

(f) Operational risk

Direct or indirect loss arising from a wide variety of reasons related to operational risk, the Group's processes, employees, technology and infrastructure, and external factors such as legal and regulatory requirements and generally accepted standards regarding legal entity, excluding credit risk, market risk and liquidity risk. is the risk. Operational risks arise from all activities of the Group. The purpose of the Group is to manage operational risk by avoiding financial losses and damage to the Group's reputation, while avoiding controls that restrict entrepreneurship and creativity.

Improving and enforcing controls in operational risk avoidance are primarily the responsibility of senior managers in each business. This responsibility is supported by the improvement of general standards for the management of operational risks in the following areas:

• Requirements for appropriate division of duties and responsibilities, including independent authorization of transactions
• Requirements for reconciliation and oversight of transactions • compliance with regulatory and other legal requirements
• Documentation of controls and procedures
• Periodic evaluation of encountered operational risks and adequacy of controls and procedures to avoid identified risks.
• Requirements for reporting operational losses and presenting related remediation activities
• Creation of emergency plans
• Training and work-related development of employees
• Ethical and business life standards
• Risk reduction remedies, including insurance where effective

Compliance with group standards is audited by the periodic audit program carried out by Internal Audit. The results of the Internal Audit's review are reported to the management of the relevant operational department and shared with the Audit Committee and senior management.

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

29. FINANCIAL INSTRUMENTS

Classes and fair values of financial instruments

31 December 2022	Financial assets shown at amortized cost	Financial liabilities shown at amortized cost	Fair value through other comprehensive income	Fair value through profit or loss	Carrying value	Note
Financial assets						
Cash and cash equivalents	3.642.509.918	-	-	-	3.642.509.918	4
Financial investments	1.241.607.392	-	-	-	1.241.607.392	4
Trade receivables	2.194.568.183	-	-	-	2.194.568.183	7
Receivables from related parties	206.780.013	-	-	-	206.780.013	7-27
Other receivables (*)	21.823.461	-	-	-	21.823.461	
Derivative financial assets	-	-	2.139.643.444	7.257.570	2.146.901.014	6
	7.307.288.967	**-**	**2.139.643.444**	**7.257.570**	**9.454.189.981**	
Financial liabilities						
Financial liabilities	-	6.829.837.905	-	-	6.829.837.905	5
Trade payables	-	2.890.942.805	-	-	2.890.942.805	7
Payables to related parties	-	1.484.889.722	-	-	1.484.889.722	7-27
Other payables	-	51.168.357	-	-	51.168.357	
Derivative financial liabilities	-	-	42.368.590	-	42.368.590	
	-	**11.256.838.789**	**42.368.590**	**-**	**11.299.207.379**	

(*) Receivables from tax office are not included.

Classes and fair values of financial instruments

31 December 2021	Financial assets shown at amortized cost	Financial liabilities shown at amortized cost	Fair value through other comprehensive income	Fair value through profit or loss	Carrying value	Note
Financial assets						
Cash and cash equivalents	3.344.879.436	-	-	-	3.344.879.436	4
Financial investments	133.920.137	-	-	-	133.920.137	4
Trade receivables	924.866.030	-	-	-	924.866.030	7
Receivables from related parties	135.935.818	-	-	-	135.935.818	7-27
Other receivables (*)	11.017.251	-	-	-	11.017.251	
Derivative financial assets	-	-	2.121.127.694	-	2.121.127.694	6
	4.550.618.672	**-**	**2.121.127.694**	**-**	**6.671.746.366**	
Financial liabilities						
Financial liabilities	-	4.790.117.733	-	-	4.790.117.733	5
Trade payables	-	1.735.090.834	-	-	1.735.090.834	7
Payables to related parties	-	1.072.393.563	-	-	1.072.393.563	7-27
Other payables	-	37.678.275	-	-	37.678.275	
	-	**7.635.280.405**	**-**	**-**	**7.635.280.405**	

(*) Receivables from tax office are not included.

29. FINANCIAL INSTRUMENTS (Cont’d)

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 have been determined by the Company using available market information and appropriate valuation methodologies. 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 Company can realize in a current market exchange.

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

Monetary assets

Foreign currency denominated balances are translated into Turkish Lira at the forex buying exchange rates at the end of the period. It is foreseen that fair values are close to the carrying value.

The fair values of certain financial assets carried at cost, including cash and amounts due from banks, are considered to approximate their respective carrying values due to their short-term nature.

The carrying values of trade receivables along with the related allowances for uncollectibility are estimated to be their fair values.

Monetary liabilities

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

Since, long term foreign currency loans generally have floating rate, fair value is close to their book value. (Note 4).

Fair value estimation:

The Company’s financial instruments measured at fair value in the balance sheet reclassified as flows:

Level 1: Quoted prices in markets for assets and liabilities.

Level 2: Direct or indirect observable inputs for the assets or liabilities other than quoted prices in Market.

Level 3: Inputs for the assets and liabilities where observable market data cannot be determined.

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

29. FINANCIAL INSTRUMENTS (Cont'd)

Some financial assets and financial liabilities of the Group are reflected in the consolidated financial statements at their fair values at each balance sheet date.

The table below provides information on how the fair values of these financial assets and liabilities are determined.

Financial Assets/ Financial Liabilities	Fair Value				Fair value hierarchy	Valuation Technique	Significant unobservable input	Relationship of unobservable inputs to fair value
	31 December 2022		**31 December 2021**					
	Assets	**Liabilities**	**Assets**	**Liabilities**				
Forward contracts	4.783.909	42.368.590	-	-	2	Discounted cash flow method : The future cash flows, predicted by forward foreign currency rate (observable forward foreign currency rates at reporting date) and the contracted rates, are discounted by a discount rate which indicates other parties credit risk.	-	-
Cross-currency swap	2.139.643.444	-	2.121.127.694	-	2	Discounted cash flow method : The future cash flows, predicted by forward foreign currency rate (observable forward foreign currency rates at reporting date) and the contracted rates, are discounted by a discount rate which indicates other parties credit risk.	-	-
Option	2.473.661	-	-	-	2	Discounted cash flow method : The future cash flows, predicted by forward foreign currency rate (observable forward foreign currency rates at reporting date) and the contracted rates, are discounted by a discount rate which indicates other parties credit risk.		

	Level 1	**Level 2**	**Level 3**
31 December 2022			
Fair value through other comprehensive income, (net)	-	2.104.532.424	-
31 December 2021			
Fair value through other comprehensive income, (net)	-	2.121.127.694	-

(Amounts expressed in Turkish Lira (”TL”) unless otherwise indicated)

30. EVENTS AFTER THE REPORTING PERIOD

Due to the negativities caused by the earthquakes that took place in Kahramanmaraş on February 6, 2023, affecting many of our cities and shaking our whole country, in accordance with the Official Gazette numbered 32098, dated Wednesday, February 8, 2023, Adana, Adıyaman, Diyarbakır, Gaziantep, Hatay, Kahramanmaraş, Kilit, Malatya, Osmaniye and Şanlıurfa. It was decided to declare a state of emergency for three months in the provinces.

Since the economic effects of the earthquake and the measures taken in the provinces exposed to the earthquake are uncertain as of the reporting date, the effects on the financial statements of the Group due to its operations cannot be reasonably estimated.

31. FEES FOR SERVICES RECEIVED FROM INDEPENDENT AUDITOR

	1 January- 31 December 2022	**1 January- 31 December 2021**
Audit fee for the reporting period	538.000	299.000
Fee for other assurance services	200.000	-
Fees for services other than audit	12.565	-
Total	**750.565**	**299.000**