

AKKÖK HOLDİNG ANONİM ŐİRKETİ

**CONSOLIDATED FINANCIAL STATEMENTS
AT 31 DECEMBER 2023 TOGETHER WITH
INDEPENDENT AUDITOR'S REPORT**

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



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

INDEPENDENT AUDITOR'S REPORT

To the General Assembly of Akk k Holding Anonim Őirketi

A. Audit of the consolidated financial statements

1. Our opinion

We have audited the accompanying consolidated financial statements of Akk k Holding Anonim Őirketi (the "Company") and its subsidiaries (collectively referred to as the "Group") which comprise the consolidated statement of financial position as at 31 December 2023, the consolidated statement of profit or loss, the consolidated statement of other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements comprising a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2023, and its financial performance and its cash flows for the year then ended in accordance with Turkish Financial Reporting Standards ("TFRS").

2. Basis for opinion

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

3. Key audit matters

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



Key Audit Matters	How the key audit matter was addressed in the audit
<p data-bbox="261 491 862 558">Application of TAS 29, “Financial Reporting in Hyperinflationary Economies”</p> <p data-bbox="261 562 862 695">The Group has applied TAS 29 “Financial reporting in hyperinflationary economies” (“TAS 29”) in its consolidated financial statements as at and for the year ending 31 December 2023.</p> <p data-bbox="261 737 883 1142">TAS 29 requires financial statements to be restated at the current purchasing power at the end of the reporting period. Therefore, transactions in 2023 and non-monetary balances at the end of the period were restated to reflect the changes in the price index as of the balance sheet date, 31 December 2023. The application of TAS 29 has a pervasive and material impact on the consolidated financial statements. Considering the risk of inaccurate or incomplete data used in the application of TAS 29 and the additional associated audit effort, the application of TAS 29 has been identified as a key audit matter for our audit.</p> <p data-bbox="261 1184 862 1251">Disclosures regarding the application of TAS 29 are provided in Note 2.1.</p>	<p data-bbox="883 491 1503 558">How the key audit matter was addressed in the audit</p> <p data-bbox="883 562 1503 627">We performed the following auditing procedures in relation to the application of TAS 29:</p> <ul data-bbox="899 669 1503 1692" style="list-style-type: none"> <li data-bbox="899 669 1503 800">• Understanding and evaluating the process and controls related to the implementation of TAS 29 designed and implemented by management, <li data-bbox="899 842 1503 936">• Verifying whether the determination of monetary and non-monetary items made by the management is in compliance with TAS 29, <li data-bbox="899 978 1503 1073">• Obtaining detailed lists of non-monetary items and testing the original entry dates and amounts on a sample basis, <li data-bbox="899 1115 1503 1209">• Evaluating the calculation methods used by management and verifying whether they are consistently used consistently in all periods, <li data-bbox="899 1251 1503 1388">• Verifying the general price index rates used in calculations with the coefficients obtained from the Consumer Price Index in Turkey published by the Turkish Statistical Institute, <li data-bbox="899 1430 1503 1524">• Testing the mathematical accuracy of non-monetary items, income statement, and cash flow statement adjusted for inflation effects, <li data-bbox="899 1566 1503 1692">• Evaluating the adequacy of disclosures related to the application of TAS 29 in the notes to the consolidated financial statements in accordance with TFRS.



Key Audit Matters	How the key audit matter was addressed in the audit
<p>Recoverability of trade receivables</p>	
<p>Trade receivables from third parties amounts to TRY 6,388,277 thousand as of 31 December 2023, constitute a significant portion of the consolidated assets of the Group. Furthermore, the assessment of the recoverability of these assets involves significant level of management estimates. Such estimation includes considering the following for each customer the amount of guarantees / collateral held, past collection performance, creditworthiness and aging of receivables. The outcome of such estimates is very sensitive to expected future market conditions. Therefore, recoverability of trade receivables is a key matter for our audit.</p> <p>Please refer to notes 3.3, 3.4, 9 and 31 to the consolidated financial statements for the Group's disclosures on trade receivables, including the related accounting policy.</p>	<p>We performed the following procedures in relation to the recoverability of trade receivables:</p> <ul style="list-style-type: none"> • Understanding the business process for collections from customers, • Comparing trade receivable turnover days to the prior period, • Inquiries with management in relation to any disputes with customers and written inquiries with the Group's legal counsels on outstanding litigation in relation to trade receivables, • Testing receivables from third parties by obtaining confirmation letters from customers and distributors and reconciling them to the Group's accounting records, • Testing collections in the subsequent period from selected customers, • Testing, on a sample basis, guarantees/collaterals and credit insurances held and assessing the Group's ability to convert them to cash, • Assessing the adequacy of disclosures around recoverability of trade receivables in the notes to the consolidated financial statements.



Key Audit Matters	How the key audit matter was addressed in the audit
<p>Valuation work related to determining the fair value of investment properties</p> <p>As of 31 December 2023, the Group’s investment properties, which have a carrying value of TRY 22,887,886 thousand and represent a significant share of its total assets, consisted of shopping mall, land and buildings.</p> <p>The accounting policy Group management applies when recognizing these investment properties is the “fair value method”, as described in detail in notes 3.6, 4.a and 12. The fair value of these assets is determined by an independent valuation institution accredited by the Capital Markets Board and used as the basis for the carrying values in the balance sheet after being assessed by Group management. When determining the fair value of investment properties, methods such as benchmark comparison and reduced cash flow are used, and these methods include inputs based on important assumptions such as real discount and inflation, which may lead to changes when determining fair value. Fair value is directly affected by factors such as market conditions and the detailed features of each property.</p> <p>The work carried out to determine the fair value of the investment properties was defined as a key audit matter because the book value of investment properties comprises a significant portion of the Group’s aggregate assets and the valuations are subjective in nature and include material assumptions and reasoning.</p>	<p>During our audit, the following audit procedures were used to determine the fair value of investment properties:</p> <ul style="list-style-type: none"> • The procedures used by Group management to determine the fair value of investment properties were evaluated. • As for the expert institution carrying out the valuation work, we performed the following procedures: <ul style="list-style-type: none"> - The expert institution’s property valuation accreditation and license were checked. - The expert institution’s competence, ability and objectivity were evaluated. • We tested the investment properties’ title deed records and ownership rates. • We compared the consistency of the inputs that have significant impact on the property value determined in the valuation reports, such as square meter details of areas that can be rented and unit sales value, against observable market prices, and then tested whether the appraised values fall within an acceptable range. • We have also tested inputs such as rental income, duration of rental contracts, occupancy rates and expenses used in the valuation reports that have a significant impact on property value. • We evaluated with our experts whether the assumptions used by the valuation experts in their valuations, such as inflation and the real discount rate fall within an acceptable range. • We checked whether the fair values in the valuation report complied with the notes and whether the note explanations are sufficient in terms of TFRS.



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

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

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

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

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

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

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

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

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



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

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

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



B. Other responsibilities arising from regulatory requirements

1. No matter has come to our attention that is significant according to subparagraph 4 of Article 402 of Turkish Commercial Code ("TCC") No. 6102 and that causes us to believe that the Company's bookkeeping activities concerning the period from 1 January to 31 December 2023 period are not in compliance with the TCC and provisions of the Company's articles of association related to financial reporting.
2. In accordance with subparagraph 4 of Article 402 of the TCC, the Board of Directors submitted the necessary explanations to us and provided the documents required within the context of our audit.
3. In accordance with subparagraph 4 of Article 398 of the TCC, the auditor's report on the early risk identification system and committee was submitted to the Company's Board of Directors on 31 March 2024.

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

A handwritten signature in blue ink, appearing to be "Sertu Talı", written in a cursive style.

Sertu Talı, SMMM
Independent Auditor

Istanbul, 31 March 2024

AKKÖK HOLDİNG ANONİM ŞİRKETİ

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AKKÖK HOLDİNG ANONİM ŞİRKETİ

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AT 31 DECEMBER 2023 AND 2022

(Amounts expressed in thousands of Turkish Lira ("TRY") in terms of purchasing power of the TRY at 31 December 2023 unless otherwise indicated.)

		Audited	Audited
	Note	31 December 2023	31 December 2022
ASSETS			
Cash and cash equivalents	5	7,037,955	7,483,861
Financial investments	6	1,137,341	651,171
Derivative financial instruments	22	72,763	153,702
Trade receivables		7,167,582	8,181,615
- Trade receivables from related parties	8, 9	869,168	626,668
- Trade receivables from third parties	9	6,298,414	7,554,947
Other receivables		1,014,392	30,527
- Other receivables from related parties		752,735	-
- Other receivables from third parties		261,657	30,527
Inventories	10	6,515,985	8,147,892
Prepaid expenses	11	549,985	433,733
Current income tax assets	30	36,335	199,479
Contract assets		346,424	-
Other current assets	19	591,691	822,342
Subtotal		24,470,453	26,104,322
Assets held for sale	20	-	55,662
Current assets		24,470,453	26,159,984
Trade receivables		89,863	137,332
- Trade receivables from third parties	9	89,863	137,332
Other receivables		42,769	55,701
- Other receivables from related parties	8	38,486	43,497
- Other receivables from third parties		4,283	12,204
Derivative financial instruments	22	2,022	112,046
Financial investments	6	77,727	89,399
Investments accounted using the equity method	7	8,081,020	7,061,460
Investment properties	12	22,887,886	20,966,868
Property, plant and equipment	13	19,431,350	17,598,117
Right of use asset	15	308,055	293,662
Intangible assets		3,920,471	3,599,435
- Goodwill	16	1,051,289	721,504
- Other intangible assets	14	2,869,182	2,877,931
Prepaid expenses	11	987,725	503,765
Deferred tax assets	30	606,695	187,521
Other non-current assets	19	6,805	7,357
Non-current assets		56,442,388	50,612,663
TOTAL ASSETS		80,912,841	76,772,647

The consolidated financial statements for period 1 January - 31 December 2023 were approved by the Board Directors on 20 March 2024.

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

AKKÖK HOLDİNG ANONİM ŞİRKETİ

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AT 31 DECEMBER 2023 AND 2022

(Amounts expressed in thousands of Turkish Lira ("TRY") in terms of purchasing power of the TRY at 31 December 2023 unless otherwise indicated.)

		Audited	Audited
	Note		
	references	31 December 2023	31 December 2022
LIABILITIES			
Short-term borrowings	21	4,675,893	5,972,575
Short-term portion of long-term	21	3,257,169	3,263,511
Derivative financial instruments	22	24,987	30,119
Trade payables		6,015,883	7,125,801
- Trade payables to related parties	8, 9	169,025	559,831
- Trade payables to third parties	9	5,846,858	6,565,970
Other payables		99,653	121,317
- Other payables to third parties		99,653	121,317
Payable regarding employee benefits		154,187	112,420
Deferred income	11	1,155,648	1,013,072
Current income tax liabilities	30	260,817	82,843
Short-term provisions		309,563	347,471
- Short-term provisions for employment benefits	18	280,061	308,404
- Other short-term provisions	17	29,502	39,071
Contract liabilities		174,075	-
Other short-term liabilities	19	99,005	29,814
Current liabilities		16,226,880	18,098,943
Long-term borrowings	21	7,097,749	8,564,390
Trade payables		11,115	10,524
- Trade payables to third parties	9	11,115	10,524
Other payables		258	-
- Other payables to third parties		258	-
Deferred income	11	3,328	24,554
Long-term provisions		244,827	643,476
- Long-term provisions for employment benefits	18	244,827	643,476
Deferred income tax liabilities	30	545,827	1,089,559
Other long-term liabilities	19	3,332	65,775
Non-current liabilities		7,906,436	10,398,278
TOTAL LIABILITIES		24,133,316	28,497,221

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

AKKÖK HOLDİNG ANONİM ŞİRKETİ

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AT 31 DECEMBER 2023 AND 2022

(Amounts expressed in thousands of Turkish Lira (“TRY”) in terms of purchasing power of the TRY at 31 December 2023 unless otherwise indicated.)

		Audited	Audited
	Note		
	references	31 December 2023	31 December 2022
Equity attributable to equity holders of the parent			
Paid-in share capital	23	1,003,450	1,003,450
Adjustments to share capital		7,536,857	7,536,857
Total paid-in capital		8,540,307	8,540,307
Merger offsetting account		2,761,975	2,761,975
Repurchased shares		-	(9,308)
Premiums on shares		116,371	116,371
Other comprehensive income/expense to be reclassified to profit or loss			
- <i>Change in fair value of financial assets</i>		2,666	2,844
- <i>Hedging reserves</i>		(1,789,270)	(1,234,803)
- <i>Currency translation differences</i>		(549,814)	(594,924)
Other comprehensive income/expense not to be reclassified to profit or loss			
- <i>Actuarial gain/loss arising from defined benefit plans</i>		(24,964)	(168,751)
- <i>Actuarial gain/loss arising from defined benefit plans</i>		1,148	4,887
Restricted reserves		401,467	352,386
Retained earnings		8,968,610	4,651,479
Net profit for the year		4,480,639	4,521,960
Total equity attributable to equity holders of the parent		22,909,135	18,944,423
Non-controlling interests		33,870,390	29,331,003
TOTAL EQUITY		56,779,525	48,275,426
TOTAL EQUITY AND LIABILITIES		80,912,841	76,772,647

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

AKKÖK HOLDİNG ANONİM ŞİRKETİ

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS FOR THE YEARS ENDED 31 DECEMBER 2023 AND 2022

(Amounts expressed in thousands of Turkish Lira (“TRY”) in terms of purchasing power of the TRY at 31 December 2023 unless otherwise indicated.)

		Audited	Audited
	Note	1 January -	1 January -
	references	31 December 2023	31 December 2022
Revenue	24	39,848,408	52,308,664
Cost of sales (-)	24	(30,303,444)	(40,922,651)
Gross profit		9,544,964	11,386,013
General administrative expenses (-)	25	(1,324,646)	(1,166,584)
Marketing and selling expenses	25	(1,107,418)	(1,179,939)
Research and development expenses		(254,406)	(228,555)
Other operating income	26	4,984,542	6,256,220
Other operating expenses (-)	26	(3,544,556)	(5,537,884)
Operating profit		8,298,480	9,529,271
Income from investment activities	27	3,123,289	1,878,136
Expense from investment activities (-)	27	(31,892)	(15,192)
Profit or loss from investments accounted using the equity method	7	987,197	1,084,458
Operating profit before finance income and expense		12,377,074	12,476,673
Finance income	29	3,936,245	3,340,128
Finance expenses (-)	29	(8,096,887)	(9,724,000)
Monetary gain/(loss)		2,973,458	5,869,844
Profit before tax from continuing operations		11,189,890	11,962,645
Current income tax expense	30	(1,060,088)	(616,173)
Deferred tax income/(expense)	30	561,928	698,634
Net profit for the period		10,691,730	12,045,106
Profit for the period attributable to:			
Equity holders of the parent		4,480,639	4,521,960
Non-controlling interest		6,211,091	7,523,146
Net profit for the period		10,691,730	12,045,106

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

AKKÖK HOLDİNG ANONİM ŞİRKETİ

CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE INCOME FOR THE YEARS ENDED 31 DECEMBER 2023 AND 2022

(Amounts expressed in thousands of Turkish Lira (“TRY”) in terms of purchasing power of the TRY at 31 December 2023 unless otherwise indicated.)

	Note references	Audited 1 January - 31 December 2023	Audited 1 January - 31 December 2022
Net profit for the period		10,691,730	12,045,106
Other comprehensive income:			
Items to be reclassified to profit or loss			
-Currency translation differences		264,045	437,058
- (Gain)/loss on cash flow hedge		(1,873,435)	744,937
-Gain/(loss) on cash flow hedge, tax effect	30	467,994	(117,084)
-(Gain)/loss on fair value of financial investments measured at fair value through other comprehensive income		(187)	7,939
-Gain/(loss) on fair value of financial investments measured at fair value through other comprehensive income, tax effect	30	9	(153)
-Gain/(loss) on currency translation differences from investments accounted using the equity method		(78,892)	(357,915)
Items not to be reclassified to profit or loss			
Other revaluation and measurement gains		-	5,126
Other revaluation and measurement gains, tax effect		-	(239)
-Actuarial (gain)/loss arising from defined benefit plans		97,808	(226,601)
-Actuarial gain/(loss) arising from defined benefit plans, tax effect	30	(23,168)	44,477
-(Gain)/loss not to be classified from other comprehensive income to investments accounted using equity method		181,164	(128,986)
-Gain/(loss) not to be classified from other comprehensive income to investments accounted using equity method, tax effect	30	(45,291)	25,668
Total comprehensive income		9,681,777	12,479,333
Total comprehensive income attributable to:			
Equity holders of the parent		4,119,481	4,607,762
Non-controlling interest		5,562,296	7,871,571
Total comprehensive income		9,681,777	12,479,333

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

AKKÖK HOLDİNG ANONİM ŞİRKETİ

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED 31 DECEMBER 2023 AND 2022

(Amounts expressed in thousands of Turkish Lira (“TRY”) in terms of purchasing power of the TRY at 31 December 2023 unless otherwise indicated.)

	Items to be reclassified to profit or loss					Items not to be reclassified to profit or loss					Total equity					
	Paid-in share capital	Adjustment to share capital	Change in fair value of financial assets measured at fair value through other comprehensive income	Currency translation differences	Hedging reserve	Actuarial loss arising from defined benefit plans	Other revaluation measurement gains	Restricted reserves	Premium on shares	Merger ofsetting account	Repurchased shares	Retained earnings	Net profit for the period	attributable to owners of the parent	Non-controlling interests	Total equity
Balance at 1 January 2022	1,003,450	7,536,857	(55)	(661,944)	(1,414,550)	-	-	316,638	116,371	2,761,975	(9,308)	5,181,883	-	14,831,317	22,670,565	37,501,882
Transfers	-	-	-	-	-	-	-	35,748	-	-	-	(35,748)	-	-	-	-
Dividends paid	-	-	-	-	-	-	-	-	-	-	-	(494,656)	-	(494,656)	(1,211,151)	(1,705,807)
Total comprehensive income	-	-	2,899	67,020	179,747	(168,751)	4,887	-	-	-	-	-	4,521,960	4,607,762	7,871,571	12,479,333
Effect of change in effect rate of the subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	18	18
Balance at 31 December 2022	1,003,450	7,536,857	2,844	(594,924)	(1,234,803)	(168,751)	4,887	352,386	116,371	2,761,975	(9,308)	4,651,479	4,521,960	18,944,423	29,331,003	48,275,426
Balance at 1 January 2023	1,003,450	7,536,857	2,844	(594,924)	(1,234,803)	(168,751)	4,887	352,386	116,371	2,761,975	(9,308)	4,651,479	4,521,960	18,944,423	29,331,003	48,275,426
Transfers	-	-	-	-	-	-	(8,329)	49,081	-	-	-	4,481,208	(4,521,960)	-	-	-
Dividends paid	-	-	-	-	-	-	-	-	-	-	-	(154,769)	-	(154,769)	(1,023,116)	(1,177,885)
Total comprehensive income	-	-	(178)	45,110	(554,467)	143,787	4,590	-	-	-	-	-	4,480,639	4,119,481	5,562,296	9,681,777
Increase due to subsidiary acquisition	-	-	-	-	-	-	-	-	-	-	-	-	-	-	207	207
Increase (decrease) due to repurchase of shares (*)	-	-	-	-	-	-	-	-	-	-	9,308	(9,308)	-	-	-	-
Balance at 31 December 2023	1,003,450	7,536,857	2,666	(549,814)	(1,789,270)	(24,964)	1,148	401,467	116,371	2,761,975	-	8,968,610	4,480,639	22,909,135	33,870,390	56,779,525

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

AKKÖK HOLDİNG ANONİM ŞİRKETİ

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED 31 DECEMBER 2023 AND 2022

(Amounts expressed in thousands of Turkish Lira (“TRY”) in terms of purchasing power of the TRY at 31 December 2023 unless otherwise indicated.)

		Audited	Audited
	Note	1 January -	1 January -
	reference	31 December 2023	31 December 2022
Net profit (loss) for the period		10,691,730	12,045,106
Adjustments:		(453,397)	(159,637)
Adjustments related to depreciation and amortization expenses	18	2,118,237	1,745,636
Adjustments related to provisions		367,361	290,396
Adjustments related to financing expenses	29	2,230,003	2,030,653
Adjustments related to interest income and expense	29	(648,435)	(607,605)
Profit/losses from investments accounted using the equity method	7	(987,197)	(1,084,458)
Adjustments related to impairment		25,374	-
Adjustments for gain (loss) on sale of property, plant and equipment and intangibles and investment properties		(82,053)	8,342
Adjustments related to fair value (losses)/gains		(3,390,329)	(29,452)
Adjustments related to monetary loss and gain		(4,992,445)	(7,266,306)
Adjustments to tax expense	30	498,160	(82,461)
Unrealized foreign currency translation differences		4,402,994	4,816,710
Change in blocked deposits		4,933	18,908
Changes in assets and liabilities		298,751	(3,377,499)
Adjustments for increase/decrease in trade and other receivables from related parties		(990,224)	(367,633)
Adjustments for increase/decrease in trade and other receivables from third parties		1,366,734	1,503,241
Adjustments for increase/decrease in inventories		1,538,020	289,895
Increases/(decreases) in prepaid expenses		(444,100)	79,814
Other (decreases)/increases		277,009	277,929
Adjustments for increase/decrease in trade and other payables to related parties		(390,806)	334,269
Adjustments for increase/decrease in trade and other payables to third parties		(871,520)	(4,510,985)
Increases/(decreases) in deferred income		(206,112)	(986,135)
Increase (decrease) in employee benefits		40,084	39,468
Other (decreases)/increases		(20,334)	(37,362)
Tax payments		(668,659)	(738,618)
Employee termination benefits paid	18	(346,585)	(129,072)
Cash flows from operating activities		9,521,840	7,640,280

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

AKKÖK HOLDİNG ANONİM ŞİRKETİ

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED 31 DECEMBER 2023 AND 2022

(Amounts expressed in thousands of Turkish Lira (“TRY”) in terms of purchasing power of the TRY at 31 December 2023 unless otherwise indicated.)

	Note	Audited 1 January - 31 December 2023	Audited 1 January - 31 December 2022
Investing activities			
Cash outflows from purchases to obtain control of subsidiaries	16	(412,148)	-
Cash outflows from purchases of property, plant and equipment and intangible assets	13	(3,565,707)	(3,427,212)
Cash inflows from sale of property, plant and equipment and intangible assets		28,737	39,241
Cash outflows from purchases of intangible assets	14	(273,463)	(92,703)
Cash inflow from sales of intangible assets		12,255	4,482
Cash inflows from sale of shares of investments accounted using the equity method		10,279	34,774
Cash outflows from sale of shares of investments accounted using the equity method	7	(34,453)	(9,942)
Cash outflows capital decrease in associates			
Shares of other businesses or funds or cash outflows for the acquisition of debt instruments		(1,107,669)	(173,102)
Cash outflows from the purchase of investment property	12	(2,473)	(1,373)
Cash inflows from the sale of investment property		140,403	838,844
Dividend received	7	26,628	30,181
Cash (inflows)/outflows from investing activities		(5,177,611)	(2,756,810)
Financing activities			
Cash inflows from borrowings obtained	21	10,138,786	20,644,417
Cash outflows from borrowings paid	21	(9,473,019)	(22,867,169)
Cash outflows from payments of lease liabilities		(33,575)	(23,375)
Cash inflows from share issuance or capital increase		207	18
Cash outflows from the acquisition of own shares and other equity instruments		55,709	-
Dividend paid			
- Payments made to parent company shares		(154,769)	(494,660)
- Payments to non-controlling interests		(1,023,116)	(1,211,153)
Dividend payments to non-controlling shares			
Interest paid		(2,001,923)	(618,447)
Other cash inflows			
Interest received		646,472	594,420
Cash inflows/outflows from financing activities		(1,845,228)	(3,975,949)
Effect of monetary gain and loss differences on cash and cash equivalents		(2,941,937)	(4,230,387)
Net increase/(decrease) in cash and cash equivalents		(442,936)	(3,322,866)
Cash and cash equivalents at the beginning of the period	5	7,358,516	10,681,382
Cash and cash equivalents at the end of the period	5	6,915,580	7,358,516

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

AKKÖK HOLDİNG ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

(Amounts expressed in thousands of Turkish Lira (“TRY”) in terms of purchasing power of the TRY at 31 December 2023 unless otherwise indicated.)

NOTE 1 - GROUP’S ORGANIZATION AND NATURE OF OPERATIONS

Akkök Holding Anonim Şirketi (“Akkök”) was established in 1979. Akkök, its subsidiaries, joint ventures and associates (all together referred as “the Group”) mainly operate in the chemicals, energy, real estate, composite, coating and textile sectors and engage in manufacturing of all kinds of raw materials, auxiliary materials and intermediate substances, artificial, synthetic and natural fibres, carbon fibres, composite part, filament and polymers, and any equipment, machinery or spare parts used in the production, processing or storage of these, importing and exporting, establishment of domestic, foreign and international branches, marketing and trading, coating of the materials such as metal sheet, stainless steel, aluminum, ceramic tile, sanitary ware, porcelain and glass, establishment and start-up and rental of energy generation plant, electricity generation and sale of generated electricity or capacity to customers and purchase and sale of or investing in real estate properties. The Group, in addition to its main operation also has operations in restaurant management, marketing, information technology, insurance agency, venture capital management and tourism companies.

The Group’s ultimate parents are A.R.D Holding Anonim Şirketi, NDC Holding Anonim Şirketi, and Atlantik Holding Anonim Şirketi, which are being controlled by Dinçök family members (Note 23).

On 22 April 2014, at the general assembly for 2013, the Company has changed its title to Akkök Holding Anonim Şirketi from Akkök Sanayi Yatırım ve Geliştirme Anonim Şirketi with the amendment of 3rd Article of Company’s articles of association and following the decision, change of the title has been registered on trade registry 13 May 2014 followed by the declaration on 20 May 2014,

Akkök Holding Anonim Şirketi is registered in Turkey and the address of the registered office is as follows:

Miralay Şefik Bey Sokak No: 15 Akhan Gümüşsuyu 34437 İstanbul

AKKÖK HOLDİNG ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

(Amounts expressed in thousands of Turkish Lira (“TRY”) in terms of purchasing power of the TRY at 31 December 2023 unless otherwise indicated.)

NOTE 1 - GROUP’S ORGANIZATION AND NATURE OF OPERATIONS (Continued)

Subsidiaries

The subsidiaries of Akkök, the countries they are incorporated in, and the nature of their businesses are as follows:

Subsidiaries	Country of incorporation	Nature of business
Akiş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi (“Akiş”)	Turkey	Real estate investment
Akyaşam Yönetim Hizmetleri Anonim Şirketi	Turkey	Real estate investment
Akasya Çocuk Dünyası Anonim Şirketi	Turkey	Real estate investment
Aksu Real Estate E.A.D. (“Aksu Real Estate”)	Bulgaria	Real estate investment
Akkim Kimya Sanayi ve Ticaret Anonim Şirketi (“Akkim”)	Turkey	Chemicals
Akcoat İleri Kimyasal Kaplama Malzemeleri Sanayii ve Ticaret Anonim Şirketi (“Akcoat”)	Turkey	Chemicals
Akkim Silikon Kimya Sanayi ve Ticaret A.Ş.	Turkey	Chemicals
Akcoat USA Inc.	USA	Chemicals
Akcoat Recubrimientos Quimicos Espacializados, S.L.U.” (“Akcoat Spain”)	Spain	Chemicals
Akcoat Recubrimientos Quimicos Espacializados S. de R.L. de C.V (“Akcoat Meksika”)	Mexico	Chemicals
Dinox Handels GmbH (“Dinox”)	Germany	Chemicals
Tasfiye Halinde Akmeltem Poliüretan Sanayi ve Ticaret Anonim Şirketi (“Akmeltem”)	Turkey	Chemicals
Aksa Akrilik Kimya Sanayii Anonim Şirketi (“Aksa”)	Turkey	Chemicals
Akmerkez Lokantacılık Gıda Sanayi ve Ticaret Anonim Şirketi (“Akmerkez Lokanta”)	Turkey	Restaurant management
Ak-Pa Tekstil İhracat Pazarlama Anonim Şirketi (“Akpa”)	Turkey	International trade
Aktek Bilgi İletişim Teknolojisi San. ve Tic. Anonim Şirketi (“Aktek”)	Turkey	Information technologies
Dinkal Sigorta Acenteliği Anonim Şirketi (“Dinkal”)	Turkey	Insurance agency
Zeytinliada Turizm ve Ticaret Anonim Şirketi (“Zeytinliada”)	Turkey	Tourism
Epsilon Kompozit Teknoloji ve Savunma Sanayi A.Ş. (“Epsilon”)	Turkey	Chemicals
Epsilon Hizmet Satış Danışmanlık ve Pazarlama A.Ş.	Turkey	Chemicals
Lider Tünel İnşaat A.Ş. (*)	Turkey	Construction
Akkök Next Yatırım Holding A.Ş. (**)	Turkey	Venture Capital management
Akgirişim Müteahhitlik Müşavirlik ve Çevre Teknolojileri San. ve Tic. A.Ş. (***)	Turkey	Construction

(*) It was established as a 100% subsidiary on 17 March 2023.

(**) It was established as a subsidiary on 13 November 2023 with the participation of Akkök Group Companies.

(***) As of 15 May 2023, Akkök has become the sole shareholder of Akgirişim.

AKKÖK HOLDİNG ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

(Amounts expressed in thousands of Turkish Lira (“TRY”) in terms of purchasing power of the TRY at 31 December 2023 unless otherwise indicated.)

NOTE 1 - GROUP’S ORGANIZATION AND NATURE OF OPERATIONS (Continued)

Joint ventures

The joint ventures of Akkök, the countries they are incorporated in, and the nature of their businesses and joint venture partners are as follows:

Joint Ventures	Country of incorporation	Nature of business	Joint venture partner
Akcez Enerji Yatırımlar Sanayi ve Ticaret Anonim Şirketi (“Akcez”)	Turkey	Energy	CEZ a.s.
Sakarya Elektrik Dağıtım Anonim Şirketi (“Sedaş”)	Turkey	Energy	CEZ a.s.
Sakarya Elektrik Perakende Satış Anonim Şirket (“Sepaş”)	Turkey	Energy	CEZ a.s.
Sepaş Akıllı Çözümler A.Ş. (“Sepaş”)	Turkey	Energy	CEZ a.s.
Akenerji Elektrik Üretim Anonim Şirketi (“Akenerji”)	Turkey	Energy	CEZ a.s.
Akenerji Doğalgaz İthalat İhracat ve Toptan Ticaret Anonim Şirketi	Turkey	Energy	CEZ a.s.
Akenerji Elektrik Enerjisi İthalat-İhracat ve Toptan Ticaret Anonim Şirketi	Turkey	Energy	CEZ a.s.
Ak-el Kemah Elektrik Üretim Anonim Şirketi (“Kemah”)	Turkey	Energy	CEZ a.s.
Ak-el Sungurlu Elektrik Üretim A.Ş. (“Akel Sungurlu”)	Turkey	Energy	CEZ a.s.
5er Enerji Tarım Hayvancılık A.Ş. (“5er Enerji”)	Turkey	Energy	CEZ a.s.
Akenerji Company For Electric Energy Import And Export And Wholesale Trading/Contribution Branch A.Ş. (“Akenerji Toptan Khabat”)	Iraq	Energy	CEZ a.s.
Aken Europe B.V. (“Aken B.V.”) (*)	Netherlands	Energy	CEZ a.s.
DowAksa Advanced Composites Holding B.V. (“DowAksa”)	Netherlands	Chemicals	Dow Europe Holdings B.V.
DowAksa İleri Kompozit Malzemeler San, Ltd, Şirketi	Turkey	Chemicals	Dow Europe Holdings B.V.
DowAksa Switzerland GmbH	Switzerland	Chemicals	Dow Europe Holdings B.V.
DowAksa USA LLC	USA	Chemicals	Dow Europe Holdings B.V.
DowAksa Deutschland GmbH	Germany	Chemicals	Dow Europe Holdings B.V.
DowAksa Rus LLC	Russia	Chemicals	Dow Europe Holdings B.V.
Akiş- Mudanya Adi Ortaklığı	Turkey	Real Estate	Mudanya Gayrimenkul Geliştirme ve Yatırım A.Ş.
WMG London Developments L.P.	England	Real Estate	-
OXR Limited	England	Real Estate	-

Associates

The associates of Akkök, the countries they are incorporated in, and the nature of their businesses are as follows:

Associates	Country of incorporation	Nature of business
Akmerkez Gayrimenkul Yatırım Ortaklığı Anonim Şirketi (“Akmerkez”)	Turkey	Real Estate Development

(*) It was established on 31 July 2023.

AKKÖK HOLDİNG ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

(Amounts expressed in thousands of Turkish Lira (“TRY”) in terms of purchasing power of the TRY at 31 December 2023 unless otherwise indicated.)

NOTE 1 - GROUP’S ORGANIZATION AND NATURE OF OPERATIONS (Continued)

Financial investments

The financial investments of Akkök, the countries they are incorporated in, and the nature of their businesses are as follows:

Financial investments	Country of incorporation	Nature of business
Akhan Bakım Yönetim Servis Hizmet Ticaret Anonim Şirketi (“Akhan”)	Turkey	Service
Üçgen Bakım ve Yönetim Hizmetleri Anonim Şirketi (“Üçgen”)	Turkey	Service

Subsidiaries that are not material to the consolidated financial statements and financial investments that do not have quoted fair values or for which fair values cannot be reliably measured through alternative methods, are measured at cost less any impairment.

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Basis of presentation

The accompanying consolidated financial statements of the Group has been prepared in accordance with the Turkish Financial Reporting Standards (“TFRS”), which have been enacted by the Public Oversight Accounting and Auditing Standards Authority (“POA”). TFRSs; Turkish Accounting Standards includes Turkish Financial Reporting Standards and related annexes and comments.

Akkök, its subsidiaries, joint ventures and affiliates operating in Turkey, prepare their statutory financial statements in accordance with the Turkish Commercial Code (“TCC”) tax legislation, the Uniform Chart of Accounts published by the TR Ministry of Treasury and Finance, and the explanations and circulars. It is prepared in lira. These consolidated financial statements have been prepared by reflecting the adjustments and classifications required for compliance with TFRS to the statutory financial statements prepared on the historical cost basis.

Companies subject to independent audit in Turkey prepare their financial statements in accordance with the Turkish Commercial Code and the Turkish Financial Reporting Standards, which have been enacted by the Public Oversight Accounting and Auditing Standards Authority (“POA”). The TCC has stipulated that companies that will be subject to independent auditing will be determined by the Council of Ministers. With the "Decision of the Council of Ministers on the Determination of the Companies to be Subject to Independent Audit", which entered into force on 23 January 2013, companies that will be subject to independent audit were determined based on some criteria based on asset size, revenue and number of employees. Since the company has exceeded the criteria mentioned in this decision as of 1 January 2013, it is within the scope of independent auditing.

Consolidated financial statements and footnotes have been presented in accordance with the “2022 TFRS Taxonomy” announced by the POA with its resolution dated 4 October 2022.

Consolidated financial statements prepared in accordance with IFRS require the use of significant accounting estimates and also include management's assessments in the application of the Group's accounting policies. Although these estimates are based on management's best knowledge of events as of the date of preparation of the financial statements, these estimates may differ materially from actual results. Areas that involve significant evaluation and complexity, and areas where estimates and assumptions are material to the financial statements are explained in Note 4.

AKKÖK HOLDİNG ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

(Amounts expressed in thousands of Turkish Lira ("TRY") in terms of purchasing power of the TRY at 31 December 2023 unless otherwise indicated.)

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

2.1 Basis of presentation (Continued)

The Group has prepared its financial statements for the year ended 31 December 2023, by applying TAS 29 "Financial Reporting in Hyperinflation Economies" Standard, based on the announcement made by the POA on 23 November 2023 and the "Implementation Guide on Financial Reporting in Hyperinflation Economies" published. The standard requires that financial statements prepared in the currency of a hyperinflationary economy be stated in terms of the purchasing power of that currency at the balance sheet date and that comparative figures for prior period financial statements be expressed in terms of the current measuring unit at the end of the reporting period. Therefore, the Group presented its consolidated financial statements as of 31 December 2022, on the purchasing power basis as of 31 December 2023.

The adjustments made in accordance with TAS 29 were made using the adjustment coefficient obtained from the Consumer Price Index (CPI) of Turkey published by the Turkish Statistical Institute (TSI). As of December 31, 2023, the indices and adjustment coefficients used in the adjustment of the consolidated financial statements are as follows:

Year End	Index	Conversion Factor	Three-year Inflation Rate
31 December 2023	1,859.38	1.000	268%
31 December 2022	1,128.45	1.647	156%
31 December 2021	686.95	2.706	74%

The main elements of the Group's adjustment process for financial reporting in hyperinflationary economies are as follows:

- Current period consolidated financial statements prepared in TRY are expressed in terms of the purchasing power at the balance sheet date, and amounts from previous reporting periods are also adjusted and expressed in terms of the purchasing power at the end of the reporting period.
- Monetary assets and liabilities are not adjusted as they are already expressed in terms of the current purchasing power at the balance sheet date. In cases where the inflation-adjusted values of non-monetary items exceed their recoverable amount or net realizable value, the provisions of TAS 36 and TAS 2 are applied.
- Non-monetary assets and liabilities and equity items that are not expressed in terms of the current purchasing power at the balance sheet date have been adjusted using the relevant adjustment coefficients.
- All items in the comprehensive income statement, except for those that have an impact on the comprehensive income statement of non-monetary items on the balance sheet, have been indexed using the coefficients calculated for the periods when the income and expense accounts were first reflected in the financial statements.
- Financial statements for previous reporting periods have been adjusted based on the current purchasing power of money at the balance sheet date.

The impact of inflation on the Group's net monetary asset position in the current period is recorded in the net monetary gain/(loss) account in the consolidated income statement.

AKKÖK HOLDİNG ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

(Amounts expressed in thousands of Turkish Lira (“TRY”) in terms of purchasing power of the TRY at 31 December 2023 unless otherwise indicated.)

2.2 Principles of consolidation

The significant accounting policies used during the preparation of these consolidated financial statements are summarised below:

- a) The consolidated financial statements include the accounts of the parent company, Akkök, its subsidiaries, joint ventures and associates on the basis set out in sections (b) to (e) below. The financial statements of the companies included in the scope of consolidation have been prepared as of the date of the consolidated financial statements and are prepared in accordance with TFRS as explained in Note 2.1. The results of operations of subsidiaries, joint ventures and associates are included or excluded in these consolidated financial statements subsequent to the date of acquisition or date of sale respectively.
- b) Subsidiaries are companies in which Akkök has the power to control their financial and operating policies. Akkök’s control over the investee, only and only when all of the following indicators are available; (a) has power over the investee, (b) the exposure to variable returns from its involvement with the investee or is entitled to these returns, and (c) has the ability to use its power over the investee to affect the amount of return to be earned.

Such control is established through the joint exercise of; (a) the voting rights of Akkök and its subsidiaries, (b) the voting rights of certain members of Dinçök family and the related shareholders who declared to exercise their voting rights inline with Akkök’s voting preference, and (c) the voting rights of entities that are controlled by the family members mentioned above and the related shareholders, which declared to exercise their voting rights inline with Akkök’s voting preference. Effective interest rate represents the effective shareholding of the Group through the shares held directly by Akkök and indirectly by its subsidiaries in the consolidated financial statements, interests owned by the Dinçök family members are presented as non-controlling interests.

The statements of balance sheets and statements of comprehensive income of the subsidiaries are consolidated on a line-by-line basis and the carrying value of the investment held by Akkök and its subsidiaries is eliminated against the related equity. Intercompany transactions and balances between Akkök and its subsidiaries are eliminated on consolidation. The cost of, and the dividends arising from, shares held by Akkök in its subsidiaries are eliminated from equity and income for the period, respectively.

The portion of the profit or loss and net assets of subsidiaries attributable to equity interests that are not owned, directly or indirectly through the subsidiaries, by the parents, is presented as non-controlling interest.

AKKÖK HOLDİNG ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

(Amounts expressed in thousands of Turkish Lira ("TRY") in terms of purchasing power of the TRY at 31 December 2023 unless otherwise indicated.)

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

2.2 Principles of consolidation (Continued)

The table below sets out the proportion of voting power held by Akkök and its subsidiaries and effective ownership interests on 31 December 2023 and 2022:

Subsidiaries	Voting power held by Akkök and its subsidiaries (%) (1)		Voting power held by certain Dinçkök family numbers and related shareholders (%) (2)		Total voting power held (%)		Effective interest (%) (3)	
	31 December 2023	31 December 2022	31 December 2023	31 December 2022	31 December 2023	31 December 2022	31 December 2023	31 December 2022
	Akkim Kimya Sanayi ve Ticaret Anonim Şirketi	42.00	42.00	31.30	31.30	73.30	73.30	42.00
<i>Akcoat İleri Kimyasal Kaplama Malzemeleri Sanayi ve Ticaret Anonim Şirketi</i>	<i>100.00</i>	<i>100.00</i>	-	-	<i>100.00</i>	<i>100.00</i>	<i>42.00</i>	<i>42.00</i>
<i>Akcoat Recubrimientos Químicos Espacializados, S.L.U.</i>	<i>100.00</i>	<i>100.00</i>	-	-	<i>100.00</i>	<i>100.00</i>	<i>42.00</i>	<i>42.00</i>
<i>Akcoat Recubrimientos Químicos Espacializados S. de R.L. de C.V</i>	<i>100.00</i>	<i>100.00</i>	-	-	<i>100.00</i>	<i>100.00</i>	<i>42.00</i>	<i>42.00</i>
<i>Akcoat USA Inc.</i>	<i>100.00</i>	<i>100.00</i>	-	-	<i>100.00</i>	<i>100.00</i>	<i>42.00</i>	<i>42.00</i>
<i>Akkim Silikon Kimya Sanayi ve Ticaret A.Ş.</i>	<i>65.00</i>	<i>65.00</i>	-	-	<i>65.00</i>	<i>65.00</i>	<i>27.30</i>	<i>27.30</i>
<i>Dinox Handels GmbH</i>	<i>100.00</i>	<i>100.00</i>	-	-	<i>100.00</i>	<i>100.00</i>	<i>42.00</i>	<i>42.00</i>
Taşıye Halinde Akmeltem Poliüretan Sanayi ve Ticaret Anonim Şirketi	50.00	50.00	1.67	1.67	51.67	51.67	50.00	50.00
Akmerkez Lokantacılık Gıda Sanayi ve Ticaret Anonim Şirketi	43.75	43.75	-	-	43.75	43.75	43.75	43.75
Ak-Pa Tekstil İhracat Pazarlama Anonim Şirketi	86.69	86.69	-	-	86.69	86.69	86.69	86.69
Aksa Akrilik Kimya Sanayi Anonim Şirketi	39.59	39.59	19.74	19.74	59.33	59.33	39.59	39.59
Dinkal Sigorta Acenteliği Anonim Şirketi	96.66	96.66	-	-	96.66	96.66	96.66	96.66
Zeytinliada Turizm ve Ticaret Anonim Şirketi	89.80	89.80	-	-	89.80	89.80	89.80	89.80
Epsilon Kompozit Teknoloji ve Savunma Sanayi A.Ş.	10.20	10.20	40.80	40.80	51.00	51.00	10.20	10.20
<i>Epsilon Hizmet Satış Danışmanlık ve Pazarlama A.Ş.</i>	<i>100.00</i>	<i>100.00</i>	-	-	<i>100.00</i>	<i>100.00</i>	<i>10.20</i>	<i>10.20</i>
<i>Lider Tünel İnşaat A.Ş.</i>	<i>100.00</i>	-	-	-	<i>100.00</i>	-	<i>10.20</i>	-
Akiş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi	14.66	14.66	37.72	37.59	52.38	52.25	14.66	14.66
<i>Karlıtepe Gayrimenkul Geliştirme ve Yatırım Anonim Şirketi (*)</i>	-	<i>100.00</i>	-	-	-	<i>100.00</i>	-	<i>14.66</i>
<i>Aksu Real Estate E.A.D.</i>	<i>100.00</i>	<i>100.00</i>	-	-	<i>100.00</i>	<i>100.00</i>	<i>14.66</i>	<i>14.66</i>
<i>Akyaşam Yönetim Hizmetleri Anonim Şirketi</i>	<i>100.00</i>	<i>100.00</i>	-	-	<i>100.00</i>	<i>100.00</i>	<i>14.66</i>	<i>14.66</i>
<i>Akasya Çocuk Dünyası Anonim Şirketi</i>	<i>100.00</i>	<i>100.00</i>	-	-	<i>100.00</i>	<i>100.00</i>	<i>14.66</i>	<i>14.66</i>
Aktek Bilgi İletişim Teknolojisi San. ve Tic. Anonim Şirketi	100.00	100.00	-	-	100.00	100.00	100.00	100.00
Akgirişim Müteahhliklik Müşavirlik ve Çevre Teknolojileri San. ve Tic. A.Ş.	100.00	-	-	-	100.00	-	100.00	-
Akkök Next Yatırım Holding A.Ş.	26.01	-	62.43	-	88.44	-	26.01	-

(1) Represents total direct ownership interest held by Akkök and its subsidiaries.

(2) Represents total direct ownership interest held by certain Dinçkök family members and related shareholders who declared to exercise their voting power in-line with the voting preference of Akkök.

(3) Represents total direct and indirect ownership interest held by Akkök.

(*) Karlıtepe, together with all its assets and liabilities, was taken over by Akiş and merged within Akiş with the approval of the Capital Markets Board dated 10 November 2023, within the framework of the "Merger in Facilitated Procedure" provisions. The transaction was registered by the Istanbul Trade Registry Office on 12 December 2023.

AKKÖK HOLDİNG ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

(Amounts expressed in thousands of Turkish Lira (“TRY”) in terms of purchasing power of the TRY at 31 December 2023 unless otherwise indicated.)

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

2.2 Principles of consolidation (Continued)

c) A joint arrangement of which two or more parties have joint control. Joint control is the contractually agreed sharing of control over an economic activity. A joint venture is an arrangement whereby the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement. Akkök exercises such joint control through direct and indirect ownership interest held by itself and/or through voting power Dinçkök family members and the related shareholders who declared to exercise their voting power inline with the voting preferences Akkök. The Group’s interest in joint ventures is accounted for by using the equity method. Under the equity method, investments in the joint ventures are carried in the statement of financial position at cost plus post acquisition changes in the Company’s share of net assets of the joint venture and the comprehensive income reflects the share of the results of operations of the joint ventures. Where there has been a change recognised directly in the equity of the joint ventures, the Company recognizes its share of any changes and discloses this, when applicable, in the statement of changes in equity. The table below sets out the joint-ventures, the proportion of voting power held by Akkök and its subsidiaries and effective ownership interests on 31 December 2023 and 2022:

Joint Ventures	Voting power held by Akkök and its subsidiaries (%) (1)		Voting power held by certain Dinçkök family members and related shareholders (%) (2)		Total voting power held (%)		Effective interest (%) (3)	
	31 December 2023	31 December 2022	31 December 2023	31 December 2022	31 December 2023	31 December 2022	31 December 2023	31 December 2022
	Akenerji Elektrik Üretim Anonim Şirketi	20.43	20.43	16.93	16.93	37.36	37.36	20.43
<i>Akenerji Elektrik Enerjisi İthalat-İhracat ve Toptan Ticaret Anonim Şirketi</i>	100.00	100.00	-	-	100.00	100.00	20.43	20.43
<i>Ak-El Kemah Elektrik Üretim Anonim Şirketi</i>	100.00	100.00	-	-	100.00	100.00	20.43	20.43
<i>Akenerji Doğalgaz İthalat İhracat ve Toptan Ticaret Anonim Şirketi</i>	100.00	100.00	-	-	100.00	100.00	20.43	20.43
<i>Akel Sungurlu Elektrik Üretim A.Ş. (*)</i>	100.00	100.00	-	-	100.00	100.00	-	-
<i>Ser Enerji Tarım Hayvancılık A.Ş. (*)</i>	100.00	100.00	-	-	100.00	100.00	-	-
<i>Akenerji Company For Electric Energy Import And Export And Wholesale Trading/Contribution Branch (**)</i>	100.00	-	-	-	100.00	-	-	-
<i>Aken Europe B.V.</i>	100.00	-	-	-	100.00	-	100.00	-
<i>Akcez Enerji Yatırımları Sanayi ve Ticaret Anonim Şirketi</i>	50.00	50.00	-	-	50.00	50.00	50.00	50.00
<i>Sakarya Elektrik Dağıtım Anonim Şirketi</i>	100.00	100.00	-	-	100.00	100.00	50.00	50.00
<i>Sakarya Elektrik Perakende Satış Anonim Şirketi</i>	100.00	100.00	-	-	100.00	100.00	50.00	50.00
<i>Sepaş Akıllı Çözümler A.Ş.</i>	100.00	100.00	-	-	100.00	100.00	50.00	50.00
<i>Dowaksa Advanced Composites Holding B.V.</i>	50.00	50.00	-	-	50.00	50.00	19.79	19.79
<i>DowAksa İleri Kompozit Malzemeler Sanayi Ltd. Şirketi</i>	100.00	100.00	-	-	100.00	100.00	19.79	19.79
<i>DowAksa Switzerland GmbH.</i>	100.00	100.00	-	-	100.00	100.00	19.79	19.79
<i>DowAksa USA LLC</i>	100.00	100.00	-	-	100.00	100.00	19.79	19.79
<i>DowAksa Deutschland GmbH.</i>	100.00	100.00	-	-	100.00	100.00	19.79	19.79
<i>DowAksa Rus LLC</i>	100.00	100.00	-	-	100.00	100.00	19.79	19.79
<i>Akiş - Mudanya Adi Ortaklığı</i>	50.00	50.00	-	-	50.00	50.00	7.33	7.33
<i>WMG London Developments L.P.</i>	89.30	51.00	-	-	89.30	51.00	13.09	7.48
<i>OXR Limited</i>	100.00	100.00	-	-	100.00	100.00	13.09	7.48

(1) Represents total direct ownership interest held by Akkök and its subsidiaries.

(2) Represents total direct ownership interest held by certain Dinçkök family members and related shareholders who declared to exercise their voting power in-line with the voting preference of Akkök.

(3) Represents total direct and indirect ownership interest held by Akkök.

(*) Within the scope of the capacity lease agreement and usufruct rights agreements signed by Akenerji Toptan, Akel Sungurlu and 5ER Enerji shares have been consolidated in the financial statements using the full consolidation method as of 31 December 2022, since the shares of Akel Sungurlu and 5ER Enerji have a free purchase option at any time and the controlling power is in Akenerji Toptan.

(**) The branch of the subsidiary operating in a different country is also indicated.

AKKÖK HOLDİNG ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

(Amounts expressed in thousands of Turkish Lira (“TRY”) in terms of purchasing power of the TRY at 31 December 2023 unless otherwise indicated.)

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

2.2 Principles of consolidation (Continued)

- d) Investments in associated undertakings are accounted for using the equity method (Note 7). These are undertakings, over which the Group generally has between 20% and 50% of the voting rights; through the voting rights of Akkök and its subsidiaries and/or through the voting rights of certain members of Dinçök family and related shareholders in those companies who declared to exercise their voting rights inline with Akkök’s voting preference or through the Group’s exercise of significant influence with, no controlling power. Unrealised gains on transactions between the Group and its associated undertakings are eliminated to the extent of the Group’s interest in the associated undertakings; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Equity accounting is discontinued when the carrying amount of the investment in an associated undertaking reaches zero, unless the Group has incurred obligations or guaranteed obligations in respect of the associated undertaking or significant influence of the Group ceases. The carrying amount of the investment at the date when significant influence ceases is regarded as cost thereafter. The table below sets out the associates accounted for using the equity method of accounting, the proportion of voting power held by Akkök and its subsidiaries and effective ownership interests on 31 December 2023 and 2022:

Associates	Voting power held by Akkök and its subsidiaries (%) (1)		Voting power held by certain Dinçök family numbers and related shareholders (%) (2)		Total voting power held (%)		Effective interest (%) (3)	
	31 December 2023	31 December 2022	31 December 2023	31 December 2022	31 December 2023	31 December 2022	31 December 2023	31 December 2022
Akmerkez Gayrimenkul Yatırım Ortaklığı Anonim Şirketi (4)	11.73	11.92	-	-	11.73	11.92	11.73	11.92

- e) Other investments in which the Group and its subsidiaries have an interest below 20%, or Group and its subsidiaries have an interest over 20% but the Group does not exercise a significant influence, or which are immaterial, and which do not have a quoted market price in active markets and whose fair value cannot be measured reliably are carried at cost less any provision for diminution in value (Note 6).

Financial Investments	Voting power held by Akkök and its subsidiaries (%) (1)		Voting power held by certain Dinçök family numbers and related shareholders (%) (2)		Effective interest (%) (3)	
	31 December 2023	31 December 2022	31 December 2023	31 December 2022	31 December 2023	31 December 2022
Akhan Bakım Yönetim Servis Hizmet Ticaret Anonim Şirketi	99.40	99.40	0.15	0.15	99.40	99.40
Uçgen Bakım ve Yönetim Hizmetleri Anonim Şirket	39.37	39.37	-	-	39.37	39.37

(1) Represents total direct ownership interest held by Akkök and its subsidiaries.

(2) Represents total direct ownership interest held by certain Dinçök family members and related shareholders who declared to exercise their voting power in-line with the voting preference of Akkök.

(3) Represents total direct and indirect ownership interest held by Akkök.

(4) Akkök has the significant influence over Akmerkez GYO, an associate of the Group, through representation on the board of directors and participation in policy-making processes, including participation in decisions about dividends or other distributions.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

(Amounts expressed in thousands of Turkish Lira (“TRY”) in terms of purchasing power of the TRY at 31 December 2023 unless otherwise indicated.)

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

2.3 The new standards, amendments and interpretations

a) Standards, amendments and interpretations applicable as at 31 December 2023:

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

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

Amendment to TAS 12 - International tax reform; The temporary exception is effective for December 2023 year ends and the disclosure requirements are effective for accounting periods beginning on or after 1 January 2023, with early application permitted. These amendments give companies temporary relief from accounting for deferred taxes arising from the Minimum Tax Implementation Handbook international tax reform. The amendments also introduce targeted disclosure requirements for affected companies.

There are no material effects on consolidated financial statements of these standards, amendments and interpretations mentioned above.

b) Standards, amendments and interpretations that are issued but not effective as at 31 December 2023:

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

Amendment to TAS 1 – Non-current liabilities with covenants; effective from annual periods beginning on or after 1 January 2024. These amendments clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. The amendments also aim to improve information an entity provides related to liabilities subject to these conditions.

Amendments to TAS 7 and TFRS 7 on Supplier finance arrangements; effective from annual periods beginning on or after 1 January 2024. These amendments require disclosures to enhance the transparency of supplier finance arrangements and their effects on a company’s liabilities, cash flows and exposure to liquidity risk. The disclosure requirements are the IASB’s response to investors’ concerns that some companies’ supplier finance arrangements are not sufficiently visible, hindering investors’ analysis.

AKKÖK HOLDİNG ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

(Amounts expressed in thousands of Turkish Lira ("TRY") in terms of purchasing power of the TRY at 31 December 2023 unless otherwise indicated.)

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

2.3 The new standards, amendments and interpretations (Continued)

b) Standards, amendments and interpretations that are issued but not effective as at 31 December 2023 (Continued):

Amendments to TAS 21 - Lack of Exchangeability; effective from annual periods beginning on or after 1 January 2025. An entity is impacted by the amendments when it has a transaction or an operation in a foreign currency that is not exchangeable into another currency at a measurement date for a specified purpose. A currency is exchangeable when there is an ability to obtain the other currency (with a normal administrative delay), and the transaction would take place through a market or exchange mechanism that creates enforceable rights and obligations.

TSRS 1, 'General requirements for disclosure of sustainability-related financial information; effective from annual periods beginning on or after 1 January 2024. This standard includes the core framework for the disclosure of material information about sustainability-related risks and opportunities across an entity's value chain.

TSRS 2, 'Climate-related disclosures'; effective from annual periods beginning on or after 1 January 2024. This is the first thematic standard issued that sets out requirements for entities to disclose information about climate-related risks and opportunities.

The Group will consider the possible effect on its financial statements after effective date. Possible effects of such standards on financial position and performance under consideration.

2.4 Comparatives and adjustment to previous periods' financial statements

Comparatives and adjustments to previous periods' financial statements

In order to allow the determination of the financial position and performance trends, the Group's consolidated financial statements for the current period are prepared comparatively with the prior period. The consolidated statement of financial position of the Group as at December 31, 2023 is prepared comparatively with the statement of financial position as at December 31, 2022 and the statement of profit or loss and other comprehensive income, statement of cash flows and statement of changes in equity for the year ended December 31, 2023 are prepared comparatively with the related financial statements for the year ended December 31, 2022.

Comparative figures

As explained in Note 2.1, figures for the previous reporting period are adjusted by applying the general price index so that the comparative financial statements are presented in the currency of the reporting period end. Information disclosed in respect of prior periods is also expressed in the currency of the reporting period.

2.5 Changes in accounting policies, accounting estimates and errors

Significant changes in accounting policies or significant errors are corrected, retrospectively; by restating the prior period consolidated financial statements. The effect of changes in accounting estimates affecting the current period is recognised in the current period; the effect of changes in accounting estimates affecting current and future periods is recognised in the current and future periods.

AKKÖK HOLDİNG ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

(Amounts expressed in thousands of Turkish Lira ("TRY") in terms of purchasing power of the TRY at 31 December 2023 unless otherwise indicated.)

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

2.6 Going concern

The consolidated financial statements including the accounts of the parent company, its subsidiaries, joint ventures and associates have been prepared assuming that the Group will continue as a going concern on the basis that the entity will be able to realize its assets and discharge its liabilities in the normal course of business.

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Offsetting

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

3.2 Related parties

Parties are considered related to the Group if;

- a) directly, or indirectly through one or more intermediaries, the party:
 - i) controls, is controlled by, or is under common control with, the Company (this includes parents, subsidiaries and fellow subsidiaries);
 - ii) has an interest in the Group that gives it significant influence over the Group or has joint control over the Group;
- b) the party is an associate;
- c) the party is a joint venture in which the Group is a venture;
- d) the party is member of the key management personnel of the Group or its parent;
- e) the party is a close member of the family of any individual referred to in (a) or (d);
- f) the party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or
- g) the party has a post-employment benefit plan for the benefit of employees of the Group, or of an entity that is a related party of the Group.

Related party transactions are transfer of resources, services or obligations between related parties, regardless of whether a price is charged. A number of transactions are entered into with related parties in the ordinary course of business (Note 8).

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.3 Financial assets

Classification

Group classifies its financial assets in three categories of financial assets measured at amortized cost, financial assets measured at fair value through other comprehensive income and financial assets measured at fair value through profit of loss. The classification of financial assets is determined considering the entity’s business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. The appropriate classification of financial assets is determined at the time of the purchase.

Financial assets are not reclassified after initial recognition, except where the business model of the Group is subject to change in the management of financial assets. In the case of business model change; the financial assets are reclassified on the first day of the following the change reporting period.

Recognition and Measurement

“Financial assets measured at amortized cost”, are non-derivative assets that are held within a business model whose objective is to hold assets in order to collect contractual cash flows and the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Group’s financial assets measured at amortized cost comprise “cash and cash equivalents”, “trade receivables” and “financial investments”. Financial assets carried at amortized cost are measured at their fair value at initial recognition and by effective interest rate method at subsequent measurements. Gains and losses on valuation of non-derivative financial assets measured at amortized cost are accounted for under the consolidated statement of income.

“Financial assets measured at fair value through other comprehensive income”, are non-derivative assets that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Gains or losses on a financial asset measured at fair value through other comprehensive income is recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses until the financial asset is derecognized or reclassified.

Group may make an irrevocable election at initial recognition for particular investments in equity instruments that would otherwise be measured at fair value through profit or loss, to present subsequent changes in fair value in other comprehensive income. In such cases, dividends from those investments are accounted for under consolidated statement of income.

“Financial assets measured at fair value through profit or loss”, are assets that are not measured at amortized cost or at fair value through other comprehensive income. Gains and losses on valuation of these financial assets are accounted for under the consolidated statement of income.

Subsidiaries excluded from the scope of consolidation

For investments as subsidiaries that are excluded from the scope of consolidation on the grounds of materiality where there is no quoted market price and where a reasonable estimate of fair value cannot be determined since other methods are inappropriate and unworkable, they are carried at cost less any impairment (Note 6).

AKKÖK HOLDİNG ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

(Amounts expressed in thousands of Turkish Lira (“TRY”) in terms of purchasing power of the TRY at 31 December 2023 unless otherwise indicated.)

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.4 Trade receivables and payables

Trade receivables are recognised at original invoice amount and carried at amortised cost less an allowance for any uncollectible amounts. An estimate for doubtful debt is made when collection of the full amount is no longer probable. 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 allowance is an estimated amount which is difference between existing receivable and collectible amount. Collectible amount is the discounted value of trade receivables, all cash flows including collections from guarantees by using original effective interest rate. Bad debts are written off when identified (Note 9).

Applied the “simplified approach” for the recognition of impairment losses on trade receivables, carried at amortised cost and that do not comprise of any significant finance component (those with maturity less than 12 months). In accordance with the simplified approach, Group measures the loss allowances regarding its trade receivables at an amount equal to “lifetime expected credit losses” except incurred credit losses in which trade receivables are already impaired for a specific reason.

Trade payables consist of the amounts invoiced or not invoiced related with the realised material or service purchases and are carried at amortised cost (Note 9).

3.5 Inventories

Inventories are valued at the lower of indexed cost or net realisable value less costs to sell. Cost of inventories comprises the purchase cost and the cost of bringing inventories into their present location and condition. Cost is determined by the monthly moving weighted average method. The cost of borrowings is not included in the costs of inventories. Net realisable value less costs to sell is the estimated sales price in the ordinary course of business, less the estimated costs necessary to make the sale (Note 10).

Land planned for used in current or near future development projects are classified as inventories. As of balance sheet date, inventories which are not expected to be sold in one year are classified under non-current assets.

3.6 Investment properties

Land and buildings that are held for rental yields or for capital appreciation or both rather than held in the production or supply of goods or services or for administrative purposes or for the sale in the ordinary course of business are classified as “investment property” (Note 12).

Investment properties are measured at fair value and changes in fair value are recognized under statement of profit or loss. Fair value of an investment property is the price at which the property could be exchanged between or a payment of a debt between knowledgeable and willing parties in a market condition.

AKKÖK HOLDİNG ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

(Amounts expressed in thousands of Turkish Lira ("TRY") in terms of purchasing power of the TRY at 31 December 2023 unless otherwise indicated.)

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.7 Property, plant and equipment

Property, plant and equipment are stated at indexed cost less accumulated depreciation and accumulated impairment loss. When assets are sold or retired, their costs and accumulated depreciation are eliminated from the accounts and any gain or loss resulting from their disposal is included in the income statement.

The initial cost of property, plant and equipment comprises its purchase price, including import duties and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Depreciation is provided for property, plant and equipment on a straight-line basis (Note 13). Useful life and the depreciation method are constantly reviewed, and accordingly, parallels are sought between the depreciation method and the period and the useful life to be derived from the related asset. The depreciation periods for property, plant and equipment, which approximate the economic useful lives of such assets, are as follows:

	Useful life (Year)
Land improvements	2-50
Buildings	5-50
Machinery and equipment	3-40
Motor vehicles	4-8
Furniture and fixtures	2-50
Leasehold improvements	4-5

The Group assesses at each balance sheet date whether there is objective evidence that a property, plant and equipment or a group of property, plant and equipment is impaired. In the event of circumstances indicating that an impairment has occurred in the property, plant and equipment, an inspection is performed for the purpose of determining a possible impairment, and if the registered value of the tangible asset is higher than its recoverable value, the registered value is reduced to its recoverable value by reserving a provision. The recoverable value is considered either the net cash flow to be caused by the current use of the respective property, plant and equipment or the next sales price, whichever is higher.

Gains or losses on disposals of property, plant and equipment are determined by comparing proceeds with their restated carrying amounts and are included in the related income and expense accounts, as appropriate (Note 27).

Repairs and maintenance are charged to consolidated statement of comprehensive income during the financial period in which they are incurred. The cost of major renovations is included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will be retained.

AKKÖK HOLDİNG ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

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NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.8 Intangible assets

Intangible assets acquired separately from a business are capitalised at indexed acquisition cost. Intangible assets created within the business are not capitalised and the related expenditures are charged against profits in the year in which it is incurred. They are initially recognised at acquisition cost and amortised on a straight-line basis over their estimated useful lives. The depreciation period for the intangibles capitalised in relation with the developments will be started after the production of these developments are started. The carrying values of intangible assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable (Note 14).

Fees paid for usage rights of assets in Yalova Kompozit ve Kimya İhtisas Islah Organize Sanayi Bölgesi (“Yalkim OSB”) have been classified under intangible assets and fees paid for usage of land with indefinite useful life is not amortized.

Intangible assets recognized as a part of business combination

In business combinations, the acquirer may recognize identifiable assets, intangible assets and/or contingent liabilities which are not included in the acquiree’s financial statements and which can be separated from goodwill, at their fair values in the consolidated financial statements. The customer relationships of the acquiree is considered as identifiable intangible asset and recognized at fair value at the acquisition date.

Intangible assets useful lives vary between 3 and 15 years.

Research and development expenses

Expenditures for research and development are expensed in the period incurred. Except with the following criteria for project expenditures are recorded as expense in the period incurred as well. The costs related to the development projects are capitalised when the criteria below are met and amortised on a straight-line basis over the useful lives of related projects according to TAS 38 “Intangible Assets” (Note 14):

- The product or process is clearly defined, and costs are separately identified and measured reliably,
- The technical feasibility of the product is demonstrated,
- The product or process will be sold or used in-house,
- A potential market exists for the product or its usefulness in case of internal use is demonstrated
- Adequate technical, financial and other resources required for completion of the project are available.

The Group manages research and development projects with project declaration documentation. On the beginning and ending of projects, top management of Group confirms projects declaration forms, reviews projects and controls research and development expenses and capitalization.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.9 Revenue recognition

Group recognises revenue based on the following five principles in accordance with the TFRS 15 - “Revenue from Contracts with Customers” standard effective from 1 January 2019:

- Identification of customer contracts
- Identification of performance obligations
- Determination of the transaction price in the contracts
- Allocation of transaction price to the performance obligations
- Recognition of revenue

Group evaluates each contracted obligation separately and respective obligations, which are committed to deliver the goods or perform services, are determined as separate performance obligations. After that determines at whether the performance obligation is satisfied over time or at a point in time. When the Group transfers control of a good or service over time, and therefore a performance obligation over time, then the revenue is recognised over time by measuring the progress towards complete satisfaction of that performance obligation.

The goods or services are transferred when the control of the goods or services is delivered to the customers.

Following indicators are considered while evaluating the transfer of control of the goods and services:

- a) presence of Group’s collection right of the consideration for the goods or services,
- b) customer’s ownership of the legal title on goods or services,
- c) physical transfer of the goods or services,
- d) customer’s ownership of significant risks and rewards related to the goods or services,
- e) customer’s acceptance of goods or services.

If Group expects, at contract inception, that the period between when the Group transfers a promised good or service to a customer and when the customer pays for that good or service will be one year or less, the promised amount of consideration for the effects of a significant financing component is not adjusted.

On the other hand, when the contract effectively constitutes a financing component, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The difference of the consideration is recognised on an accrual basis as other operating income. Incomes from consultancy services resulting from the construction of facilities are accounted for when it is probable that the economic return to the Group will be possible and the yield can be reliably measured. Revenue is calculated by deducting the discounts and value added and sales taxes.

Dividend income is recognised when the Group has the right to receive the dividend payment.

Commission income is recognised when the intermediary goods have been billed by the seller.

The Group has accrued volume rebates in line with the customers’ purchase targets to be paid at the end of the year. The Group classifies such volume rebates as “sales discounts” account under revenues.

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NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.9 Revenue recognition (Continued)

Rent income from investment properties is recognized on the accrual basis. Revenue is measured at the fair value of the consideration received or receivable. Revenue is recognized when the amount of revenue can be measured reliably and when it is probable that future economic benefits associated with the transaction will flow to the Group. The seasonal rent discounts are offsetted from rent revenue as incurred.

Revenue is shown by after eliminated in-group sales, deducting discounts and sales taxes.

Revenue from real estate sales is recognized in the statement of comprehensive income when the risks and benefits are transferred to the buyer.

Interest income is recognized using the effective interest method, which takes into account the future cash inflows from an asset over its expected life.

3.10 Borrowings

All bank borrowings are initially recognised at cost, being the fair value of the consideration received net of issue cost associated with the borrowing. After initial recognition, bank borrowings are subsequently measured at amortised cost using the effective yield method. Amortised cost is calculated by taking into account any issue cost and any discount or premium on settlement (Note 21).

3.11 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset, one that takes a substantial period of time to get ready for its intended use or sale, are capitalised as part of the cost of that asset in the period in which the asset is prepared for its intended use or sale.

3.12 Provision for employee termination benefits

Under the Turkish Labour Law, the Company is required to pay termination benefits to each employee who has completed one year of service and whose employment is terminated without due cause, or who is called up for military service, dies or retires after completing 25 years of service (20 years for women) and achieves the retirement age (58 for women and 60 for men).

TAS 19, “Employee Benefits” requires actuarial assumptions (net discount rate, turnover rate to estimate the probability of retirement etc.) to estimate the entity’s obligation for employment termination benefits. The effects of differences between the actuarial assumptions and actual outcome together with the effects of changes in actuarial assumptions compose the actuarial gains/losses (Note 18).

The Group has an employee benefit plan called “Seniority Incentive Bonus” (“Bonus”) which is paid to employees with a certain level of seniority. The Group accounts for this Bonus according to TAS 19, “Employee Benefits”, Seniority incentive bonus provision which is disclosed within the employee termination benefit represents the present value of the estimated total reserve of the probable future obligations (Note 18).

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NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.12 Provision for employee termination benefits (Continued)

Unused vacation rights

Liabilities arising from unused vacations of the employees are accrued in the period when the unused vacations are qualified.

3.13 Current and deferred tax

Tax expense or income is the aggregate of current income tax and deferred taxes which are based on the gains and losses for the period.

The Group is subject to corporate tax valid in Turkey. Necessary provisions have been made in the accompanying financial statements for the estimated tax liabilities of the Company regarding the current period operating results. The Corporate Tax Law was amended with the law no. 5520 dated 13 June 2006. Many provisions of the said new Corporate Tax Law No. 5520 came into effect as of 1 January 2006.

The corporate tax rate in Turkey is 20% according to Article 32 of the Corporate Tax Law. However, in accordance with the Law No. 7456 "Law on the Issuance of Additional Motor Vehicles Tax for the Compensation of Economic Losses Caused by the Earthquakes Occurring on 6.2.2023 and Amendments to Certain Laws and Decree Law No. 375", which entered into force after being published in the Official Gazette on 15 July 2023, the corporate tax rate has been set as 25% to be applied to corporate income for 2023 and the following taxation periods. (30% for banks, companies within the scope of Law No. 6361, electronic payment, and money institutions, authorized foreign exchange institutions, asset management companies, capital market institutions, insurance and reinsurance companies and pension companies) (2022: 23%). The corporate tax rate is applied to the tax base to be found as a result of adding the expenses that are not accepted as deductible in accordance with the tax laws to the commercial income of the corporations, and deducting the exceptions (association earnings exception, investment allowance exception, etc.) and deductions (such as R&D deduction) in tax laws. If the profit is not distributed, no further tax is payable (except for the investment incentive withholding tax of 19.8%, which is calculated and paid over the benefited exception amount in case there is an investment incentive exemption that can be used within the scope of the Income Tax Provisional Article 61).

There is no withholding tax on profit shares (dividends) paid to non-resident companies that receive dividends through a workplace or their permanent representative in Turkey and to full-payer companies in Turkey Dividend payments made to persons and entities other than these (except for the cases specified in Double Taxation Agreements) are subject to withholding tax at a rate of 10% (With the Presidential Decree No. 4936 published in the Official Gazette dated December 22, 2022, the dividend withholding tax rate was reduced from 15% to 10%). Addition of profit to capital is not considered as profit distribution.

Profits from real estate investment trust activities of Akmerkez, a subsidiary of the Group, and Akiş, one of its subsidiaries, are exempt from corporate tax as per paragraph (1)/d-4 of Article 5 of the Corporate Tax Law. This exemption is also applied to the temporary tax bases subject to the relevant temporary tax periods. No further tax is paid if the profit is not distributed. While the earnings of real estate investment trusts are subject to withholding according to paragraph (3) of Article 15 of the Corporate Tax Law, with the Council of Ministers Decision No. It is set to 0".

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NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.13 Current and deferred tax (Continued)

Income from real estate investment trust activities of Akmerkez, an associate of the Group and Akiş, a subsidiary of the Group, are not subject to Corporate Tax according to article 5/1, paragraph d-4 of Corporate Tax Law. This exception is also applied to the temporary tax bases subject to the relevant temporary tax periods. Although income from real estate investment trust activities are subject to stoppage according to article 15, paragraph 3 of Corporate Tax Law, the stoppage rate is decided as "0%" according to decision numbered 2009/14594 by Council of Ministers.

Corporate taxpayers calculate provisional tax at the tax rate determined over their quarterly financial profits and declare and pay it until the 17th day of the second month following that period. With the Law No. 7338 published in the Official Gazette dated 26 October 2022 and numbered 31639, the 4th provisional taxation period was abolished to be applied starting from the declarations to be submitted for the taxation period of 2022.

The temporary tax paid during the year belongs to that year and is deducted from the corporate tax to be calculated on the corporate tax return to be submitted in the following year. If the amount of temporary tax paid remains despite the deduction, this amount can be refunded in cash or deducted from tax liabilities. Corporate tax is declared until the evening of the last day of the fourth month following the month in which the accounting period is closed and is paid within the same period.

According to the Turkish tax legislation, financial losses shown on the declaration can be deducted from the corporate income for the period, provided that they do not exceed 5 years. However financial losses can not be offsetted from last year's profits.

According to subparagraph (e) of the first paragraph of Article 5 of the Corporate Tax Law, 75% of the gains arising from the sale of participation shares, founders' shares, usufruct shares and pre-emptive rights that have been included in the assets of corporations for at least two full years are exempt from tax. As of the Law No. 7456, which entered into force after being published in the Official Gazette dated 15 July 2023, 25% of the gains arising from the sale of immovables (real estates) are exempt from corporate tax for the immovables included in the assets of the corporations before the effective date of the Law. The exemption for transfers and deliveries realized through the sale of immovables acquired after 15 July 2023, the date of publication of the Law, which have been in the assets of the corporations for at least two full years, has been abolished.

According to the 4th paragraph of article 32/A added to the Corporate Tax Law No. 5520 with Article 9 of the Law No. 5838, if the income obtained can be determined by tracking it in separate accounts within the framework of the enterprise integrity, the discounted rate is applied to this income. If the income cannot be determined separately, the income to which the discounted rate will be applied is determined by dividing the investment amount made by the total fixed asset amount registered in the assets of the institution (including the amounts belonging to the ongoing investments) at the end of the period. During this calculation, the recorded value of the fixed assets in the operating assets are taken into account with their revalued amounts. The reduced rate application starts from the temporary tax period when the investment is partially or fully operational.

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NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.13 Current and deferred tax (Continued)

Pursuant to paragraph (A) of the duplicate Article 298 and provisional Article 33 of the Tax Procedure Law No. 213, the procedures and principles of the financial statements to be subject to inflation adjustment at the end of the 2023 accounting period and in the following accounting periods (including temporary tax periods) depending on the realization / existence of the correction conditions and the procedures and principles of the correction transactions to be made were determined by the General Communiqué on Tax Procedure Law No. 555 published in the Official Gazette dated 30.12.2023 and numbered 32415. In accordance with the provisional article 33 of the Tax Procedure Law, the financial statements for the 2023 accounting period are subject to inflation adjustment within the framework of the procedures and principles determined within the framework of the provisions of the aforementioned article and paragraph (A) of the repeated article 298 of the same Law. However, corporate tax for the year 2023 will be calculated according to the balance sheet before inflation adjustment. The profit/loss difference arising from inflation adjustment will be recognized in retained earnings and is not subject to corporate tax. Deferred tax is calculated using the balance sheet liability method using tax rates enacted at the balance sheet date.

Deferred tax is the tax effect of temporary differences between the values of assets and liabilities reflected in the financial statements and tax bases, and is reflected for financial reporting purposes.

Deferred tax asset to the extent that a financial profit can be generated in the future where these timing differences can be used; All deductible temporary differences are recognized for unused incentive amounts and carried tax losses for prior periods. Deferred tax asset is reviewed in each balance sheet period and in cases where it is not possible to generate sufficient financial profit for future use of deferred tax asset, its carrying value in the balance sheet is reduced. Deferred tax amounts related to income and expense items accounted under equity account are followed under equity account.

In the calculation of deferred tax assets and liabilities, the tax rates that will be valid on the dates that the Group considers that these temporary differences can be used (based on the rates that have entered into force or are finalized as of the balance sheet date) are used. In each balance sheet period, the Group reviews its deferred tax assets and accounts for the possibility of future deductibility (Note 30).

In the financial statements dated 31 December 2023, deferred tax assets and liabilities are calculated with a tax rate of 25% for the taxable portion of the temporary differences (31 December 2022: 23% for the part of temporary differences that will have tax effect in 2022, 25% for the part that will create tax in 2023 and the following years).

3.14 Events after the balance sheet date

The Group adjusts the amounts recognised in its financial statements to reflect the adjusting events after the balance sheet date. If non-adjusting events after the balance sheet date have material influence on the economic decisions of users of the financial statements, they are disclosed in the notes to the consolidated financial statements (Note 33).

3.15 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate (Note 17).

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NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.16 Contingent assets and liabilities

Contingent liabilities are not recognised in the financial statements but are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognised in the financial statements but disclosed when an inflow of economic benefits is probable.

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

Contingent assets usually arise from unplanned or other unexpected events that give rise to the possibility of an inflow of economic benefits to the entity. Contingent assets are not recognised in the financial statements since this may result in the recognition of income that may never be realised. A contingent asset is disclosed where an inflow of economic benefit is probable. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognized in the financial statements of the period in which the change occurs (Note 17).

3.17 Business combinations

Business combinations are accounted in accordance with TFRS 3, “Business Combinations”. Goodwill represents the excess of the cost of an acquisition over the fair value of the Group’s share of the net identifiable assets of the acquired subsidiary or associate at the date of acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. If the purchase amount is less than the fair value of provisions, contingent assets and liabilities, the subjected difference is identified with income statement (Note 16).

Changes in Ownership Interests

The Group applies a policy of treating transactions with non-controlling interests that do not result in loss of control, as transactions with owners of the parent. In a purchase transaction with non-controlling interests, the difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. In a sale transaction with non-controlling interests, the difference between fair value of any proceeds received and the relevant share of non-controlling interests are also recorded in equity. Consequently, gains or losses on disposals to non-controlling interests are not accounted for in the consolidated statement of comprehensive income.

3.18 Foreign currency transactions

Functional currency

Items included in the financial statements of each entity in the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to that entity. The consolidated financial statements are presented in Turkish Lira, which is the functional currency of Akkök.

Foreign currency transactions and balances

Income and expenses arising in foreign currencies have been translated into TRY at the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies have been translated into TRY at the exchange rates prevailing at the balance sheet dates. Exchange gains or losses arising from the settlement and translation of foreign currency items have been included in the consolidated statement of comprehensive income.

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NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.19 Derivative financial instruments

Derivative financial instruments are initially recognized at the acquisition cost reflecting the fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value.

The derivative instruments of the Group mainly consist of interest rate swap and forward foreign exchange purchase and sale transactions. These derivative transactions, even though providing effective economic hedges under the Group risk management position, do not generally qualify for hedge accounting under the specific rules and are therefore treated as derivatives held for trading in the consolidated financial statements and fair value difference of these derivatives are accounted for under consolidated income statements. Derivatives of the Group which qualified for hedge accounting under specific rules are measured using the methods stated as below:

Cash Flow Hedge

Hedges of exposures to variability in cash flows that are attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction and could affect profit and loss are designated as cash flow hedges by the Group. Changes in the fair value of derivatives, designated as cash flow hedges and qualified as effective, are recognized in equity as “hedging reserves”. Where the forecasted transaction or firm commitment results in the recognition of an asset or of a liability, the gains and losses previously recognized under equity are transferred from equity and included in the initial measurement of the cost of the asset or liability. Otherwise, amounts recognized under equity are transferred to the consolidated income statement in the period in which the hedged firm commitment or forecasted transaction affects the consolidated income statement.

If the forecast transaction or firm commitment is no longer expected to occur, the cumulative gains or losses previously recognized in equity are transferred to the income statement. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, any cumulative gain or loss previously recognized in other comprehensive income remains in other comprehensive income until the forecast transaction or firm commitment affects profit or loss.

3.20 Statement of cash flows

Cash flows during the period are classified and reported by operating, investing and financing activities in the cash flow statements.

Cash flows from operating activities represent the cash flows of the Group generated from operations. Cash flows related to investing activities represent the cash flows that are used in or provided from the investing activities of the Group (capital expenditures and financial investments). Cash flows arising from financing activities represent the cash proceeds from the financing activities of the Group and the repayments of these funds.

Cash and cash equivalents include investments in which cash and bank deposits are highly liquid, short-term and readily convertible into cash with a maturity of 3 months or less (Note 5).

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NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.21 Government grants

Grants from the government are recognised at their fair value when there is a reasonable assurance that the grant will be received, and the group will comply with all attached conditions. Government grants relating to costs are recognised in the statement of comprehensive income by deducting from research and development expenses. Government grants relating to property, plant and equipment are included in non-current liabilities as deferred government grants and are recognized in the statement of comprehensive income on a straight-line basis over the expected lives of the related assets.

3.22 Paid in share capital

The shareholders are classified as share capital. The share capital through a pro-rata distribution of shares ("bonus shares") to existing shareholders from retained earnings (Note 23).

3.23 Leases

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes:

- a) initial direct costs incurred,
- b) lease payments made at or before the commencement date less any lease incentives received,
- c) all initial direct costs incurred by the Group.

Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

Right-of-use assets are subject to impairment.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term.

Lease payments included in the measurement of the lease obligation on the date that the lease actually commences, consists of the following payments to be made for the right of use of the underlying asset during the lease period and not paid on the date the lease actually starts:

- (a) Fixed payments,
- (b) Variable lease payments that depend on an index or a rate,
- (c) Amounts expected to be paid under residual value guarantees
- (d) The exercise price of a purchase option reasonably certain to be exercised by the Group and
- (e) Payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

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NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.23 Leases (Continued)

Lease liabilities (Continued)

The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable, the Group determines the alternative borrowing interest rate at the date of the revaluation.

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

- (a) Increase the carrying amount to reflect the interest on the lease obligation, and
- (b) Decreases book value to reflect rental payments.

In addition, in the situation of a change in the lease term, in essence a change in fixed lease payments or a change in the assessment of the option to buy the underlying asset, the value of the lease obligations is remeasured.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

NOTE 4 - CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of consolidated financial statements according to TFRS, necessitates the use of estimates and assumptions that affect asset and liability amounts reported as of the balance sheet date, explanations of contingent liabilities and assets; and income and expense amounts reported for the accounting period. Although these estimates and assumptions are based on all management information related to the events and transactions, actual results may differ from them. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities for the next reporting period are outlined below:

a) Fair values of investment property

The Group has determined the fair values of investment properties and disclosed them in Note 12.

Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods, such as discounted cash flow projections.

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NOTE 4 - CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

b) Deferred income tax assets

Deferred tax liabilities are recognised for all taxable temporary differences, where deferred tax assets resulting from deductible temporary differences are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary difference can be utilised (Note 30).

c) Useful lives of property, plant and equipment and intangible assets

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment loss. They are initially recognised at acquisition cost and amortised on a straight-line basis over their estimated useful lives. Useful lives of property, plant and equipment, rely on best estimates of management, these estimates are reviewed balance sheet dates and if necessary, adjustments are made (Note 13 and 14).

d) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and when reliable estimate can be made of the amount of the obligation (Note 17).

Provisions for doubtful receivables reflect the amounts that the Group management believes will cover the future losses of the receivables that exist as of the statement of financial position date but have the risk of being uncollectible within the current economic conditions. The Group management also evaluates the opinions of its legal advisors regarding the receivables that have been the subject of lawsuits. When assessing whether the receivables are impaired or not, the past performance of the debtors other than the related parties and key customers, their credibility in the market, their performance from the date of the statement of financial position until the date of approval of the financial statements and the renegotiated conditions are also considered. In addition to the collaterals held as of the balance sheet date, the collaterals obtained during the period until the approval date of the financial statements are also taken into consideration while determining the provision amount (Note 9).

e) Income taxes

Subsidiaries, joint ventures and associates of the Group are subject to income tax and various tax legislations. The group performs the accounting of liabilities related to the taxes expected based on the assumption of whether additional tax will be paid or not. If the tax amount reached as a result of these is significantly different from the amount first entered to the book, these differences may affect the provision of income tax and deferred taxes related to that period (Note 30).

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NOTE 5 - CASH AND CASH EQUIVALENTS

The analysis of cash and cash equivalents at 31 December 2023 and 2022 is presented below:

	31 December 2023	31 December 2022
Cash on hand	1,858	2,094
Banks	7,031,053	7,476,960
- demand deposits	1,102,003	1,466,622
- time deposits	5,929,050	6,010,338
Other	5,044	4,807
Total	7,037,955	7,483,861

The reconciliation between cash and cash equivalents in the consolidated statement of financial position and the consolidated statements of cash flows as of 31 December 2023 and 2022 is as follows:

	31 December 2023	31 December 2022
Cash and cash equivalents	7,037,955	7,483,861
Less: restricted deposits	(105,770)	(110,703)
Less: interest accruals	(16,605)	(14,642)
Cash and cash equivalents	6,915,580	7,358,516

Interest rate of time deposits with maturities less than 3 months at 31 December 2023 and 2022 are as follows:

	31 December 2023		31 December 2022	
	Time Deposit	Interest rate (%)	Time Deposit	Interest rate (%)
USD	2,965,921	2.95	2,537,429	2.18
EUR	619,263	1.80	732,244	2.20
TRY	2,343,866	40.2	2,740,665	21.4
Total	5,929,050		6,010,338	

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NOTE 6 - FINANCIAL INVESTMENTS

	31 December 2023	31 December 2022
Bank deposits with maturities		
over three months (*)	206,426	85,582
Stocks and bonds	155,911	144,949
Currency protected deposits (**)	774,915	416,674
Other financial investments measured		
at fair value through profit or loss	89	3,966
Current financial investments	1,137,341	651,171
Other financial investments measured		
at fair value through profit or loss	-	2,376
Financial investments measured at fair value through		
other comprehensive income	36,510	45,041
Financial investments not included		
in the scope of consolidation (***)	372	372
Bonds with maturities over one year	40,845	41,610
Non-current financial investments	77,727	89,399

(*) Bank deposits are blocked by banks related to borrowings and rent receivables of subsidiaries of the Group.

(**) Currency Protected TRY Time Deposit Account is a deposit product that offers foreign exchange protection in case the exchange rate in TRY increases more than the interest rate at the end of maturity. Currency protected deposit accounts are accounted for as financial assets at fair value through profit or loss.

(***) Financial investments that are excluded from the scope of consolidation are excluded on the grounds of immateriality. As these shares do not have quoted market price in an active market, they are carried at cost, adjusted for inflation accounting.

Financial investments measured at fair value

through other comprehensive income:

	(%)	31 December 2023	(%)	31 December 2022
Yapı ve Kredi Bankası A.Ş.	<1	3,908	<1	19,567
Ünlü Portföy Yönetimi A.Ş. İda Capital				
İvmelendirme Girişim Sermayesi Yatırım Fonu	<1	-	<1	11,399
FBO Angellist Clients	<1	10,729	<1	9,242
Navlungo Lojistik ve Teknoloji A.Ş.	<1	15,874	<1	-
Other	<1	5,999	<1	4,833
Total		36,510		45,041

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NOTE 6 - FINANCIAL INVESTMENTS (Continued)

Movements of financial investments measured at fair value through other comprehensive income for the periods ended 31 December 2023 and 2022 are as follows:

	2023	2022
1 January	45,041	15,845
Additions	4,723	31,028
Change in fair value	(1,855)	3,649
Disposals	(11,399)	(5,481)
31 December	36,510	45,041

Financial investments not included in the scope of consolidation:

	31 December 2023	31 December 2022
Akhan Bakım Yönetim Servis Hizmet Ticaret A.Ş.	196	196
Üçgen Bakım ve Yönetim Hizmetleri A.Ş.	176	176
Total	372	372

NOTE 7 - INVESTMENTS ACCOUNTED USING THE EQUITY METHOD

	31 December 2023	31 December 2022
DowAksa	1,734,484	1,648,304
Akcez	5,271,610	4,631,905
Akmerkez	666,264	644,892
WMG London	8,530	136,359
Akenerji (*)	400,132	-
Total	8,081,020	7,061,460

(*) As of 31 December 2022, Akenerji has accumulated losses amounting to TRY19,491,168 which are not reflected in the consolidated financial statements. The Group estimates that the losses not reflected in the consolidated financial statements will not create additional liabilities for the Group as of 31 December 2022. As of 31 December 2023, Akenerji's total net assets have turned positive.

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NOTE 7 - INVESTMENTS ACCOUNTED USING THE EQUITY METHOD (Continued)

Movements of investments accounted using the equity method during the years ended 31 December 2023 and 2022 is as follows:

	2023	2022
1 January	7,061,460	6,539,951
Share of net profit for the period	987,197	1,084,458
Dividends received	(26,628)	(30,181)
Share of other comprehensive income	111,398	373,069
Participation to capital increase	34,453	9,942
Impairment (-)	(25,374)	-
Effect of change in share rate	(10,279)	(34,774)
Currency translation differences	(51,207)	(881,005)
31 December	8,081,020	7,061,460

Financial information for the investments accounted using the equity method on 31 December 2023 and 2022 are as follows:

31 December 2023	Assets	Liabilities	Revenue	Net profit/(loss) for the period
Akenerji (*)	19,734,250	17,775,976	23,672,315	5,361,574
Akcez	20,992,042	10,448,684	45,572,284	1,280,190
DowAksa	11,983,173	8,514,205	4,493,085	208,014
Akmerkez	5,714,759	34,764	498,883	496,547
WMG London	456,064	409,089	-	(191,941)

31 December 2022	Assets	Liabilities	Revenue	Net profit/(loss) for the period
Akenerji (*)	23,362,702	26,806,395	31,735,853	6,116,746
Akcez	24,559,179	15,295,370	52,883,188	2,455,413
DowAksa	12,588,672	9,292,064	4,328,687	(238,637)
Akmerkez	5,442,168	32,003	436,753	(160,823)
WMG London	670,662	403,608	-	(9,377)

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NOTE 7 - INVESTMENTS ACCOUNTED USING THE EQUITY METHOD (Continued)

As of 31 December 2023 and 2022, market capitalization of the Group's investments accounted for using the equity method are presented below:

31 December 2023	Total market capitalization	Group's share
Akenerji	3,120,822	637,584
Akmerkez GYO	4,803,330	563,431
Total	7,924,152	1,201,015

31 December 2022	Total market capitalization	Group's share
Akenerji	6,403,807	1,308,299
Akmerkez GYO	5,016,460	597,963
Total	11,420,267	1,906,262

NOTE 8 - RELATED PARTY DISCLOSURES

a) Trade receivables from related parties

The details of trade receivables from related parties as at 31 December 2023 and 2022 is as follows:

	31 December 2023	31 December 2022
DowAksa (*)	671,236	592,627
Akenerji (*)	140,248	6,146
Akcez (*)	14,880	7,092
Other	42,804	20,803
Total	869,168	626,668

b) Non-current other receivables from related parties

	31 December 2023	31 December 2022
Akiş Mudanya Adi Ortaklığı (**)	38,486	43,497
Total	38,486	43,497

(*) Joint ventures.

(**) Other long-term receivables from Akiş-Mudanya Ordinary Partnership ("Ordinary Partnership") will arise from the amounts paid by the Company to Ordinary Partnership based on the flat-for-floor agreements made by Ordinary Partnership.

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NOTE 8 - RELATED PARTY DISCLOSURES (Continued)

c) Short-term other payables from related parties

	31 December 2023	31 December 2022
Akcez (*)	752,735	-
Total	752,735	-

The Group's other receivables from Akcez amounting to USD25,300 thousand principal amounts, all of which are short term and interest is calculated on them.

d) Short-term trade payables due to related parties

	31 December 2023	31 December 2022
DowAksa (*)	98,299	429,795
Yalkim OSB	28,197	37,598
Akcez (*)	20,331	41,806
Akhan (****)	7,662	-
Akgirişim (**)	-	49,526
Other	14,536	1,106
Total	169,025	559,831

e) Sales to related parties

	1 January - 31 December 2023	1 January - 31 December 2022
DowAksa (*)	1,345,181	1,008,949
Akenerji (*)	276,964	59,008
Akcez (*)	128,687	33,648
Yalkim OSB (***)	111,062	-
Akgirişim	9,977	21,348
Other	66,617	41,673
Total	1,938,488	1,164,626

(*) Joint ventures.

(**) Mainly consists of investments made in Aksa production facilities.

(***) Consists of the right usage fee reflected to the Group for the common treatment facility within Yalkim OSB.

(****) Financial investments excluded from the scope of consolidation.

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NOTE 8 - RELATED PARTY DISCLOSURES (Continued)

f) Service and product purchases from related parties

	1 January - 31 December 2023	1 January - 31 December 2022
Akcez (*)	392,985	448,731
Yalkim OSB (***)	316,393	306,110
Akenerji (*)	66,520	62,236
Akgirişim (**)	50,350	264,329
Akhan (****)	46,395	28,387
Other	15,589	12,304
Total	888,232	1,122,097

Purchases from related parties consist of energy, chemical products, services, consultancy and rent expenses.

g) Interest income from related parties

	1 January - 31 December 2023	1 January - 31 December 2022
Akiş Mudanya Adi Ortaklığı	11,451	9,837
Akcez (*)	7,949	-
Toplam	19,400	9,837

h) Key management compensation

The Group has determined the key management personnel as the members of the board of directors and executive committee members,

	1 January - 31 December 2023	1 January - 31 December 2022
Key management compensation	144,052	67,310
Total	144,052	67,310

(*) Joint ventures.

(**) Mainly consists of investments made in Aksa production facilities.

(***) Consists of the right usage fee reflected to the Group for the common treatment facility within Yalkim OSB.

(****) Financial investments excluded from the scope of consolidation.

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NOTE 9 - TRADE RECEIVABLES AND PAYABLES

a) Trade receivables from third parties

	31 December 2023	31 December 2022
Trade receivables	5,292,707	6,212,215
Cheques and notes receivable	1,141,001	1,511,314
Less: provision for doubtful receivables	(129,626)	(154,570)
Less: unearned credit finance income	(5,668)	(14,012)
Subtotal	6,298,414	7,554,947
Trade receivables from related parties (Note 8)	869,168	626,668
Total	7,167,582	8,181,615

Maturity of trade receivables of the Group is generally less than three months (2022: less than three months). The past experience of the Group in collecting receivables has been taken into consideration when determining the provision amount for doubtful receivables. Therefore, the Group believes that, there is no additional collection risk for trade receivables is necessary other than the provision provided.

b) Long-term trade receivables

	31 December 2023	31 December 2022
Customers	33,529	119,737
Notes receivables and cheques	213,280	226,606
Less: provision for doubtful receivables	(125,105)	(181,375)
Less: unearned financial income	(31,841)	(27,636)
Total	89,863	137,332

Movements of provision for doubtful trade receivables for the years ended 31 December 2023 and 2022 are as follows:

	2023	2022
1 January	335,945	494,826
Monetary (gain)/loss, net	(143,437)	(193,598)
Collections and reversal of provisions	(10,179)	(10,651)
Uncollectible receivables	(80,623)	-
Expected credit loss provision	143,006	43,835
Effect of business acquisitions	8,353	-
Currency translation differences	1,666	1,533
31 December	254,731	335,945

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NOTE 9 - TRADE RECEIVABLES AND PAYABLES (Continued)

c) Short-term trade payables

	31 December 2023	31 December 2022
Suppliers	5,870,167	6,582,839
Less: unincurred financial expenses (-)	(23,309)	(16,869)
Subtotal	5,846,858	6,565,970
Trade payables to related parties (Note 8)	169,025	559,831
Total	6,015,883	7,125,801

d) Long-term trade payables

	31 December 2023	31 December 2022
Suppliers	11,115	10,524
Total	11,115	10,524

NOTE 10 - INVENTORIES

	31 December 2023	31 December 2022
Complete and incomplete residence	417,600	836,773
Raw materials	2,031,485	2,650,916
Finished goods	2,042,298	2,466,377
Goods in transit	1,279,205	1,476,710
Other inventories and spare parts	527,342	490,994
Semi-finished goods	226,879	334,389
Trade goods	84,542	87,155
Less: provision for impairment in inventories (*)	(93,366)	(195,422)
Total	6,515,985	8,147,892

(*) The provision for inventory impairment consists of the first item, materials and products.

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NOTE 10 – INVENTORIES (Continued)

The movements of the provision for inventories within the accounting periods ending on 31 December 2023 and 2022 are as follows.

	2023	2022
1 January	195,422	28,301
Inflation effect	(4,082)	(1,058)
Allowances utilized	(132,470)	-
Charge for the period	34,496	168,179
31 December	93,366	195,422

NOTE 11 - PREPAID EXPENSES AND DEFERRED INCOME

	31 December 2023	31 December 2022
Current prepaid expenses:		
Advances given	283,057	258,387
Prepaid expenses	266,928	175,346
Total	549,985	433,733
Non-current prepaid expenses:		
Advances given (*)	946,510	465,300
Prepaid expenses for the year	41,215	38,465
Total	987,725	503,765

(*) Long-term order advances are mainly related to epoxy plant investment.

	31 December 2023	31 December 2022
Short-term deferred income:		
Advances received	903,055	860,243
Deferred income	252,593	152,829
Total	1,155,648	1,013,072
Long-term deferred income:		
Advances received	3,306	24,103
Deferred income for the year	22	451
Total	3,328	24,554

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NOTE 12 - INVESTMENT PROPERTIES

	1 January 2023	Additions	Disposals	Transfers (*)	Currency translation differences	Increase/ Decrease in fair value	31 December 2023
Land and buildings	20,966,868	2,473	(66,734)	-	(1,835)	1,987,114	22,887,886
Net book value	20,966,868	2,473	(66,734)	-	(1,835)	1,987,114	22,887,886

(*) Akasya AVM Independent Section 59 was sold in January 2023, and Independent Sections 104 and 183 were sold in December 2023.

	1 January 2022	Additions	Disposals (*)	Transfers	Currency translation differences	Increase/ Decrease in fair value	31 December 2022
Land and buildings	20,244,882	1,373	(831,994)	(117,509)	(4,513)	1,674,630	20,966,868
Net book value	20,244,882	1,373	(831,994)	(117,509)	(4,513)	1,674,630	20,966,868

(*) Akasya AVM Independent Section 315 was sold on 17 June 2022. Akasya AVM Independent Section 316 was sold on 8 August 2022. Uşaklıgil project was sold on 5 July 2022.

Fair values of investment properties;

The important evaluations, estimates and assumptions used in determining the fair value of the real estate classified as investment property in the consolidated financial statements are explained below.

Akbatı AVM

As of 31 December 2023, Lotus Gayrimenkul Değerleme ve Danışmanlık A.Ş. ("Lotus") appraisal report has been taken into account and the fair value of Akbatı AVM has been determined as TRY5,910,000 using the income reduction approach in the related report (31 December 2022: TRY5,478,866).

	Discount rate	Capitalization ratio
31 December 2023	46%	6%

The rent increase rate estimates made by the independent valuation company for the year-end valuation of Akbatı AVM vary for each year.

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NOTE 12 - INVESTMENT PROPERTIES (Continued)

Fair values of investment properties (Continued);

Akasya AVM

As of 31 December 2023, Reel Gayrimenkul Değerleme A.Ş. (“Reel”) appraisal report has been taken into account and the fair value of Akasya AVM has been determined as TRY14,390,000 using the income reduction approach in the related report (31 December 2022: TRY13,639,803).

	Discount rate	Capitalization ratio
31 December 2023	46%	6%

The rent increase rate estimates made by the independent valuation company for the year-end valuation of Akasya AVM vary for each year.

Erenköy

As of 31 December 2023, Reel Gayrimenkul Değerleme A.Ş. (“Reel”), the appraisal report was taken into account and the fair value of the Erenköy project was determined as TRY1,460,170 (31 December 2022: TRY1,376,843) using the income reduction approach in the report.

	Used Method	Level	31 December 2023	31 December 2022
Akasya Shopping Mall	Discounted cash flow method	2	14,390,000	13,639,803
Akbatı Shopping Mall	Discounted cash flow method	2	5,910,000	5,478,866
Erenköy	Discounted cash flow method		1,460,170	1,376,843
Akhan	Pretend comparison method	2	197,730	196,212
Social facility	Pretend comparison method	2	111,840	107,102
Yalova-Çiftlikköy land and buildings	Pretend comparison method	2	16,795	15,744
Other	Pretend comparison method	2	801,351	152,298
Total			22,887,886	20,966,868

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NOTE 12 - INVESTMENT PROPERTIES (Continued)

If there is a 0.5% increase/decrease in the discount rates of investment properties, whose fair value is calculated using the income discount approach, and all other variables remain constant, the profit would be lower by TRY596,290 and higher by TRY614,497, respectively (31 December 2022: TRY547,384 less, TRY568,009 would be more). As of 31 December 2023 and 2022, the sensitivity analysis of investment properties calculated using the income discount approach is as follows:

31 December 2023	Discount ratio	Sensitivity analysis	Gain effect on fair value	Loss effect on fair value
Akasya	23.5%	0.5%	400,000	(390,000)
Akbatı	23.5%	0.5%	170,000	(160,000)
Erenköy	23.0%	0.5%	44,497	(46,290)

31 December 2023	Discount ratio	Sensitivity analysis	Gain effect on fair value	Loss effect on fair value
Akasya	28%	0.5%	373,970	(360,465)
Akbatı	28%	0.5%	149,468	(144,078)
Erenköy	Floating(*)	0.5%	44,571	(42,841)

(*) For the year-end valuation of the Erenköy project, a discount rate was used by the independent valuation company, which changed in parallel with the inflation over the years and was predicted by adding a certain risk premium on inflation.

The fair value of the investment properties as of 31 December 2023 has been determined by an independent real estate appraisal expert as TRY22,887,886 (2022: TRY20,996,868). The total fair value determined was determined as level 2.

As of 31 December 2023, there are guarantees, pledges and mortgages amounting to USD203,273 thousand and TRY1,451,000 on the Group's debts on investment properties (31 December 2022: USD242,579 and TRY1,473,957).

As of 31 December 2023, there is TRY21,058,542 insurance guarantee on investment properties (2022: TRY21,398,480).

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NOT 13 - PROPERTY, PLANT AND EQUIPMENT

The movements of property, plant and equipment and related accumulated depreciation for the period ended 31 December 2023 are as follows:

	1 January 2023	Additions	Disposals	Transfers (*)	Acquisitions (***)	Currency translation differences	31 December 2023
Cost							
Land and land improvements	3,127,617	18,693	(3,034)	131,500	-	-	3,274,776
Buildings	4,690,956	14,219	-	347,421	-	-	5,052,596
Machinery and equipment	25,965,057	38,253	(47,864)	2,021,997	-	(585)	27,976,858
Motor vehicles	87,143	4,129	(16,039)	16,738	1,213	(586)	92,598
Furniture and fixtures	1,659,680	53,309	(3,515)	34,093	2,826	(297)	1,746,096
Leasehold improvements	112,767	1,447	-	450	285	-	114,949
Construction in progress (**)	1,527,301	3,435,657	(687)	(2,588,406)	-	(90)	2,373,775
Total	37,170,521	3,565,707	(71,139)	(36,207)	4,324	(1,558)	40,631,648
Accumulated depreciation							
Land and land improvements	1,042,724	62,092	-	-	-	-	1,104,816
Buildings	1,471,061	110,257	-	-	-	-	1,581,318
Machinery and equipment	15,925,935	1,377,973	(39,984)	-	-	455	17,264,379
Motor vehicles	28,511	12,147	(8,223)	-	294	26	32,755
Furniture and fixtures	1,036,507	107,290	(2,579)	-	820	59	1,142,097
Leasehold improvements	67,666	6,982	-	-	285	-	74,933
Total	19,572,404	1,676,741	(50,786)	-	1,399	540	21,200,298
Net book value	17,598,117						19,431,350

(*) The transfer of TRY36,207 was made from intangible assets to tangible assets.

(**) Construction in progress is mainly comprised of modernization of production facilities, power plant investments and press and cutting unit modernization investments of Aksa, Epoxy, Nazilli facility improvement works, electrolyzer membrane works and maintenance investments of Akkim.

(***) Please refer to Note 16.

The breakdown of depreciation expense for the years ended 31 December 2023 and 2022 is disclosed in Note 28.

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NOT 13 - PROPERTY, PLANT AND EQUIPMENT (Continued)

The movements of property, plant and equipment and related accumulated depreciation for the period ended 31 December 2022 are as follows:

	1 January 2022	Additions	Disposals	Transfers (*)	Currency translation differences	Disposal of subsidiary(***)	31 December 2022
Cost							
Land and land improvements	2,971,447	158,553	(38,582)	46,421	(4,668)	(5,554)	3,127,617
Buildings	4,342,058	29,771	(18,328)	383,247	(26,383)	(19,409)	4,690,956
Machinery and equipment	24,083,005	34,568	(24,068)	1,927,532	(19,273)	(36,706)	25,965,057
Motor vehicles	65,898	29,967	(5,729)	1,424	(2,053)	(2,363)	87,143
Furniture and fixtures	1,530,913	80,202	(5,154)	59,088	(3,961)	(1,407)	1,659,680
Leasehold improvements	77,097	32,859	-	2,811	-	-	112,767
Construction in progress (**)	820,778	3,061,294	(1,382)	(2,347,910)	(5,479)	-	1,527,301
Total	33,891,197	3,427,213	(93,243)	72,612	(61,818)	(65,440)	37,170,521
Accumulated depreciation							
Land and land improvements	970,367	72,357	-	-	-	-	1,042,724
Buildings	1,427,502	71,340	(3,167)	-	(12,559)	(12,055)	1,471,061
Machinery and equipment	14,812,914	1,207,889	(24,007)	-	(40,295)	(30,565)	15,925,935
Motor vehicles	32,454	6,060	(5,729)	-	(2,282)	(1,992)	28,511
Furniture and fixtures	951,697	94,881	(4,933)	-	(3,814)	(1,323)	1,036,507
Leasehold improvements	64,423	4,347	(1,104)	-	-	-	67,666
Total	18,259,357	1,456,874	(38,941)	-	(58,951)	(45,935)	19,572,404
Net book value	15,631,840						17,598,117

(*) The transfer of TRY117,509 was made from investment properties to tangible assets. Transfers of TRY44,897 were made from tangible assets to intangible assets.

(**) Construction in progress is mainly comprised of modernization of production facilities, power plant investments and press and cutting unit modernization investments of Aksa, Epoxy, Nazilli facility improvement works, electrolyzer membrane works and maintenance investments of Akkim.

(**) Please refer to Note 16.

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NOTE 14 - INTANGIBLE ASSETS

The movements of intangible assets and related accumulated depreciation for the period ended 31 December 2023 and 2022 are as follows:

	1 January 2023	Additions	Disposals	Transfers (*)	Acquisitions (**)	Currency translation differences	31 December 2023
Cost							
Rights	1,458,392	23,506	-	1,611	136	9,803	1,493,448
Development costs	711,086	246,592	-	30,974	-	-	988,652
Other	300,948	3,365	-	3,623	1,217	-	309,153
Customer list	1,716,761	-	-	-	-	25,594	1,742,355
Total	4,187,187	273,463	-	36,208	1,353	35,397	4,533,608
Accumulated amortisation							
Rights	652,012	46,946	-	-	75	7,339	706,372
Development costs	298,806	152,706	-	-	-	-	451,512
Other	126,073	7,284	-	-	254	-	133,611
Customer list	232,366	132,798	-	-	-	7,767	372,931
Total	1,309,257	339,734	-	-	329	15,106	1,664,426
Net Book Value	2,877,930						2,869,182
	1 January 2022	Additions	Disposals	Transfers (*)	Disposal of subsidiary(***)	Currency translation differences	31 December 2022
Cost							
Rights	1,436,910	16,405	(526)	-	(6,823)	12,426	1,458,392
Development costs	607,337	75,740	-	28,010	-	-	711,086
Other	283,502	559	-	16,888	-	-	300,948
Customer list	1,678,301	-	-	-	-	38,460	1,716,761
Toplam	4,006,050	92,703	(526)	44,897	(6,823)	50,885	4,187,187
Accumulated amortisation							
Rights	565,810	86,095	(395)	-	(6,359)	6,861	652,012
Development costs	249,903	48,903	-	-	-	-	298,806
Other	122,942	3,131	-	-	-	-	126,073
Customer list	120,057	86,529	-	-	-	25,780	232,366
Toplam	1,058,712	224,658	(395)	-	(6,359)	32,641	1,309,257
Net Book Value	2,947,338						2,877,930

(*) Transfers are due to reclassifications from tangible assets.

(**) Please refer to Note 16.

(***) As of 31 December 2022, it consists of exits of Aksa Egypt, which is in the sales process.

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NOTE 15 – RIGHT OF USE ASSETS

The movements of right of use assets and related accumulated depreciation for the period ended 31 December 2023 and 2022 are as follows:

	1 January 2023	Additions	Disposals	Acquisitions (*)	Rental condition changes	31 December 2023
Cost						
Vehicles	325,023	66,426	(68,176)	9,922	-	333,195
Site rent	74,245	6,519	(6,168)	-	17,212	91,808
Buildings	114,677	30,224	(24,258)	-	-	120,643
	513,945	103,169	(98,602)	9,922	17,212	545,646
Accumulated depreciation						
Vehicles	143,156	72,162	(63,625)	1,894	-	153,587
Site rent	10,147	7,023	(5,594)	-	-	11,576
Buildings	66,980	22,577	(17,129)	-	-	72,428
	220,283	101,762	(86,348)	1,894	-	237,591
Net book value	293,662					308,055

(*) Please refer to Note 16.

	1 January 2022	Additions	Disposals	Transfers	Rental condition changes	31 December 2022
Cost						
Vehicles	303,375	33,070	(17,303)	-	5,881	325,023
Site rent	67,552	649	-	-	6,044	74,245
Buildings	110,371	8,832	(7,814)	-	3,287	114,677
	481,298	42,551	(25,116)	-	15,212	513,945
Accumulated depreciation						
Vehicles	116,946	41,996	(15,785)	-	-	143,156
Site rent	7,962	2,185	-	-	-	10,147
Buildings	52,039	19,923	(4,981)	-	-	66,980
	176,946	64,103	(20,766)	-	-	220,283
Net book value	304,352					293,662

AKKÖK HOLDİNG ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

(Amounts expressed in thousands of Turkish Lira (“TRY”) in terms of purchasing power of the TRY at 31 December 2023 unless otherwise indicated.)

NOTE 16 - GOODWILL

	31 December 2023	31 December 2022
Akcoat	380,616	380,616
Akgirişim	335,619	-
USK Kimya	314,983	314,983
Dinox	14,216	20,056
Epsilon	2,880	2,880
Other	2,975	2,969
Total	1,051,289	721,504

The movements of goodwill for the periods ended 31 December 2023 and 2022 are as follows:

	2023	2022
Net book value - 1 January	721,504	731,117
Addition	335,619	-
Currency translation differences	(5,834)	(9,613)
Net book value - 31 December	1,051,289	721,504

Impairment test for goodwill:

On 5 January 2015, the Akkim, a subsidiary of the Group, acquired 100% shares of Akcoat. On 22 May 2015, the Akiş, a subsidiary of the Group, acquired 100% shares of Karlitepe. Akkim, a subsidiary of the Group, acquired a 100% share of Dinox on 15 February 2017 for a consideration of EUR3,750 thousand. On 3 November 2018 the remaining 50% shares of Akferal was acquired by Akkim from the FERALCO AB by for a consideration of TRY42,314 thousand. Akcoat, a subsidiary of the Group, acquired 100% shares of Akcoat Spain on 22 November 2017 for a consideration of EUR7,002 thousand. Akkim completed its legal merger as of 31 May 2022 by acquiring all of the shares of USK Kimya Anonim Şirketi (“USK Kimya”) for USD 63,000 thousand on March 1, 2023. On September 30, 2022, Akkök purchased 10.2% of the shares of Epsilon Kompozit Teknoloji ve Savunma Sanayi A.Ş. (“Epsilon”) for TRY68,515 thousand. The difference between the total purchase price, fair value of acquired net assets and resulting goodwill in the consolidated financial statements.

The Group tests whether goodwill has suffered any impairment on an annual basis. The Group, considers the carrying value of its investment in USK Kimya, Akcoat, Dinox, and Akcoat Spain for possible impairment in every reporting period. The impairment analysis cannot be performed by considering market data since related financial asset has not active market and the Company management has to make significant estimations.

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NOTE 16 – GOODWILL (Continued)

Akcoat;

On 5 January 2015, the Group acquired 100% shares of Akcoat. Akcoat is a producer of performance coatings and pigments. The products are being used for the decorative and protective purpose in coating of the materials such as metal sheet, stainless steel, aluminium, cast iron, ceramic tile, sanitary ware, porcelain, medical porcelain and glass. Additionally, these materials are being colorized by inorganic pigments which are also manufactured by Akcoat. The acquisition transaction is accounted in the consolidated financial statements of Akkim by the acquisition method in accordance with TFRS 3 “Business Combinations”. As a result of the related accounting, a goodwill amounting to TRY380,616 thousand is accounted in the consolidated financial statements.

The impairment test is based on a 5-year projection between 1 January 2023 and 31 December 2027 which is approved by Akcoat management. In order to predict the future cash flows, a constant growth rate of 2.00%, not exceeding the estimated average growth rate of the country's economy, has been used. Weighted cost of capital rate of 11.9% is used as after-tax discount rate in order to calculate the recoverable amount of the unit. No impairment has been determined as a result of the analyses carried out by the Group as of 31 December 2023.

USK Kimya purchase

On 1 March 2022, Akkim purchased 100% of the shares of USK Kimya for USD 63,000 thousand (TRY509,338 thousand). With this acquisition, Akkim aimed to strengthen its position in the market by adding carboxymethyl cellulose (“CMC”) production to its product portfolio, which is used in drilling, detergent, food, textile, cleaning and other industries. Akkim completed its legal merger with USK Kimya on 31 May 2022. As a result of the study carried out by Akkim Management using valuation experts, the customer relations assets and clean chemical production expertise (“know-how”) that are not included in the financial statement of USK Kimya are reflected in the financial statements with their fair values at the acquisition date. Within the framework of the study, USK Kimya's forward-looking 5-year cash flow projections have been taken into account, using important estimates and assumptions such as return on equity, multiplier value, weighted average cost of capital ratio and growth rates. As a result of the relevant accounting, TRY314,983 thousand of goodwill were accounted.

The impairment test is based on a 5-year projection between 1 January 2023 and 31 December 2027 which is approved by Akkim management. In order to predict the future cash flows, a constant growth rate of 3.20%, not exceeding the estimated average growth rate of the country's economy, has been used. Weighted cost of capital rate of 12.7% is used as after-tax discount rate in order to calculate the recoverable amount of the unit. No impairment has been determined as a result of the analyses carried out by the Group as of 31 December 2023.

Epsilon;

Akkök was established on September 30, 2022 by Epsilon Kompozit Teknoloji ve Savunma Sanayi A.Ş. (“Epsilon”) purchased 10.2% of its shares for TRY68,515 thousand. With this acquisition, the Group; manufactures high-tech composite parts for the aerospace, aerospace and defense industries. The difference between the total purchase price and the fair value of the net assets acquired is accounted for as goodwill in the consolidated financial statements.

AKKÖK HOLDİNG ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

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NOTE 16 – GOODWILL (Continued)

Ak Girişim;

As of May 15, 2023, Akkök acquired all of the shares of Ak Girişim for TRY479,094 thousand (USD17.8 million). The difference between the total purchase price and the fair value of the net assets acquired is accounted for as goodwill in the consolidated financial statements.

The purchase consideration and the fair values of the assets and liabilities acquired in accordance with TFRS 3 are as follows:

	15 May 2023
Cash and cash equivalents	66,946
Trade receivables	69,038
Other receivables	127,335
Contract assets	187,768
Inventories	4,087
Prepaid Expenses	156,112
Other current/non current assets	45,806
Property, plant and equipment	2,925
Intangible assets	1,024
Right of use assets	8,028
Short term payables	(8,947)
Trade payables	(131,593)
Payable regarding employee benefits	(8,203)
Contract liabilities	(12,833)
Deferred Income	(327,462)
Deferred tax liabilities	(9,476)
Other liabilities	(27,082)
Fair value of total identifiable net assets (100%)	143,475
Fair value of total identifiable net assets (100%)	143,475
Amount paid	479,094
Goodwill	335,619

The details of cash outflows arising from the acquisition are as follows:

	15 May 2023
Total amount - cash	479,094
Cash and cash equivalents - purchased	(66,946)
Cash outflow due to purchase (net)	412,148

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NOTE 17 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

Short term provisions:

	31 December 2023	31 December 2022
Provisions for debts and expenses	18,408	27,196
Provision for lawsuit	11,094	11,875
Total	29,502	39,071

Contingent assets and liabilities:

a) *Guarantees received*

Mortgages, guarantee notes and cheques, letters of guarantee and other commitments received for short-term trade receivables are as follows:

	31 December 2023	31 December 2022
Insurances on receivable	5,810,554	9,162,809
Received letters of guarantee	508,488	643,035
Received mortgages	411,189	462,457
Received notes, guarantee and cheques	150,228	341,861
Limits from direct debit systems	125,774	221,519
Other	147,786	268,882
Total	7,154,019	11,100,563

b) *Guarantees given*

Letters of guarantee, mortgages and letters of credit given by the Group are below:

	31 December 2023	31 December 2022
Mortgages given	7,435,192	9,286,442
Letters of credit given	5,984,238	5,271,878
Letters of guarantee given	2,205,023	4,031,252
Total	15,624,453	18,589,572

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(Amounts expressed in thousands of Turkish Lira ("TRY") in terms of purchasing power of the TRY at 31 December 2023 unless otherwise indicated.)

NOTE 17 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Continued)

c) *Lawsuits from shareholders:*

Following Akkök extraordinary general assembly meeting dated 31 October 2013 and ordinary general assembly meeting related to the year ended 2013 dated 22 April 2014 (delayed to and completed on 23 May 2014) certain shareholders began to file numerous lawsuits against the Group.

Concerning the lawsuits filed for the annulment of Akkök's extraordinary general assembly meetings dated 23 December 2015 and 14 January 2016 and for annulment of Akkök's Board of Directors decision no 4 dated 24 February 2016 regarding the exercise of the shareholder's rights to pay 50% of their share capital commitment, the Court, with an interim decision dated 28 March 2016 rejected the claimants' application for a temporary injunction. In the last hearing on 24 May 2018, the Court, by decisions subject to appeal, dismissed the cases. The applicant has appealed against the aforementioned decisions by the claimant and in the consolidated financial statements no provisions were recognized related to this claim as of 31 December 2023.

NOTE 18 - EMPLOYEE BENEFITS

Provisions for employment benefits

	31 December 2023	31 December 2022
Short term:		
Provision for bonuses	236,824	254,413
Unused vacation provision	43,237	48,450
Provision for other termination benefits	-	5,541
Total	280,061	308,404
Long term:		
Provision for employment termination benefits	241,402	638,540
Provision for seniority incentive plan	3,425	4,936
Total	244,827	643,476

Movements in the short-term provisions for employment termination benefits for the years ended 31 December 2023 and 2022 are as follows:

Provision for bonuses	2023	2022
1 January	254,413	214,129
Current period charges	157,877	222,552
Bonus premiums paid	(83,948)	(103,293)
Inflation effect	(91,518)	(78,975)
31 December	236,824	254,413

AKKÖK HOLDİNG ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

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NOTE 18 - EMPLOYEE BENEFITS (Continued)

	2023	2022
Provision for unused vacation		
1 January	48,450	44,709
Inflation effect	(19,708)	(22,293)
Charge for the year	12,812	26,034
Acquisition effect	1,683	-
31 December	43,237	48,450

Under Turkish labor law, the Company is officially required to pay the severance pay to each employee whose employment contract has expired. Also, the Company is required to pay the severance payment to employees who has the right to leave the Company by receiving severance pays according to the 2422 numbered, 6 March 1981 dated and 4447 numbered, 25 August 1999 dated Law no.506 on Social Insurance Law’s 60th clause which is still effective.

The liability is not funded as there is no funding requirement. The provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of employees.

TAS 19 “Employee Benefits” require actuarial valuation methods to be developed to estimate the enterprise’s obligation under defined benefit plans. Accordingly, the following actuarial assumptions have been used in the calculation of the total liability:

	2023	2022
Discount rate (%)	3.65	0.5
Probability of retirement (%)	91.12 – 94.22	93.58 – 98.22

The principal assumption is that the maximum liability 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 anticipated effects of future inflation. As the maximum liability is revised once every six months, the maximum amount of full TRY 35,058.58 effective from 1 January 2023 (1 January 2022: full TRY 23,489.83) has been taken into consideration in calculating the reserve for employment termination benefit of the Group.

Movements in the provisions for employment termination benefits and seniority incentive bonus for the years ended 31 December 2023 and 2022 are as follows:

	2023	2022
1 January	643,474	299,669
Inflation effect	(117,191)	(103,776)
Acquisition effect	6,520	-
Compensation paid	(257,096)	(25,779)
Service cost	21,953	161,145
Interest cost	34,110	39,295
Actuarial gain	(86,943)	272,920
31 December	244,827	643,474

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

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NOTE 19 - OTHER ASSETS AND LIABILITIES

	31 December 2023	31 December 2022
Other current assets:		
VAT receivable	579,399	799,127
Income accruals	6,692	15,675
Other	5,600	7,540
Total	591,691	822,342
Other non-current assets:		
VAT receivable	6,802	7,354
Other	3	3
Total	6,805	7,357
	31 December 2023	31 December 2022
Other current liabilities:		
Expense accruals	43,582	19,970
Taxes and fund payables	55,423	9,844
Total	99,005	29,814
Other non-current liabilities:		
Deposits and guarantees received	3,332	65,775
Total	3,332	65,775

NOTE 20 – ASSETS HELD FOR SALE

	31 December 2023	31 December 2022
Aksa Egypt	-	55,662
Total	-	55,662

All shares of Aksa Egypt owned by the Group were sold on 16 March 2023 for 49,917,450 Egyptian Liras (indexed value according to 31 December 2023, TRY44,588). The effect of Aksa Egypt's sale transaction on the income statement for the period ending 31 December 2023 is below:

Sales revenue (after selling expenses, net)	44,588
Aksa Egypt net Asset (-)	(55,662)
Currency translation differences	88,229
Subsidiary sale profit	77,155

Profit from subsidiary sales is classified under the footnote "Income from investment activities".

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

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NOTE 21 – BORROWINGS

	31 December 2023	31 December 2022
Short-term bank borrowings	4,375,193	5,686,379
Issued bonds and bills	300,257	285,881
Other financial liabilities	443	315
	4,675,893	5,972,575
Short term portion of long-term bank borrowings	3,103,012	3,208,286
Lease liabilities	154,157	55,225
	3,257,169	3,263,511
Total short term financial liabilities	7,933,062	9,236,086
Long-term bank borrowings	6,852,386	8,433,593
Lease liabilities	245,363	130,797
Total long term financial liabilities	7,097,749	8,564,390

The annual weighted average effective interest rates of bank loans obtained by the Group in various currencies are as follows:

	31 December 2023		31 December 2022	
	Annual weighted average interest rate %	TRY equivalent	Annual weighted average interest rate %	TRY equivalent
Short-term bank borrowings:				
USD loans	10.10	1,558,875	8.30	1,018,934
EUR loans	7.83	935,466	7.14	733,452
TRY loans	27.86	1,880,852	21.00	3,933,993
Issued bonds	29.00	300,257	29.00	285,881
Other financial liabilities	-	443	-	315
Total		4,675,893		5,972,575

Annual weighted average effective interest rates of bank loans obtained by the Group in various currencies are as follows (continued):

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

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NOTE 21 – BORROWINGS (Continued)

	31 December 2023		31 December 2022	
	Annual weighted average interest rate %	TRY equivalent	Annual weighted average interest rate %	TRY equivalent
Short term portion of long-term bank borrowings:				
USD loans	6.97	1,079,844	6.41	1,948,613
EUR loans	8.07	1,627,436	5.20	818,323
TRY loans	24.33	395,732	22.54	441,350
Lease liabilities	-	154,157	-	55,225
Total		3,257,169		3,263,511
Long-term bank borrowings:				
USD loans	6.43	2,151,860	5.89	4,526,228
EUR loans	8.40	4,090,016	5.62	2,998,516
TRY loans	19.71	610,510	20.18	908,849
Lease liabilities	-	245,363	-	130,797
Total		7,097,749		8,564,390

The movement table of financial borrowings for the years ended 31 December 2023 and 2022 are as follows:

	2023	2022
1 January	17,800,476	25,999,355
Inflation effect	(7,993,818)	(10,464,944)
Cash inflow from new borrowings obtained	10,138,786	20,644,417
Cash outflows from redemption of borrowings	(9,473,019)	(22,867,169)
Change in interest accrual	228,080	347,373
Exchange rates differences	4,234,552	4,107,054
Effect of business acquisitions	8,947	-
Lease liabilities	86,807	34,390
31 December	15,030,811	17,800,476

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NOTE 21 - BORROWINGS (Continued)

The book value and fair value of the borrowings as of 31 December 2023 and 2022 is as follows:

	31 December 2023		31 December 2022	
	Fair Value	Book Value (*)	Fair Value	Book Value (*)
USD loans	8,027,122	7,834,997	7,497,616	7,493,775
EUR loans	3,516,294	3,461,310	4,578,725	4,550,291
TRY loans	3,022,323	3,033,841	4,910,052	5,284,192
Total	14,565,739	14,330,148	16,986,393	17,328,258

(*) The balance does not include the amounts of financial lease liabilities arising under TFRS 16.

The fair values of the borrowings are based on discounted cash flows using a current borrowing rate. They are classified as level 2 fair values in the fair value hierarchy.

The repayment schedule of borrowings is as follows:

	31 December 2023	31 December 2022
To be paid within 1 year	7,933,062	9,236,086
To be paid between 1-2 year	2,806,724	5,557,767
To be paid between 2-3 year	2,533,292	1,618,530
To be paid between 3-4 year	713,440	606,270
To be paid after 4 years	1,044,293	781,823
Total	15,030,811	17,800,476

At 31 December 2023, bank borrowings with floating interest rates amounts to TRY6,599,945 (2022: TRY5,562,936).

NOTE 22 - DERIVATIVE FINANCIAL INSTRUMENTS

	31 December 2023		31 December 2022	
	Asset	Liabilities	Asset	Liabilities
Hedging instruments	50,645	-	241,775	-
Held for trading	24,140	24,987	23,973	30,119
Toplam	74,785	24,987	265,748	30,119

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NOTE 22 - DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

Derivatives as hedging instruments:

	31 December 2023		31 December 2022	
	<u>Contract amount</u>	<u>Fair value liabilities</u>	<u>Contract amount</u>	<u>Fair value liabilities</u>
Interest rate swaps	316,950	7,814	194,262	241,775
Cross currency swaps	441,900	42,831	-	-
Toplam	758,850	50,645	194,262	241,775

Derivative financial instruments are initially recognized at the acquisition cost reflecting the fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value.

The derivative instruments of the Group mainly consist of interest rate swap and forward foreign exchange purchase and sale transactions.

Hedges of exposures to variability in cash flows that are attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction and could affect profit and loss are designated as cash flow hedges by the Group. These derivative transactions, even though providing effective economic hedges under the Group risk management position, do not generally qualify for hedge accounting under the specific rules and are therefore treated as derivatives hedging derivative financial instruments in the consolidated financial statements. Changes in the fair value of derivatives, designated as cash flow hedges and qualified as effective, are recognized in equity as “hedging reserves” after tax effect.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, or when a committed or forecasted, transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the consolidated income statement. The realisation of promised or probable future transactions are recorded in the income statement, if not realised, accumulated gains or losses are recognised as income or loss in the consolidated financial statements.

As of 31 December 2023, main floating rates are EURIBOR and SOFR. Gains and losses recognised in the hedging reserve in equity on interest rate swap contracts as of 31 December 2023 will be continuously released to the income statement within finance cost until the repayment of the bank borrowings.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

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NOTE 23 - CAPITAL, RESERVES AND OTHER EQUITY ITEMS

Capital

At 31 December 2023 and 2022 the Group's share capital and shareholding structure exceeding 1% were as follows:

	Share (%)	31 December 2023	Share (%)	31 December 2022
A.R.D Holding Anonim Şirketi	33	334,483	33	334,483
Atlantik Holding Anonim Şirketi	33	334,483	33	334,483
NDÇ Holding Anonim Şirketi	33	334,482	33	334,482
Other	1	2	1	2
Nominal capital	100	1,003,450	100	1,003,450
Adjustment to share capital		7,536,857		7,536,857
Total	100	8,540,307	100	8,540,307

The Group's authorised share capital consists of 100,345,000,000 shares each with TRY0.01 value (2022: 100,345,000,000). There are no privileges given to shares of different groups and shareholders, as of balance sheet date, the paid-in capital is TRY1,003,450.

The share capital, which was increased from TRY13,098 to TRY863,378 with the decision taken at the extraordinary general assembly meeting dated 23 December 2015, through the addition of the Company's whole internal resources to the capital (only from internal resources) pursuant to Article 462 of the Turkish Commercial Code (TCC), was increased to TRY1,003,450 with the capital increase decision taken at the extraordinary general assembly meeting held on 14 January 2016. The entire amount committed was paid in cash.

Retained Earnings and Legal Reserves

Legal reserves consist of first and second legal reserves, calculated in accordance with the Turkish Commercial Code. The first legal reserve is calculated as 5% of the financial statutory profits per annum until the total reserve reaches 20% of the historical paid-in share capital. In accordance with Turkish Commercial Code, restricted reserves not exceeding 50% of share capital can be offset against accumulated losses but cannot be distributed.

As of 31 December 2023, and 2022, retained earnings of Akkök its stand-alone with statutory financial statements are as follows:

	31 December 2023	31 December 2022
Legal reserves	434,950	101,728
Net profit for the period	1,075,905	1,078,566
Retained earnings	5,475,580	538,415
Total	6,986,435	1,718,709

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

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NOTE 23 - CAPITAL, RESERVES AND OTHER EQUITY ITEMS (Continued)

Informations on subsidiaries with significant non-controlling interest

Group subsidiaries with significant non-controlling interest are Akiş, Akkim, Aksa and Epsilon. Summary of the financial information of these subsidiaries are stated below:

31 December 2023	Ownership of non-controlling interest (%)	Assets	Liabilities	Revenue	Net profit/loss for the year
Akiş	85.34	23,931,249	3,698,581	2,577,152	3,358,458
Akkim	58.00	18,776,845	9,698,507	13,551,074	3,907,260
Aksa	59.61	25,107,937	8,267,164	23,932,583	1,653,836
Epsilon	89.80	475,140	112,213	481,122	8,906
Total		68,291,171	21,776,465	40,541,931	8,928,460

31 December 2022	Ownership of non-controlling interest (%)	Assets	Liabilities	Revenue	Net profit/loss for the year
Akiş	85.34	23,574,160	6,670,401	1,701,787	3,895,842
Akkim	58.00	18,076,070	11,188,361	16,747,482	2,226,543
Aksa	59.61	25,477,136	9,353,818	34,464,528	4,572,776
Epsilon	89.80	424,966	69,666	524,090	100,773
Total		67,552,332	27,282,246	53,437,887	10,795,934

NOTE 24 - REVENUE AND COST OF SALES

a) Revenue

	1 January - 31 December 2023	1 January - 31 December 2022
Local sales	25,613,158	33,769,577
Export sales	15,639,257	20,523,764
Less: sales returns (-)	(125,645)	(210,249)
Less: sales discounts (-)	(1,278,362)	(1,774,428)
Revenue, net	39,848,408	52,308,664

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NOTE 24 - REVENUE AND COST OF SALES (Continued)

b) Cost of sales

	1 January - 31 December 2023	1 January - 31 December 2022
Raw materials	21,817,099	32,744,576
Personnel expenses	2,028,125	1,519,623
Depreciation and amortisation expenses	1,761,399	1,437,067
Energy expenses	1,702,849	3,636,980
Maintenance and repair expenses	394,284	291,983
Shopping mall costs	381,052	252,656
Other	2,218,636	1,039,766
Total	30,303,444	40,922,651

NOTE 25 - GENERAL AND ADMINISTRATIVE EXPENSES

a) General administrative expenses

	1 January - 31 December 2023	1 January - 31 December 2022
Personnel expenses	799,675	661,326
Consultancy expenses	268,756	191,430
Depreciation and amortization expenses	125,548	115,069
IT and communication expenses	42,784	47,272
Other tax expenses	27,491	58,369
Rent expenses	27,081	10,544
Office expenses	15,718	18,494
Travelling expenses	6,960	24,671
Other	10,633	39,409
Total	1,324,646	1,166,584

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NOTE 25 - GENERAL AND ADMINISTRATIVE EXPENSES (Continued)

b) Marketing expenses

	1 January - 31 December 2023	1 January - 31 December 2022
Personnel expenses	246,282	205,703
Transportation expenses	243,902	220,613
Commission expenses	207,462	253,478
Depreciation and amortization expenses	175,056	70,472
Export expenses	113,179	191,990
Insurance expenses	27,346	35,518
Travel expenses	10,630	29,687
Advertisement expenses	5,864	27,079
Rent expenses	4,475	7,327
Other	73,222	138,072
Total	1,107,418	1,179,939

NOTE 26 - OTHER OPERATING INCOME AND EXPENSE

a) Other operating income

	1 January - 31 December 2023	1 January - 31 December 2022
Foreign exchange gain on commercial activities	4,418,699	5,913,181
Interest income from credit sales	181,816	167,708
Provision for impairment reversal	144,544	13,462
Gain on sale of scraps	60,637	53,268
Other	178,846	108,601
Total	4,984,542	6,256,220

b) Other operating expenses

	1 January - 31 December 2023	1 January - 31 December 2022
Foreign exchange loss on commercial activities	3,058,392	5,264,201
Allowance for expected credit losses	143,006	43,835
Interest expense from credit purchases	133,927	124,151
Other	209,231	105,697
Total	3,544,556	5,537,884

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NOTE 27 - INCOME AND EXPENSE FROM INVESTING ACTIVITIES

a) Income from investing activities

	1 January - 31 December 2023	1 January - December 2022
Increase in fair value of investment properties	1,987,114	1,674,630
Income from currency-protected deposits	819,313	127,933
Income from sale of share from financial investments and associates	115,251	68,723
Gain on sales of subsidiary (Note 20)	77,155	-
Gain on sales of investment property	73,669	6,850
Gain on sales of fixed assets	13,433	-
Other	37,354	-
Total	3,123,289	1,878,136

b) Expense from investing activities

	1 January - 31 December 2023	1 January - December 2022
Loss on sales of fixed assets	25,374	-
Impairment of financial assets	5,049	15,192
Other	1,469	-
Total	31,892	15,192

NOTE 28 - EXPENSES BY NATURE

Expenses classified by nature for the period of 31 December 2023 and 2022 are as follows:

	1 January - 31 December 2023	1 January - 31 December 2022
Raw materials and supplies	21,817,099	32,744,576
Personnel expenses	3,160,124	2,509,348
Depreciation and amortization (*)	2,118,237	1,745,636
Energy expenses	1,702,849	3,636,980
Maintenance, repair and cleaning expenses	394,284	354,374
Shopping mall costs	381,052	252,656
Other	3,416,269	2,254,159
Total	32,989,914	43,497,729

(*) As of the year ended 31 December 2023, TRY1,676,741 of depreciation and amortization is from depreciation expenses of tangible fixed assets (31 December 2022: TRY1,456,874), TRY339,734 from depreciation expenses of intangible assets (31 December 2022: TRY224,658), TRY101,762 consists of depreciation expenses of right-of-use assets (31 December 2022: TRY64,104). There are no depreciation expenses of the investments in progress as the project development costs of the incomplete project expenses (31 December 2022: none).

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NOTE 28 - EXPENSES BY NATURE (Continued)

	1 January - 31 December 2023	1 January - 31 December 2022
Depreciation and amortization (*)		
Cost of sales	2,028,125	1,519,623
General administrative expenses	799,675	661,326
Marketing expenses	246,282	205,703
Research and development expenses	86,042	122,696
Total	3,160,124	2,509,348

NOTE 29 - FINANCIAL INCOME AND EXPENSES

Financial income :	1 January - 31 December 2023	1 January - 31 December 2022
Foreign exchange gain	2,782,106	2,538,987
Interest income	648,435	607,605
Gain from derivative financial instruments	490,289	193,536
Other	15,415	-
Total	3,936,245	3,340,128

Financial expenses :	1 January - 31 December 2023	1 January - 31 December 2022
Foreign exchange loss	4,781,641	6,530,782
Interest expense	2,230,003	2,030,653
Loss from derivative financial instruments	960,509	1,093,777
Other	124,734	68,788
Total	8,096,887	9,724,000
Financial expenses, net	4,160,642	6,383,872

NOTE 30 - TAXES ON INCOME

	31 December 2023	31 December 2022
Corporate and income taxes payable	1,060,088	616,173
Inflation Effect	(50,311)	(33,779)
Less: prepaid corporate income tax	(785,295)	(699,030)
Current income tax (assets)/liabilities, net	224,482	(116,636)

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NOTE 30 - TAXES ON INCOME (Continued)

The details of taxation on income in the statements of comprehensive income for the years ended 31 December 2023 and 2022 are as below:

	1 January - 31 December 2023	1 January - 31 December 2022
Current income tax expense	(1,060,088)	(616,173)
Deferred tax expense	561,928	698,634
Total tax expense, net	(498,160)	82,461

Deferred tax assets and liabilities

The composition of cumulative temporary differences and the related deferred income tax assets and liabilities in respect of items for which deferred tax has been provided on 31 December 2023 and 2022 using the enacted tax rates is as follows:

	Temporary taxable differences		Deferred tax assets /(liabilities)	
	31 December 2023	31 December 2022	31 December 2023	31 December 2022
Property, plant and equipment, intangible assets and right of use assets	884,432	5,216,225	(221,108)	(1,043,245)
Tax benefit on unreal financing costs	1,369,340	-	342,335	-
Investment properties	702,277	324,141	(131,677)	(32,414)
Deferred income	338,208	357,252	84,552	71,450
Investment incentives	92,885	50,350	92,885	50,350
Derivative financial instruments	23,916	49,432	(5,979)	(9,886)
Employee benefits	244,544	617,651	61,136	123,530
Trade receivables and provisions for doubtful receivables	154,260	70,515	38,565	14,103
Inventories	1,013,808	878,755	(253,452)	(175,751)
Other	214,444	499,126	53,611	99,825
Deferred tax liabilities, net			60,868	(902,038)

Since each subsidiary are separate taxpayers, net deferred income tax assets or liabilities for each of these taxpayers have been calculated however these have not been offset in the consolidated balance sheets. The temporary differences and deferred tax assets and liabilities presented above are based on the gross values and represent the net deferred tax position.

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NOTE 30 - TAXES ON INCOME (Continued)

Movements of deferred tax assets/(liabilities) as of 31 December 2023 and 2022 as below:

	2023	2022
1 January	(902,038)	(1,554,333)
Deferred tax expense		
recognised in profit or loss, net	561,928	698,634
Deferred tax income recognised in		
other comprehensive income	399,544	(47,092)
Acquisition effect	(9,476)	-
Currency translation differences	10,910	753
31 December	60,868	(902,038)

The reconciliation of tax expenses stated on the consolidated statement of comprehensive income for the years ended 31 December 2023 and 2022 is as follows:

	1 January - 31 December 2023	1 January - 31 December 2022
Profit/(loss) before taxes	11,189,890	11,962,645
Expected tax expense of the Group (25% , 23%)	(2,797,473)	(2,751,408)
Previous year losses utilized in the current year for which no deferred tax assets recognised in previous years	-	(5,833)
Investment incentives	300,195	1,052,438
Expenses not deductible for tax purposes	(150,206)	(77,542)
Effect of consolidation adjustments	(19,572)	(50,864)
Other income/expense exempt from tax	1,490,401	1,202,015
Monetary gain/loss (*)	1,136,306	861,540
Additional corporate tax (**)	(336,750)	-
Tax rate change effect and other	(121,061)	(147,885)
Current tax expense of the Group	(498,160)	82,461

(*) It consists of the effect of adjustments related to inflation accounting within the scope of the communiqué numbered 32415 and dated 30 December 2023 of the Tax Procedure Law.

(**) In accordance with the "Law on Restructuring of Certain Receivables and Amendment of Certain Laws" numbered 7440 published in the Official Gazette on 12 March 2023, additional tax at the rate of 10% on exemption and discount amounts deducted from corporate income in accordance with the regulations in the laws and on the bases subject to reduced corporate tax, without being associated with the income for the period, and at the rate of 5% on exempt earnings, as shown in the corporate tax declaration for the year 2022. As of 31 December 2023, the amount accrued for the related tax in addition to the Group's corporate tax is TRY336,750 thousand.

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NOTE 30 - TAXES ON INCOME (Continued)

As of balance sheet date, the Group did not recognize deferred income tax assets on carry forward tax losses' of certain subsidiaries, for which amounts, and expiration dates are as follows:

Dates of expiry	31 December 2023	31 December 2022
2023	-	112
2024	47	77
2025	98	161
2026	184	303
2027	466	173
Total	795	827

NOTE 31 - NATURE AND EXTENT OF RISK ARISING FROM FINANCIAL INSTRUMENTS

Financial risk factors

The Groups principal financial instruments are cash and cash equivalents, trade receivables, trade payables and financial liabilities. The main purpose of these financial instruments is to raise finance for the Group's operations. The main risks arising from the Group's financial instruments are liquidity risk, foreign currency risk, interest rate risk and credit risk. The Group management reviews and agrees policies for managing each of the risks as summarised below.

31.1 Foreign currency risk

Foreign currency risk is identified by the changes in cash flows and revenues due to changes in foreign currency rates. The Group is exposed to foreign currency risk with the foreign currency transactions of sales, purchases, and financial liabilities. In these transactions, USD and EUR are the main currencies. In selected subsidiaries, Akkök, implemented written policies for managing these risks. Written policies are determined considering, a) risk appetite b) strategies and plan to reduce risk to an acceptable level c) risk monitoring methods (reporting, etc.). These policies are revised when necessary and reviewed at least once a year.

Net foreign currency positions of selected subsidiaries are periodically analysed by Akkök. In order to manage the foreign currency risk, natural hedging is achieved, as practically possible, through balance sheet management. In addition, the Group enters derivative contracts to manage shorter - term foreign currency risk, where necessary. For longer term management of the risk, the Group considers market conditions and enters derivative contracts.

As of 31 December 2023, the foreign currency position of the Group is prepared using the following foreign exchange rates: USD/TRY 29.4382, EUR/TRY 32.5739 (2022: USD/TRY 18.6983, EUR/TRY 19.9349).

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NOTE 31 - NATURE AND EXTENT OF RISK ARISING FROM FINANCIAL INSTRUMENTS (Continued)

Foreign currency position table denominated in Turkish Lira as of 31 December 2023 and 2022 is as follows:

	31 December 2023	31 December 2022
Assets	7,640,401	10,367,848
Liabilities (-)	(15,888,181)	(17,664,922)
Net balance sheet position	(8,247,780)	(7,297,074)

	31 December 2023			Total
	USD	EUR	Other Currencies	
Assets:				
Cash and cash equivalents	3,410,302	1,016,942	26,611	4,453,855
Financial investments	134,949	-	-	134,949
Trade receivables	1,342,515	1,689,659	614	3,032,788
Other assets	15,665	92	3,052	18,809
Total assets	4,903,431	2,706,693	30,277	7,640,401
Liabilities:				
Short-term borrowings	2,638,719	2,562,902	-	5,201,621
Long-term borrowings	2,151,860	4,090,016	-	6,241,876
Trade payables	3,656,516	723,946	2,389	4,382,851
Other liabilities	10,338	51,495	-	61,833
Total liabilities	8,457,433	7,428,359	2,389	15,888,181
Net foreign currency position	(3,554,002)	(4,721,666)	27,888	(8,247,780)

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NOTE 31 - NATURE AND EXTENT OF RISK ARISING FROM FINANCIAL INSTRUMENTS (Continued)

	31 December 2022			Total
	USD	EUR	Other Currencies	
Assets:				
Cash and cash equivalents	2,420,671	1,204,958	806	3,626,434
Financial investments	204,177	-	-	204,177
Trade receivables	3,051,759	3,459,515	4,427	6,515,701
Other assets	16,413	94	5,029	21,536
Total assets	5,693,020	4,664,566	10,262	10,367,848
Liabilities:				
Short-term borrowings	2,967,547	1,551,775	-	4,519,322
Long-term borrowings	4,526,228	2,998,516	-	7,524,744
Trade payables	5,075,645	467,316	4,579	5,547,540
Other liabilities	7,118	66,198	-	73,316
Total liabilities	12,576,539	5,083,805	4,579	17,664,922
Net foreign currency position	(6,883,519)	(419,239)	5,683	(7,297,074)

The table below shows the sensitivity of the net foreign currency position of the Group to the changes in foreign exchange rates as of 31 December 2023 and 2022:

31 December 2023	Foreign currency appreciation	Foreign currency devaluation
Change of USD against TRY by 10%		
USD net assets/liabilities	(355,400)	355,400
Hedging amount of USD	67,106	(67,106)
USD net effect - income/expense	(288,294)	288,294
Change of EUR against TRY by 10%		
EUR net assets/liabilities	(472,167)	472,167
Hedging amount of EUR	144,758	(144,758)
Euro net effect - income/expense	(327,409)	327,409

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NOTE 31 - NATURE AND EXTENT OF RISK ARISING FROM FINANCIAL INSTRUMENTS (Continued)

31 December 2022	Foreign currency appreciation	Foreign currency devaluation
Change of USD against TRY by 10%		
USD net assets/liabilities	(688,352)	688,352
Hedging amount of USD	210,743	(210,743)
USD net effect - income/expense	(477,609)	477,609
Change of EUR against TRY by 10%		
EUR net assets/liabilities	(41,924)	41,924
Hedging amount of EUR	151,425	(151,425)
Euro net effect - income/expense	109,501	(109,501)

31.2 Interest rate risk

Interest rate risk arises from changes in interest rates of interest-bearing liabilities and assets. As the medium and long-term borrowings are only available with floating rates in the market the Group is exposed to interest rate risk from time to time. Akkök Holding Anonim Şirketi, implemented written policies for managing these risks. Written policies are determined considering, a) risk appetite b) strategies and plans to reduce risk to an acceptable level c) risk monitoring methods (reporting, etc.). These policies are revised when necessary and reviewed at once a year. The Group watches markets closely, analyses sensitivity to interest rate changes and the weighted average maturity of liabilities to identify possible changes in costs. As a result of analysis, if necessary, interest rate swaps are used to fix some portion of the floating rate debt liabilities during the term of the loan.

Borrowings issued at floating rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rate expose the Group to fair value interest rate risk. As of 31 December 2023, and 2022, the Group’s borrowings at floating rates are mainly denominated in USD and EUR.

On 31 December 2023, if interest rates on denominated borrowings had been higher/lower by 100 base point with all other variables held constant, profit before income taxes would have been TRY420/420 (2022: TRY1,097/1,097) lower/higher, mainly because of high interest expense on floating rate borrowings.

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NOTE 31 - NATURE AND EXTENT OF RISK ARISING FROM FINANCIAL INSTRUMENTS (Continued)

31.3 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counterparties, and continually assessing the creditworthiness of the counterparties. It is the Group policy that all customers who wish to trade on credit terms are subject to credit screening procedures and the Group also obtains collaterals from customers when appropriate. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. Trade receivables are evaluated by the management based on their past experiences and current economic condition, and are presented in financial statements net of provision for doubtful receivables

The Fitch rating scores of the banks in which the company has short term time and demand deposits, are within the range of F3-B.

As of 31 December 2023, trade receivables amounting to TRY926,438 (2022: TRY463,341) were past due but not impaired. The Group does not foresee any collection risk for receivables overdue up to one month due to industry dynamics and circumstances. The Group applies a portion of trade receivables overdue more than one month by interest charge. Aging of past due but not impaired trade receivables 31 December 2023 and 2022 is as follows:

	31 December 2023	31 December 2022
Up to 3 months overdue	1,142,034	1,344,874
More than 3 months overdue	405,128	590,816
Total	1,547,162	1,935,690

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NOTE 31 - NATURE AND EXTENT OF RISK ARISING FROM FINANCIAL INSTRUMENTS (Continued)

Credit risk of financial instruments on 31 December 2023 and 2022 are as follows:

31 December 2023	Trade and other receivables		Bank deposits	Stock, fund and bond	Derivative financial assets
	Related party	Other			
Maximum credit risk exposure as of the reporting date (A+B+C+D)	1,660,389	6,654,217	7,031,053	971,760	74,785
Secured portion	575,499	1,394,758	-	-	-
A. Net book value of financial assets that are neither past due nor impaired	1,009,511	5,757,933	7,031,053	971,760	74,785
- Secured portion	-	534,881	-	-	-
B. Net book value of financial assets that are past due but not impaired	650,878	896,284	-	-	-
- Secured portion	110,136	244,465	-	-	-
C. Net book value of financial assets that are past due and impaired	-	-	-	-	-
- Overdue (gross book value)	-	254,731	-	-	-
- Impairment (-)	-	(254,731)	-	-	-
- Secured portion	-	-	-	-	-
- Not overdue (gross book value)	-	-	-	-	-
- Impairment (-)	-	-	-	-	-
- Secured portion	-	-	-	-	-
D. Off-balance sheet items with credit risk	-	-	-	-	-

31 December 2022	Trade and other receivables		Bank deposits	Stock, fund and bond	Derivative financial assets
	Related party	Other			
Maximum credit risk exposure as of the reporting date (A+B+C+D)	626,668	7,692,279	7,476,960	603,233	265,747
Secured portion	189,367	2,192,795	-	-	-
A. Net book value of financial assets that are neither past due nor impaired	235,372	6,147,885	7,476,960	609,576	265,747
- Secured portion	-	1,739,769	-	-	-
B. Net book value of financial assets that are past due but not impaired	391,296	1,544,394	-	-	-
- Secured portion	149,649	453,029	-	-	-
C. Net book value of financial assets that are past due and impaired	-	-	-	-	-
- Overdue (gross book value)	-	335,945	-	-	-
- Impairment (-)	-	(335,945)	-	-	-
- Secured portion	-	-	-	-	-
- Not overdue (gross book value)	-	-	-	-	-
- Impairment (-)	-	-	-	-	-
- Secured portion	-	-	-	-	-
D. Off-balance sheet items with credit risk	-	-	-	-	-

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NOTE 31 - NATURE AND EXTENT OF RISK ARISING FROM FINANCIAL INSTRUMENTS (Continued)

31.4 Liquidity risk

Liquidity risk comprises the risks arising from the inability to fund the increase in the assets, the inability to cover the liabilities due and the operations performed. The liquidity is minimised by balancing the cash inflows and outflows and also securing funds from reliable financial institutions. The breakdown of financial assets and liabilities according to their maturities is disclosed considering the due date periods. Financial assets and liabilities that have no certain due dates are classified in over one-year column.

31 December 2023	Carrying value	Contractual cash flows (=I+II+III+ IV)	Up to 3 months (I)	3 to 12 months (II)	1 to 5 years (III)	More than 5 years (IV)
Contractual maturities						
Non-derivate financial liabilities						
Borrowings	15,030,811	17,787,207	2,313,265	7,072,849	7,895,274	505,819
Trade pay ables	5,857,973	5,869,894	5,302,418	303,239	264,237	-
Due to related parties	169,025	169,025	169,025	-	-	-
Total	21,057,809	23,826,126	7,784,708	7,376,088	8,159,511	505,819

31 December 2022	Carrying value	Contractual cash flows (=I+II+III+ IV)	Up to 3 months (I)	3 to 12 months (II)	1 to 5 years (III)	More than 5 years (IV)
Contractual maturities						
Non-derivate financial liabilities						
Borrowings	17,800,476	19,888,836	3,741,884	6,083,062	9,230,437	833,453
Trade pay ables	6,576,494	6,537,399	6,027,219	499,656	10,524	-
Due to related parties	559,831	563,003	563,003	-	-	-
Total	24,936,801	26,989,238	10,332,106	6,582,718	9,240,961	833,453

31.5 Capital risk management

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

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

The Group controls its capital using the net debt/total capital ratio. This ratio is calculated by dividing net debt by the total capital amount. Net debt is calculated as total liability amount (comprises of borrowings, trade payables and payables to related parties as presented in the balance sheet) less cash and cash equivalents Total capital is calculated as equity plus the net debt amount as presented in the balance sheet.

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NOTE 31 - NATURE AND EXTENT OF RISK ARISING FROM FINANCIAL INSTRUMENTS (Continued)

31.5 Capital risk management

The ratio of net debt/equity on 31 December 2023 and 2022 is as follows:

	31 December 2023	31 December 2022
Total liabilities	21,057,809	24,936,801
Less: cash and cash equivalents (Note 5)	(7,037,955)	(7,483,861)
Less: short term financial investments	(1,137,341)	(651,171)
Net debt	12,882,513	16,801,769
Total shareholders' equity	56,779,525	48,275,426
Total equity	69,662,038	65,077,195
Gearing ratio (%)	18	26

31.6 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 Group, 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 Group could realise in a current market exchange.

The following methods and assumptions are used to estimate the fair value of the financial instruments:

Monetary assets

Monetary assets and liabilities denominated in foreign currencies have been translated at the exchange rates prevailing at the balance sheet dates. These balances are anticipated to approximate their book value.

The carrying values of significant portion of cash and cash equivalents are assumed to approximate to their fair value due to their short-term nature.

The carrying values of trade receivables are assumed to approximate to their fair value with their provisions for doubtful receivables.

Monetary liabilities

Bank loans and other liabilities are anticipated to approximate their book value due to their short-term nature.

The long-term loans are assumed to approximate to their carrying value due to their variable interest rates. The determined fair value of long-term loans to explained on notes, is the discounted amount of cash flows according to agreements with current market interest rate (Note 21).

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(Amounts expressed in thousands of Turkish Lira (“TRY”) in terms of purchasing power of the TRY at 31 December 2023 unless otherwise indicated.)

NOTE 31 - NATURE AND EXTENT OF RISK ARISING FROM FINANCIAL INSTRUMENTS (Continued)

31.6 Fair value of financial instruments (Continued)

Fair Value Estimation:

Effective from 1 January 2011 the group adopted the amendment to TFRS 7 for financial instruments that are measured in the balance sheet at fair value, this requires disclosure of fair value measurements by level of the following hierarchy:

- Level 1: Quoted prices in active markets for identical assets or liabilities;
- Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly;
- Level 3: Inputs for the asset or liability that is not based on observable market data.

31 December 2023	Level 1	Level 2	Level 3
Financial investments measured at fair value through profit or loss	-	774,915	-
Financial investments measured at fair value through other comprehensive income	36,510	-	372
Derivative financial assets	-	49,798	-
Total assets	36,510	824,713	372

31 December 2022	Level 1	Level 2	Level 3
Financial investments measured at fair value through profit or loss	-	416,674	-
Financial investments measured at fair value through other comprehensive income	45,041	-	372
Derivative financial assets	-	235,629	-
Total assets	45,041	652,303	372

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

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NOTE 32 - FEES FOR SERVICES RECEIVED FROM INDEPENDENT AUDITOR / INDEPENDENT AUDIT FIRMS

The Group's explanation regarding the fees for the services received from the independent audit firms, which is based on the letter of POA dated August 19, 2022, the preparation principles of which are based on the Board Decision published in the Official Gazette on March 30, 2022, are as follows:

	2023	2022
Independent audit fee for the reporting period (*)	22,105	15,827
Fees for tax advisory services	210	492
Fee for other assurance services	393	922
Non-audit other services	281	84
	22,989	17,325

(*) The fees above have been determined by including the legal audit and other related service fees of all subsidiaries and joint ventures, and the foreign currency fees of foreign subsidiaries and affiliates have been converted into TRY using the annual average rates of the relevant years.

NOTE 33 - EVENTS AFTER THE BALANCE SHEET DATE

None.

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