(Convenience translation into English of the independent auditors' report and financial statements originally issued in Turkish – See Note 31)

Batısöke Söke Çimento Sanayii T.A.Ş.

Financial statements for the period between January 1 - December 31, 2022 and independent auditors' report

(Convenience translation of the financial statements originally issued in Turkish)

Batısöke Söke Çimento Sanayii T.A.Ş.

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Building a better working world

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(Convenience translation of the independent auditors' report originally issued in Turkish)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Batısöke Söke Çimento Sanayii Türk Anonim Şirketi;

A) Report on the Audit of the Financial Statements

1) Opinion

We have audited the financial statements of Batısöke Söke Çimento Sanayii Türk Anonim Şirketi Company (the Company), which comprise the statement of financial position as of December 31, 2022, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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

2) Basis for Opinion

We conducted our audit in accordance with standards on auditing as issued by the Capital Markets Board of Turkey and Independent Auditing Standards (IAS) which are part of the Turkish Auditing Standards as issued by the Public Oversight Accounting and Auditing Standards Authority of Turkey (POA). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Code of Ethics for Independent Auditors (Code of Ethics) as issued by the POA, and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a 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 financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

(Convenience translation of the independent auditors' report originally issued in Turkish)

Key audit matters	How the key audit matter addressed in the Auditor's response
Accounting for property, plant and equipment using the revaluation method	
As of December 31, 2022, the Company started to measure the machinery and equipment using revaluation model in accordance with the results of the valuation reports prepared by an independent valuation firm certified by the Capital Market Board of Turkiye as of September 30, 2022 and the net book value of the related assets increased by TL 920.150 thousand and after the tax effect, revaluation fund of property, plant and equipment under the equity has been recognized as TL 736.120 thousand. The complexity of these transactions and the fact that they involve significant judgment and assumptions are important to our audit and have therefore been identified as a key audit matter by us. Detailed explanations about tangible fixed assets can be found in Note 2 and Note 11.	We have evaluated the qualifications, competencies and impartiality of the real estate appraisers appointed by the management. In our audit, the appropriateness of the methods used by the valuation experts in the aforementioned valuation reports, which constitute the basis for the fair values of the relevant tangible fixed assets measured according to the revaluation model, has been evaluated. In order to check the compatibility of the assumptions used by the independent valuation experts during the valuation with the market data, the valuation experts of another organization were included in the studies. In this framework, as a result of the studies and examinations carried out by the experts on the real estate valuation calculations in question, we have evaluated whether the estimations and assumptions used in the valuation report are within an acceptable range of fair value, as assessed by the Company's independent valuation experts. The accuracy of the valuation method used was checked by evaluating the relevant facility, machinery and equipment and their intended use. In addition, within the scope of the above-mentioned assessments, TAS 16 included in the footnotes in the table and explanatory notes were questioned and evaluated.

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

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

In preparing the financial statements, management is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.

(**Convenience translation of the independent auditors' report originally issued in Turkish)**

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

5) Auditor's Responsibilities for the Audit of the Financial Statement

In an independent audit, our responsibilities as the auditors are:

Our objectives are 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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with IAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with standards on auditing as issued by the Capital Markets Board of Turkey and IAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company'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 Company'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 financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

(Convenience translation of the independent auditors' report originally issued in Turkish)

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the 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) Report on Other Legal and Regulatory Requirements

1) Auditors' report on Risk Management System and Committee prepared in accordance with paragraph 4 of Article 398 of Turkish Commercial Code ("TCC") 6102 is submitted to the Board of Directors of the Company on March 1, 2023.

2) In accordance with paragraph 4 of Article 402 of the TCC, no significant matter has come to our attention that causes us to believe that the Company's bookkeeping activities for the period January 1, - 31 December 2022 and financial statements are not in compliance with laws and provisions of the Company's articles of association in relation to financial reporting.

3) In accordance with paragraph 4 of Article 402 of the TCC, the Board of Directors submitted to us the necessary explanations and provided required documents within the context of audit.

The name of the engagement partner who supervised and concluded this audit is Mehmet Başol Çengel.

Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi
A member firm of Ernst & Young Global Limited

Mehmet Başol Çengel, SMMM
Partner

March 1, 2023
İzmir, Turkey

Batısöke Söke Çimento Sanayii T.A.Ş.

Statement of financial position
as at December 31, 2022
(All amounts are expressed in Thousand Turkish Lira (Thousand TL) unless otherwise stated)

	Note	**Current period Audited December 31, 2022**	Prior period Audited December 31, 2021
Assets			
Current Assets			
Cash and cash equivalents	3	**40.445**	1.593
Trade receivables			
- Trade receivables from related parties	7, 26	**91.323**	45.902
- Trade receivables from third parties	7	**173.761**	128.365
Other receivables			
- Other receivables from related parties	8	**4.325**	15.155
- Other receivables from third parties	8	**1.273**	449
Inventories	9	**342.718**	172.704
Prepaid expenses	10	**67.144**	18.547
Current tax assets	24	**84**	52
Other current assets	15	**102.651**	70.367
Total current assets		**823.724**	453.134
Non-current assets			
Financial investment	4	**-**	110.620
Other receivables			
- Other receivables from third parties	8	**349**	327
Investments accounted under equity method	5	**-**	6.513
Property, plant and equipment	11	**2.511.091**	1.700.996
Right-of-use assets	12	**511**	681
Intangible assets	12	**415**	531
Prepaid expenses		**7.066**	-
Other intangible assets	15	**-**	16.380
Total non-current assets		**2.519.432**	1.836.048
Total assets		**3.343.156**	2.289.182

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

Batısöke Söke Çimento Sanayii T.A.Ş.

Statement of financial position
as at December 31, 2022
(All amounts are expressed in Thousand Turkish Lira (Thousand TL) unless otherwise stated)

	Note	Current period Audited December 31, 2022	Prior period Audited December 31, 2021
Liabilities			
Current liabilities			
Short term borrowings	6	**504.423**	440.551
Current portion of long-term borrowings	6	**109.439**	584.278
Trade payables			
- Trade payables to related parties	7, 26	**27.372**	23.072
- Trade payables to third parties	7	**641.187**	220.432
Liabilities for employee benefits	14	**6.307**	2.683
Other payables			
- Other payables to related parties	26	**-**	213.967
- Other payables to third parties	8	**6.364**	2.101
Deferred income	10	**67.532**	1.649
Other short-term liabilities	15	**5.066**	3.260
Total current liabilities		**1.367.690**	1.491.993
Non-current liabilities			
Long-term financial liabilities	6	**1.716.091**	718.198
Long term provisions			
- Provisions for long-term employee benefits	14	**48.122**	18.784
- Other long-term provisions	13	**10.923**	6.651
Deferred tax liabilities	24	**129.851**	30.221
Total non-current liabilities		**1.904.987**	773.854
Total liabilities		**3.272.677**	2.265.847
Equity			
Share capital	16	**400.000**	400.000
Adjustment to share capital	16	**59.825**	59.825
Treasury shares		**(191)**	(191)
Share premium (discounts)		**511**	511
Other comprehensive income / expense not to be reclassified to profit or loss			
- Revaluation surplus for tangible assets	16	**1.330.964**	749.066
- Remeasurement gain/(loss) arising from defined benefit plan	16	**(21.703)**	(4.079)
- Other gain (loss)	16	**-**	85.744
Restricted reserves		**20.178**	20.178
Retained earnings		**(949.390)**	(598.144)
Net profit (loss) for the period		**(769.715)**	(689.575)
Total equity		**70.479**	23.335
Total liabilities and equity		**3.343.156**	2.289.182

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

(Convenience translation of the financial statements originally issued in Turkish)

Batısöke Söke Çimento Sanayii T.A.Ş.

Statement of profit or loss and other comprehensive income for the period ended December 31, 2022

(All amounts are expressed in Thousand Turkish Lira (Thousand TL) unless otherwise stated)

		Current period	Prior period
		Audited	Audited
Profit or loss section	**Note**	**January 1, – December 31, 2022**	January 1, – December 31, 2021
Revenue	17	**2.114.546**	737.083
Cost of sales	17	**(1.948.341)**	(674.116)
Gross profit (loss) arising from trading segment		**166.205**	62.967
Gross profit (loss)		**166.205**	62.967
General administrative expenses	18	**(46.337)**	(24.091)
Marketing expenses	18	**(68.568)**	(39.458)
Other operating income	20	**46.980**	52.385
Other operating expenses	20	**(131.650)**	(62.869)
Operating profit (loss)		**(33.370)**	(11.066)
Income from investment activities	21	**141.912**	533
Expense from investment activities	21	**(95.849)**	-
Share of loss of investment accounted for using the equity method	5	**14.402**	(18.231)
Operating profit before financing income (expense)		**27.095**	(28.764)
Financial income	22	**3.974**	3.428
Financial expenses	23	**(885.954)**	(661.903)
Loss before tax from continuing operations		**(854.885)**	(687.239)
Current tax income (expenses)			
Deferred tax income (expenses)	24	**85.170**	(2.336)
Net profit (loss) from continuing operations		**(769.715)**	(689.575)
Earnings/(loss) per share	25	**(1,9243)**	(1,7239)
Other comprehensive income / (loss) section			
Other comprehensive income (loss) not to be reclassified to profit or loss			
- Gain(loss) on revaluation of tangible fixed assets	11	**920.150**	768.354
- Gain(loss) on revaluation of tangible fixed assets, tax effect	24	**(184.030)**	(76.835)
- Gain(loss) on remeasurement of defined benefit plans	14	**(22.031)**	(1.576)
- Gain(loss) on remeasurement of defined benefit plans, tax effect	24	**4.406**	315
- Gain(loss) on financial assets measured at fair value through other comprehensive income	4	**103.540**	75.885
- Gain(loss) on financial assets measured at fair value through other comprehensive income, tax effect	24	**(5.176)**	(3.795)
Other comprehensive income (loss)		**816.859**	762.348
Total comprehensive income (loss)		**47.144**	72.773

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

Batısöke Söke Çimento Sanayii T.A.Ş.

Statement of changes in equity
for the year ended December 31, 2022
(All amounts are expressed in Thousand Turkish Lira (Thousand TL) unless otherwise stated)

					Other comprehensive income (loss) not to be reclassified to profit or loss				Accumulated profits		
	Share capital	Share capital adjustment differences	Treasury shares	Premiums for shares	Revaluation gain (loss) of tangible assets	Remeasurement gain/(loss) arising from defined benefit plan	Other gain / (loss)	Restricted Reserves	Retained Earnings	Net profit (loss) for the period	Total equity
Balance as of January 1, 2021	400.000	59.825	(191)	511	57.547	(2.818)	13.654	20.178	(249.685)	(348.459)	(49.438)
Transfers	-	-	-	-	-	-	-	-	(348.459)	348.459	-
Total comprehensive income (loss)	-	-	-	-	691.519	(1.261)	72.090	-	-	(689.575)	72.773
- Net profit (loss) for the period	-	-	-	-	-	-	-	-	-	(689.575)	(689.575)
- Other comprehensive income (loss)	-	-	-	-	691.519	(1.261)	72.090	-	-	-	762.348
Balance as of December 31, 2021	400.000	59.825	(191)	511	749.066	(4.079)	85.744	20.178	(598.144)	(689.575)	23.335
Balance as of January 1, 2022	**400.000**	**59.825**	**(191)**	**511**	**749.066**	**(4.079)**	**85.744**	**20.178**	**(598.144)**	**(689.575)**	**23.335**
Transfers	**-**	**-**	**-**	**-**	**(19.484)**	**-**	**-**	**-**	**(670.091)**	**689.575**	**-**
Total comprehensive income (loss)	**-**	**-**	**-**	**-**	**736.120**	**(17.624)**	**98.363**	**-**	**-**	**(769.715)**	**47.144**
- Net profit (loss) for the period	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**		**(769.715)**	**(769.715)**
- Other comprehensive income (loss)	**-**	**-**	**-**	**-**	**736.120**	**(17.624)**	**98.363**	**-**		**-**	**816.859**
Increase (decrease) through other changes	**-**	**-**	**-**	**-**	**(134.738)**	**-**	**(184.107)**		**318.845**	**-**	**-**
Balance as of December 31, 2022	**400.000**	**59.825**	**(191)**	**511**	**1.330.964**	**(21.703)**	**-**	**20.178**	**(949.390)**	**(769.715)**	**70.479**

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

Batısöke Söke Çimento Sanayii T.A.Ş.

Statement of cash flows
for the year ended December 31, 2022
(All amounts are expressed in Thousand Turkish Lira (Thousand TL) unless otherwise stated)

	Note	Current period Audited January 1, - December 31, 2022	Prior period Audited January 1, - December 31, 2021
A. Cash flows from operating activities		**69.932**	(125.389)
Net profit (loss)			
Net profit (loss) for the year from continued operations (I)		**(769.715)**	(689.575)
Adjustments to reconcile net profit (loss) for the period: (II)		**681.857**	701.725
Adjustments related to depreciation and amortization expenses	11,12	**73.198**	49.538
Adjustments related with impairment			
- Adjustments related to inventory (reversal) impairment	9	**18.286**	(1.348)
Adjustments related with provisions			
- Adjustments related to provisions (reversal) of employee benefits	14	**12.197**	3.808
- Adjustments related to other provisions (reversal)	13	**4.272**	1.770
Adjustments related to interest (income) expenses			
- Adjustments related to interest income	21	**(1.770)**	(533)
- Adjustments related to interest expenses	23	**242.384**	75.053
- Deferred finance expense due to forward purchase	20	**(21.299)**	(13.092)
- Unearned finance income due to forward sales	20	**25.399**	13.640
Adjustments related to unrealized foreign exchange differences		**473.055**	552.322
Share of profits from equity accounted investee	5	**(14.402)**	18.231
Adjustments from changes in ownership interests in subsidiaries		**(140.142)**	-
Adjustments for losses (gains) on disposal of non-current assets	21	**95.849**	-
Adjustments to tax (income) expense	24	**(85.170)**	2.336
Changes in working capital (III)		**162.712**	(134.616)
Adjustments related with decrease (increase) in trade receivables		**(116.217)**	(123.281)
Adjustments related to decrease (increase) in other receivables from operations			
- Adjustments related to the decrease (increase) in trade receivables from related parties		**10.831**	(15.016)
- Adjustments related to the decrease (increase) in trade receivables from third parties		**(847)**	(60)
Adjustments related to the decrease (increase) in inventories		**(188.300)**	(53.809)
Decrease (increase) in prepaid expenses		**(48.596)**	(11.731)
Adjustments related to increase (decrease) in trade payables		**446.354**	93.309
Increase (decrease) in payables to employee benefits		**3.623**	644
Adjustments related to increase (decrease) in other payables from operations			
- Adjustments related to the increase (decrease) in other payables from third parties		**4.263**	(3.794)
Adjustments related to increase (decrease) in working capital			
- Decrease (increase) in other assets from operations		**(16.087)**	(20.777)
- Increase (decrease) in other liabilities from operations		**67.688**	(101)
Cash flows provided by operating activities(I+II+III)		**74.854**	(122.466)
Employee termination benefits paid	14	**(4.890)**	(2.957)
Taxes refunded (paid)	24	**(32)**	34
B. Cash flows from investing activities		**(63.816)**	(19.847)
Proceeds from disposal of property, plant and equipment and intangible assets			
- Proceeds from disposal of property, plant and equipment	10	**62.303**	-
Payments for acquisition of property, plant and equipment and intangible assets			
- Payments for acquisition of property, plant and equipment	10	**(120.823)**	(20.380)
Cash advances given and liabilities		**(7.066)**	-
Interest received	21	**1.770**	533
C. Cash flows from financing activities		**31.613**	143.441
Cash inflows from borrowings			
- Proceeds from borrowings	6	**2.008.294**	256.652
Cash outflows on repayment of borrowings			
- Cash outflows on repayment of borrowings	6	**(1.967.757)**	(245.868)
Increase (decrease) in other liabilities from related parties		**161.249**	197.182
Interest paid	6	**(157.450)**	(64.525)
Other cash inflows (outflows)		**(12.723)**	-
D.Effect of exchange rate changes on cash and cash equivalents		**1.123**	-
Net increase (decrease) in cash and cash equivalents (A+B+C+D)		**38.852**	(1.795)
E. Cash and cash equivalents at the beginning of the period	3	**1.593**	3.388
Cash and cash equivalents at the end of the period (A+B+C+D+E)	3	**40.445**	1.593

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

1. Organization and operations of the company

Batısöke Söke Çimento Sanayii T.A.Ş. ("Company") was established in accordance with the Turkish Trade Law in 1955 in Aydın, Turkey.

The Company's headquarters is located at Ankara Caddesi No: 335, Bornova, İzmir. The Company performs its production activities at Atatürk Mahallesi Aydın Caddesi No: 234, Söke, Aydın. Also, the Company has a grinding and packaging facility at Çavdır, Burdur.

The Company is registered under the Capital Markets Board ("CMB") and since 2000 its stocks are traded in Borsa Istanbul Anonim Şirketi ("Borsa Istanbul"). The immediate parent and ultimate controlling party of the Company is Batıçim Batı Anadolu Çimento Sanayii A.Ş. ("Batıçim") with 74,62% share. The capital structure of the Company is explained in Note 16.

The Company's principal activities are production and marketing cement and clinker. As of December 31, 2022, the Company has 356 employees (December 31, 2021: 343).

2. Presentation of the financial statements

2.1 Basis of presentation

The Company keeps its legal books and prepares their statutory financial statements in accordance with Article 6102 of the Turkish Commercial Code ("TCC"), tax legislation and the Uniform Chart of Accounts issued by the Ministry of Finance.

The accompanying financial statements have been prepared in accordance with the communiqué numbered II-14,1 "Communiqué on the Principles of Financial Reporting in Capital Markets" ("the Communiqué") announced by the Capital Markets Board ("CMB") (hereinafter will be referred to as "the CMB Reporting Standards") on 13 June 2013 which is published on Official Gazette numbered 28676. It was also presented in accordance with the TMS taxonomy published by the UPS on October 4, 2022.

In accordance with article 5th of the CMB Reporting Standards, companies should apply Turkish Accounting Standards / Turkish Financial Reporting Standards and interpretations regarding these standards as adopted by the Public Oversight Accounting and Auditing Standards Authority of Turkey ("POA").

Financial statements are prepared on the basis of historical cost except for the derivative financial instruments measured at fair value and lands, land improvements and buildings, and facility, machinery and equipment measured at fair value in accordance with TAS 16 revaluation model.

<u>Functional and presentation currency</u>

The Company determines the currency (functional currency) of the primary economic environment in which the entity operates in accordance with the TAS 21 Currency Exchange Transactions in preparation of its financial statements and prepares its financial statements in that currency. The results and financial position are expressed in TL, which is the functional currency of the Company, and the presentation currency for the financial statements.

2. Presentation of the financial statements (continued)

Correction of financial statements during the hyperinflationary periods

TAS 29 Financial Reporting in Hyperinflation Economies requires entities whose functional currency is that of a hyperinflationary economy to prepare their financial statements in terms of the measuring unit current at the end of the reporting period. TAS 29 describes characteristics that may indicate that an economy is hyperinflationary, and it requires all entities that report in the currency of the same hyperinflationary economy apply this Standard from the same date. Therefore, it is expected that TAS 29 will start to be applied simultaneously by all entities with the announcement of Public Oversight Accounting and Auditing Standards Authority to ensure consistency of the application required by TAS 29 throughout the country. However, the Authority has not published any announcement that determines entities would restate their financial statements for the accounting period ending on 31 December 2022 in accordance with TAS 29. In this context, TMS 29 is not applied and inflation adjustment has not been reflected in the financial statements as of December 31, 2022.

With the “Law Amending the Tax Procedure Law and the Corporate Tax Law”, which was accepted on the agenda of the Turkish Grand National Assembly on January, 20, 2022, the application of inflation accounting was postponed starting from the balance sheet dated December 31, 2023.

Going concern basis

As of 31 December 2022, the Company's short-term liabilities exceeded its current assets by TL 543.966 thousand TL, and its total shareholders' equity, including the net loss amounting of TL 769.715 thousand TL for the current year ended on the same date, amounted to TL 70.479 thousand TL.

Since this situation falls into the scope of article 376 of the Turkish Commercial Code which deals with situations in which accumulated losses exceed two third of sum of share capital and legal reserves, pursuant to Article 6 of the Communiqué Amending the Communiqué Regarding the Application of Article 376 of the Turkish Commercial Code numbered 6102, published in the Official Gazette on December 26, 2020, in the calculations regarding capital loss or being insolvent, If all the exchange rate losses arising from currency liabilities and half of the total of the depreciation and personnel expenses for the current period are taken into account, it is observed that the Company's equity is approximately 500 million TL .

Therefore, the Company is not included in the scope of insolvency as it protects its share capital and share reserves at a rate of 105.55%. However, the Company expects a significant positive inflation adjustment under equity, in case of implementation of financial reporting in hyperinflation economies.

The precautions taken by the Company management in 2022 in order to strengthen its equity and the business plans for the next period are given below.

As of September 30, 2022, the Company started to measure its facility, machinery and equipment at fair value in accordance with the results of the valuation studies conducted by an independent valuation company licensed by the CMB and valuation increase of TL 736 million (after tax) is accounted under shareholders’ equity.

The Company disposed its shares by 4.097% in Batıçim Batı Anadolu Çimento Sanayii A.Ş. and shares by 30,02% in Batıçim Enerji Elektrik Üretim A.Ş. in order to offset its due to related party borrowings. As a result of these transactions, the Company was able to decreases its finance costs arising from intercompany borrowings.

2. Presentation of the financial statements (continued)

The Company improved cash flows by selling lands that are not subject to Company's field of activity in 2022.

In 2023; the Company plans to reduce clinker exports and increase cement sales in the domestic market, which has a higher profit margin, by taking into account customer profitability along with production and inventory management.

The ultimate shareholder Batıçim Management carried out the refinancing negotiations, including the financial borrowings of Batısöke, a subsidiary, with the consortium formed by the creditors. In this respect, negotiations and studies carried out for a while for the structuring of the relevant financial borrowings, excluding the (Eximbank) loans used for financing foreign trade, were concluded in February 2022. Principal payments for the loans structured within the scope of the relevant refinancing agreement will start as of December 2023, and the Company will make interest payments every 6 months until this date.

As of December 31, 2022, it is seen that the debt service coverage ratio that Batıçim Group, including Batısöke, have committed to fulfill in accordance with the refinancing agreement has been met. In terms of the prospective commitment in the agreement, it shows that the Company together with Batıçim Group as defined in the agreement, expect the net cash flow in 2023 will be sufficient making the relevant due payment on time.

As a result, the Company management anticipates that it will be sufficient to meet short-term liabilities, considering the net cash flows that are expected to be generated within consolidated business plans excluding the energy segment and cash flow projections prepared for Batıçim Group by independent expert institutions appointed by the creditors.

In accordance with the assessment explained above, the financial statements of the Company as of December 31, 2022 have been prepared under going concern basis.

Approval of the financial statements

The financial statements of the Company were approved by the Board of Directors on March 1, 2023. The General Assembly and related legal entities have the right to amend the financial statements prepared in accordance with legal regulations and these financial statements.

Shares in associates and financial investments

It is an entity outside of the subsidiaries and joint ventures that the Company has significant influence over. Significant effectiveness is the ability to participate in decisions on an entity's financial and operational policies, without the ability to control it solely or jointly. In the accompanying financial statements, results of operations and assets and liabilities of associates are accounted for using the equity method of accounting. Investments accounted for under the equity method are shown on the basis of the amount obtained by deducting any impairment in the associate from the cost of the investment in the net assets of the associate as a result of adjusting the amount of the change in the post-acquisition period. Losses that exceed the Company's share in the associate (including any long-term investment that essentially constitutes part of the Company's net investment in the Company) are not recognized in the records. Additional loss is the case if the Company has been exposed to legal or tangible obligation or has made payments on behalf of the subsidiary.

(All amounts are expressed in Thousand Turkish Lira (Thousand TL) unless otherwise stated)

2. Presentation of the financial statements (continued)

Goodwill is recorded as the excess of the fair value of the identifiable assets, liabilities and contingent liabilities of the purchase consideration at the acquisition date of the associate. Goodwill is included in the carrying amount of the investment and is reviewed for impairment as part of the investment. The excess of the fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary at the date of acquisition of the subsidiary at the date of acquisition is recognized in the profit or loss table after revaluation. If an indication of impairment exists related to an investment in an associate, the carrying amount of the investment is tested as a single asset in terms of impairment in accordance with TAS 36 by comparing the book value with the recoverable amount of the investment (the value of the use and the fair value less costs to sell). If the recoverable amount of the investment in the associate subsequently increases, such impairment loss is reversed in accordance with TAS 36. Details of the Company's subsidiaries and other financial assets as of December 31, 2022 and December 31, 2021 are as follows:

			Proportional ownership interest and voting power held by the company (%)	
Subsidiaries	Main Operations	Location	**December 31, 2022**	December 31, 2021
Batıçim Enerji Elektrik Üretim A.Ş. (Batıçim Enerji)	Production and sale of electricity	İzmir, Turkey	**-**	30,02

			Proportional ownership interest and voting power held by the company (%)	
Financial Investments	Main Operations	Location	**December 31, 2022**	December 31,2021
Batıçim Batı Anadolu Çimento Sanayii A.Ş.	Clinker, cement production and sale	İzmir, Turkey	**-**	4,09

2.2 Changes in accounting policies and reporting standards

The new standards, amendments and interpretations

The accounting policies adopted in preparation of the financial statements as of December 31, 2022 are consistent with those of the previous financial year, except for the adoption of new and amended TFRS and TFRS interpretations effective as of January 1, 2022 and thereafter. The effects of these standards and interpretations on the Company's financial position and performance have been disclosed in the related paragraphs.

i) The new standards, amendments and interpretations which are effective as of January 1, 2022 are as follows:

Amendments to TFRS 3 – Reference to the Conceptual Framework

In July 2020, POA issued amendments to TFRS 3 Business combinations. The amendments are intended to replace to a reference to a previous version of the Conceptual Framework (the 1989 Framework) with a reference to the current version issued in March 2018 (the Conceptual Framework) without significantly changing requirements of TFRS 3. At the same time, the amendments add a new paragraph to TFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date. The amendments must be applied prospectively.

The amendments did not have a significant impact on the financial position or performance of the Company.

2. Presentation of the financial statements (continued)

Amendments to TAS 16 – Proceeds before intended use

In July 2020, POA issued amendments to TAS 16 Property, plant and equipment. The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment (PP&E), any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and costs of producing those items, in profit or loss. The amendments must be applied retrospectively only to items of PP&E made available for use on or after beginning of the earliest period presented when the entity first applies the amendment.

The amendments did not have a significant impact on the financial position or performance of the Company.

Amendments to TAS 37 – Onerous contracts – Costs of Fulfilling a Contract

In July 2020, POA issued amendments to TAS 37 Provisions, Contingent Liabilities and Contingent assets. The amendments specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making and also apply a "directly related cost approach". Amendments must be applied prospectively to contracts for which an entity has not fulfilled all of its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application).

The amendments did not have a significant impact on the financial position or performance of the Company.

Annual Improvements – 2018–2020 Cycle

In July 2020, POA issued Annual Improvements to TFRS Standards 2018–2020 Cycle, amending the followings:

- *TFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter: The amendment permits a subsidiary to measure cumulative translation differences using the amounts reported by the parent. The amendment is also applied to an associate or joint venture.*

- *TFRS 9 Financial Instruments – Fees in the "10 per cent test" for derecognition of financial liabilities: The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either borrower or lender on the other's behalf.*

- *TAS 41 Agriculture – Taxation in fair value measurements: The amendment removes the requirement in paragraph 22 of TAS 41 that entities exclude cash flows for taxation when measuring fair value of assets within the scope of TAS 41.*

The amendments did not have a significant impact on the financial position or performance of the Company.

2. Presentation of the financial statements (continued)

ii) Standards issued but not yet effective and not early adopted

Standards, interpretations and amendments to existing standards that are issued but not yet effective up to the date of issuance of the financial statements are as follows. The Company will make the necessary changes if not indicated otherwise, which will be affecting financial statements and disclosures when the new standards and interpretations become effective.

Amendments to TFRS 10 and TAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

In December 2017, POA postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. Early application of the amendments is still permitted.

The Company will wait until the final amendment to assess the impacts of the changes.

TFRS 17 - The new Standard for insurance contracts

POA issued TFRS 17 in February 2019, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. TFRS 17 model combines a current balance sheet measurement of insurance contract liabilities with the recognition of profit over the period that services are provided. TFRS 17 will become effective for annual reporting periods beginning on or after 1 January 2023; early application is permitted.

The standard is not applicable for the Company and will not have an impact on the financial position or performance of the Company.

Amendments to TAS 1- Classification of Liabilities as Current and Non-Current Liabilities

In January 2020 and January 2023, POA issued amendments to TAS 1 to specify the requirements for classifying liabilities as current or non-current. According to the amendments made in January 2023 if an entity's right to defer settlement of a liability is subject to the entity complying with the required covenants at a date subsequent to the reporting period ("future covenants"), the entity has a right to defer settlement of the liability even if it does not comply with those covenants at the end of the reporting period. In addition, January 2023 amendments require an entity to provide disclosure when a liability arising from a loan agreement is classified as non-current and the entity's right to defer settlement is contingent on compliance with future covenants within twelve months. This disclosure must include information about the covenants and the related liabilities. The amendments clarified that the classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability for at least twelve months after the reporting period. The amendments are effective for periods beginning on or after 1 January 2024. The amendments must be applied retrospectively in accordance with TAS 8. Early application is permitted. However, an entity that applies the 2020 amendments early is also required to apply the 2023 amendments, and vice versa.

The Company is in the process of assessing the impact of the amendments on financial position or performance of the Company

2. Presentation of the financial statements (continued)

Amendments to TAS 8 - Definition of Accounting Estimates

In August 2021, POA issued amendments to TAS 8, in which it introduces a new definition of 'accounting estimates. The amendments issued to TAS 8 are effective for annual periods beginning on or after 1 January 2023. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, the amended standard clarifies that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors. The previous definition of a change in accounting estimate specified that changes in accounting estimates may result from new information or new developments. Therefore, such changes are not corrections of errors. This aspect of the definition was retained by the POA. The amendments apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of the effective date. Earlier application is permitted.

The Company is in the process of assessing the impact of the amendments on financial position or performance of the Company.

Amendments to TAS 1 - Disclosure of Accounting Policies

In August 2021, POA issued amendments to TAS 1, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments issued to TAS 1 are effective for annual periods beginning on or after 1 January 2023. In the absence of a definition of the term 'significant' in TFRS, the POA decided to replace it with 'material' in the context of disclosing accounting policy information. 'Material' is a defined term in TFRS and is widely understood by the users of financial statements, according to the POA. In assessing the materiality of accounting policy information, entities need to consider both the size of the transactions, other events or conditions and the nature of them. Examples of circumstances in which an entity is likely to consider accounting policy information to be material have been added.

The Company is in the process of assessing the impact of the amendments on financial position or performance of the Company.

Amendments to TAS 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction

In August 2021, POA issued amendments to TAS 12, which narrow the scope of the initial recognition exception under TAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences. The amendments issued to TAS 12 are effective for annual periods beginning on or after 1 January 2023. The amendments clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognised in the financial statements (and interest expense) or to the related asset component (and interest expense). This judgement is important in determining whether any temporary differences exist on initial recognition of the asset and liability. The amendments apply to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period presented, a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for all deductible and taxable temporary differences associated with leases and decommissioning obligations should be recognized.

The Company is in the process of assessing the impact of the amendments on financial position or performance of the Company.

2. Presentation of the financial statements (continued)

Amendments to TFRS 16 - Lease Liability in a Sale and Leaseback

In January 2023, POA issued amendments to TFRS 16. The amendments specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. In applying requirements of TFRS 16 under “Subsequent measurement of the lease liability” heading after the commencement date in a sale and leaseback transaction, the seller lessee determines ‘lease payments’ or ‘revised lease payments’ in such a way that the seller-lessee would not recognise any amount of the gain or loss that relates to the right of use retained by the seller-lessee. The amendments do not prescribe specific measurement requirements for lease liabilities arising from a leaseback. The initial measurement of the lease liability arising from a leaseback may result in a seller-lessee determining ‘lease payments’ that are different from the general definition of lease payments in TFRS 16. The seller-lessee will need to develop and apply an accounting policy that results in information that is relevant and reliable in accordance with TAS 8. A seller-lessee applies the amendments to annual reporting periods beginning on or after 1 January 2024. Earlier application is permitted. A seller-lessee applies the amendments retrospectively in accordance with TAS 8 to sale and leaseback transactions entered into after the date of initial application of TFRS 16.

The Company is in the process of assessing the impact of the amendments on financial position or performance of the Company.

2.3 Comparative information and restatement of previous year financial statements

In order to allow for the determination of financial situation and performance trends, the Company’s financial statements have been presented comparatively with the previous year. For the purpose of having consistency with the current term’s presentation of financial statements, comparative data is reclassified, and significant differences are explained if necessary.

The reclassifications made in financial statements and comparative prior period financial statements as of December 31, 2022 are as follows:

- By 57.295 thousand TL of export transportation and freight expenses, which were shown in the marketing, sales and distribution expenses account in the profit or loss statement for the accounting period ending on 31 December 2021, were reclassified to the cost of sales account.

2.4 Summary of important accounting policies

Revenue

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated or realized customer returns, discounts, commissions, rebates, and taxes related to sales.

Sales of goods

Revenue, goods or services related to performance obligations in the form of goods or service turnover are accounted for as they fulfil their performance obligations by transferring them to their customers. In the sale of property, when the control of the asset is received by the customers, the asset is transferred, and revenue is recognized. This usually happens when the asset is delivered to the customer. However, in cases where there is no alternative use for the company and there is a legally enforceable right of collection on the payment to be made against the completed performance until that day. The company transfers the control of the commodity over time and records the proceeds as time-consuming reduction takes place.

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:

2. Presentation of the financial statements (continued)

a) Ownership of the company's right to collect goods or services,
b) the ownership of property of the customer,
c) Transfer of the possession of the goods or services,
d) Ownership of significant risk and rewards arising from the ownership of the goods or services,
e) It considers the conditions for the customer to accept the goods or services.

At the beginning of the contract, the company evaluates whether the company has different performance commitments. The Company does not have an important service component identified in customer contracts. If there is an important financing element in the revenue, the revenue value is determined by reducing the future collections with the interest rate included in the financing element. The difference is recorded in the relevant periods as other income from the main activities on an accrual basis.

Dividend and interest income:

Dividend income from investments is recognized when the shareholder's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably).

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Related parties

A related party is a person or entity that is related to the entity that is preparing its financial statements (referred to as the 'reporting entity').

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

- i. has control or joint control over the reporting entity,
- ii. has significant influence over the reporting entity,
- iii. is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

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

- i. The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- ii. One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- iii. Both entities are joint ventures of the same third party.
- iv. One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- v. The entity is a post-employment defined benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
- vi. The entity is controlled or jointly controlled by a person identified in (a).
- vii. A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

2. Presentation of the financial statements (continued)

A related party transaction is a transfer of resources, services, or obligations between related parties, regardless of whether a price is charged. In the financial statements, the shareholders of the Company, the companies they own, their directors and other groups known to be related are defined as related companies. The book value of receivables from related parties and payables due to related parties are assumed to be equal to fair value of these assets and liabilities.

Inventories

Inventories are stated at the lower of cost and net realizable value. Costs, including an appropriate portion of fixed and variable overhead expenses, are assigned to inventories held by the method most appropriate to the particular class of inventory, with the majority being valued on weighted average basis. Net realizable value represents the estimated selling price less all estimated costs of completion and costs necessary to make the sale. When the net realizable value of inventory is less than cost, the inventory is written down to the net realizable value and the expense is included in statement of profit or loss in the period the write-down or loss occurred. When the circumstances that previously caused inventories to be written down below cost no longer exist or when there is clear evidence of an increase in net realizable value because of changed economic circumstances, the amount of the write-down is reversed. The reversal amount is limited to the amount of the original write-down.

Right-of-use assets

The Company recognises right-of-use assets at the commencement of the lease (i,e,,the date of 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 revaluation of lease liabilities.

The cost of right-of-use asset includes:

(a) the amount of lease liabilities recognised,
(b) lease payments made at or before the commencement date less any lease incentives received,
(c) initial direct costs incurred

Unless the Company 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 Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term.

At the commencement date of the lease, the measurement of the lease liabilities includes:

(a) Fixed payments,
(b) 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,
(c) The amounts expected to be paid by the Company under residual value guarantees,
(d) The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and
(e) The payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate,

2. Presentation of the financial statements (continued)

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.

The Group discounts the lease payments using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the lessee shall use the lessee's incremental borrowing rate.

After the commencement date, the Group measures the amount of lease liabilities as follows:
(a) The amount of lease liabilities is increased to reflect the accretion of interest, and
(b) Reduced for the lease payments made

In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment, if any, after deducting the provision for impairment, except for land, land improvements and buildings, and facility, machinery and equipment whose fair values are reflected in their revaluation model according to TAS 16. Cost value of tangible asset; the purchase price, the import tax, and the non-taxable taxes, are expenses incurred to make the tangible asset ready for use.

Land is not subject to depreciation. Properties in the course of construction for production, supply or administrative purposed are carried at cost, less any recognized impairment loss. Borrowing costs for the assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets is substantially ready for their intended use or sale. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

As of December 31, 2017 the Company made a decision of applying revaluation model for land and real estate and changing the accounting policy prospectively within the scope of TFRS. Fair value of property, plant and equipment measured in accordance with the Company's revaluation model was lastly exercised by a real estate appraisal company licensed by the Capital Markets Board. As December 31, 2021, the Company has renewed the revaluation measurements of the land, land improvements and buildings. These land, land improvements and buildings are reflected in the financial statements dated 31 December 2021 based on their fair values in the current valuation reports prepared by a real estate appraisal company authorized by the CMB. However, the Company changed its accounting policy to adapt revaluation model for the facility, machinery and equipment, effective as of September 30, 2022.

The revenue measured in accordance with the revaluation model are shown by deducting the accumulated amortization from the fair values of the buildings and underground structures and buildings. The difference between the net book value determined after deducting the accumulated depreciation from the historical cost value and the fair value is followed up with the net deferred tax effect on the "Property, plant and equipment revaluation and measurement gains (losses)" account under equity. . In the event of disposal of a revaluated asset the portion respective portion of revaluation fund is transferred to the prior year's loss. On the other hand, some of the increase in value is transferred to retained earnings as the asset is used by the business.

Expenditures incurred after the property, plant and equipment have been put into the operation, such as repairs and maintenance and overhaul costs are normally charged to income in the period the costs are incurred. Expenditures are added to cost of assets if the expenditures provide economic added value for the future use of the related property, plant and equipment and are subject to depreciation over useful lives.

2. Presentation of the financial statements (continued)

The frequency of revaluations is dependent on indications of significant changes in the items of property, plant, and equipment subject to revaluation.

If the carrying amount of an asset has increased as a result of revaluation, this increase is recognized in other comprehensive income and is recognized directly in the equity account group as a revaluation increase. However, a revaluation increase is recognized in the statement of profit or loss to the extent that it reverses the revaluation decrease of the same asset that was previously associated with profit or loss.

If the carrying amount of an asset has decreased as a result of revaluation, the decrease is recognized as an expense. However, this decrease is recognized in other comprehensive income to the extent of the extent of any credit balance in the revaluation surplus related to this asset. This decrease, recognized in other comprehensive income, reduces the amount accumulated in equity under the revaluation surplus item.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss. Costs of property, plant and equipment, except for land and construction in progress, are amortized on a straight-line basis over their expected useful lives. The estimated useful life, residual value and depreciation method are reviewed annually for the probable effects of changes in estimates and are recognized prospectively if there is a change in estimates.

The estimated useful lives of the property, plant and equipment owned by the Company are as follows:

	Years
Land improvements	15-30
Buildings	10-50
Furniture and fixtures	2-20
Facility, Machinery and equipment	2-22
Vehicles	4-10
Other tangible assets (mine assets)	10-30

Mining assets

Mineral assets owned by the Company are composed of amortized costs of reclamation, rehabilitation and closure of the minefields. The Company Mineral assets are recognized over the cost of acquisition, net of accumulated depreciation and impairment, if any, after the deduction of impairment. Mineral assets begin to be amortized with the start of production. Depreciation expenses of mining assets are related to production cost.

Mineral assets are subject to depreciation in the event that their capacity is ready for full use and their physical condition will meet the production capacity determined by the Company's management.

2. Presentation of the financial statements (continued)

In the presence of indicators of impairment, mining assets are tested against impairment in accordance with TAS 36, by being grouped into the smallest independent cash generating units and by comparing their recoverable amount and their carrying value in the financial statements. For purposes of assessing impairment, mining assets are recognized on the basis of cash-generating units. Impairment exists if the mining assets or the cash generating unit's (which the asset belongs) carrying amount is higher than the amount recoverable from its sale after all costs associated with usage and selling have been deducted. Losses arising from impairment of mining assets are recognized as expenses in the statement of comprehensive income. The impairment loss is reviewed at each reporting period and subsequent increases in the recoverable amount of the asset impaired can be reversed by less than the original impairment amount, if the increase in the recoverable amount is related to an event occurring during the subsequent period.

Cost of reclamation, rehabilitation and closure of mines comprise the provisioned amount for costs that are considered as highly probable to be incurred during the closure and rehabilitation of mines, discounted and recognized on the reporting date of the financial statements. These provisions are discounted at the reporting date with the discount rates, which are non-taxable and risk-free rates for the future expected cash flows, taking into consideration the market interest rate and the risk associated with the liability. The calculations are reviewed at each reporting date. The changes arising from the changes in the management estimates used for the calculation of the provision related to the conditioning, rehabilitation and closure of mining areas, are recognized in the reclamation of mining areas, rehabilitation and closure costs. On the other hand, in determining the costs related to the reclamation, rehabilitation and closure of mines the depreciation rate used is the lower of; the remaining economic life of the mine, or the quantity of the mined amount during the period divided by the reserves left in the mine at the end of the period. Based on the scope of existing programs to prevent environmental pollution and protection of the environment is reflected in the statement of comprehensive income as an expense in the period in which the costs are incurred.

Intangible assets

Intangible assets consist of purchased computer software. The cost of the assets consists of the purchase price and the costs incurred during the purchase.

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. These assets are amortized over their estimated useful lives using the straight-line method. The estimated useful life and the depreciation method, in order to determine the possible effects of changes in estimates are reviewed each year and changes in estimates are accounted for prospectively. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in profit or loss when the asset is derecognized.

The annual depreciation rates accordingly the estimated useful lives for intangible assets are as follows:

	Years
Rights	3-15
Assets subject to amortization	5

2. Presentation of the financial statements (continued)

Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Borrowing costs

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

2. Presentation of the financial statements (continued)

Financial Instruments

A financial instrument is any contract that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

A financial asset is any asset that is:
- Cash and cash equivalents
- A contractual right to exchange financial instruments from another enterprise under conditions that are potentially favorable, or
- A contractual right to receive cash or another financial asset from another enterprise
- An equity instrument of another enterprise

A financial liability that is a contractual obligation:
- To deliver cash or another financial asset to another enterprise, or
- To exchange financial instruments with another enterprise under conditions that are potentially unfavorable.

When a financial asset or financial liability is recognized initially, it is measured at its cost, which is the fair value of the consideration given (in the case of an asset) or received (in case of a liability) for it.

Effective interest method

The effective interest rate method is a method of calculating the amortized cost of a financial asset and of allocating the interest income over the relevant period. The effective interest rate is the ratio exactly discounts the estimated future cash receipts through the expected life of the financial asset to the net present value of the financial asset or in a shorter period where appropriate.

Financial assets

Classification

The Company classifies its “financial assets as financial assets measured at amortized cost” and “financial assets at fair value through other comprehensive income”. 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 when the Company's business model for managing financial assets changes; in the case of a business model change, subsequent to the amendment, the financial assets are reclassified on the first day of the following reporting period.

Accounting 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. Company’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 statement of income.

2. Presentation of the financial statements (continued)

“Financial assets whose fair value difference is reflected in other comprehensive income ”are non-derivative financial instruments that are held within the scope of a business model aiming to collect the contractual cash flows and sell the financial asset, and which include cash flows that only include interest payments arising from principal and principal balance at certain dates. assets are. Except for gains or losses from related financial assets, impairment gains or losses and foreign exchange income or expenses are reflected to other comprehensive income. In the event that such assets are sold, valuation differences classified into other comprehensive income are classified in previous years' profits. For investments made in equity-based financial assets, the Company may irrevocably prefer the method of reflecting subsequent changes in its fair value to other comprehensive income for the first time in the financial statements. In the event that such preference is made, dividends obtained from related investments are accounted in the income statement.

Derecognition

The Company derecognized a financial asset when the contractual rights to the cash flows from the asset expired, or it transferred the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset were transferred. Any interest in such transferred financial assets that was created or retained by the Company was recognized as a separate asset or liability.

Impairment

Impairment of the financial and contractual assets measured by using “Expected credit loss model” (ECL). The impairment model applies for amortized financial and contractual assets.

Provision for loss measured as below.

- 12- Month ECL: results from default events that are possible within 12 months after reporting date.
- Lifetime ECL: results from all possible default events over the expected life of financial instrument

Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since 12-month ECL measurement if it has not.

The Company may determine that the credit risk of a financial asset has not increased significantly if the asset has low credit risk at the reporting date. However, lifetime ECL measurement (simplified approach) always apply for trade receivables and contract assets without a significant financing.

Trade Receivables

Trade receivables with fixed and determinable payments that are not traded in the market are classified in this category. Receivables (trade and other receivables, bank balances, cash and others) are shown by deducting impairment from their discounted cost using the effective interest method. Interest income is calculated and recorded according to the effective interest rate method, except when the rediscount effect is not significant.

2. Presentation of the financial statements (continued)

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments which their maturities are three months or less from date of acquisition and that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. (Note 3)

Financial liabilities

Financial liabilities are measured initially at fair value. Transaction costs which are directly related to the financial liability are added to the fair value.

Effect of foreign currency transactions

For the purpose of the financial statements, the results and financial position of the Company are expressed in TL, which is the functional currency of the Company, and the presentation currency for the financial statements.

In preparing the financial statements, transactions in currencies other than TL (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each reporting date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences are recognized in profit or loss in the period in which they arise.

Earnings per share(loss)

Earnings per share disclosed in the statement of profit or loss is determined by dividing net income by the weighted average number of shares that have been outstanding during the related period.

In Turkey, companies can increase their share capital by making a pro-rata distribution of shares (“bonus shares”) to existing shareholders from retained earnings on equity items. Such kind of bonus shares are taken into consideration in the computation of earnings per share as issued share certificates. For the purpose of earnings per share computations, the weighted average number of shares outstanding during the period has been adjusted in respect of bonus shares issues without a corresponding change in resources, by giving them retroactive effect for the year in which they were issued and each earlier year.

The cash in the paid-in capital is calculated by taking into account the date on which the weighted average common share capital increase for the current period's ordinary shares to be used in earnings (loss) calculations is calculated when there is a change in the name of the issued share capital from capital increase.

Events after the reporting date

Events after the reporting period are those events that occur between the reporting date and the date when the financial statements are authorized for issue, even if they occur after an announcement related with the profit for the year or public disclosure of other selected financial information.

The Company adjusts the amounts recognized in its financial statements if adjusting events occur after the reporting date. Events do not require restating the financial statements are disclosed in related notes according to importance.

2. Presentation of the financial statements (continued)

Provisions and contingencies assets and liabilities

Provisions are recognized when the Company 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 in cases where the time value of money is material, provisions are determined as the present value of expenses required to be made to honour the liability.

The rate used to discount provisions to their present values is determined taking into account the interest rate in the related markets and the risk associated with the liability. This discount rate does not consider risks associated with future cash flow estimates.

Contingent assets and liabilities

A contingent liability is an obligation arising from a past event that is not fully under the control of the entity and arises from past events or events in which one or more non-contingent events occur in the future and can be verified; but not included in the financial statements for the following reasons:

(i) There is no possibility of leaving economically beneficial resources out of business to meet the obligation, or,
(ii) The amount of the obligation cannot be measured sufficiently reliably.

A contingent asset arises from past events and that is not in full control of the entity and whose existence will be confirmed if one or more uncertain events occur in the future.

The presentation of contingent assets in the financial statements is not included in the financial statements, as it may result in the recognition of an income that can never be obtained. However, if it is virtually certain that an income will be obtained, the asset is not a conditional asset and is reflected in the financial statements.

Segmental information

The Company operates in a single operating segment. Thus, additional segmental information is not given. The Company's all significant assets, production process and distribution channels are located in Turkey. The business activities of the Company are being managed and organized according to the contents of the output that the Company either provide or serve. The Company management does not monitor the operating results separately, except for the geographical segments detailed in Note 17. For this reason, performance criteria other than revenue cannot be explained for geographical segments.

2. Presentation of the financial statements (continued)

Taxation on income

Turkish tax legislation does not permit a parent company, its subsidiaries, to file a tax return on its financial statements.

With the “Law Amending the Tax Procedure Law and the Corporate Tax Law”, which was accepted on the agenda of the Turkish Grand National Assembly on January, 20, 2022, the application of inflation accounting was postponed starting from the balance sheet dated December 31, 2023.

Current tax

Current tax expense is calculated taking into account tax legislation in force in the countries where the Company's subsidiaries operate as of the date of the statement of financial position. According to Turkish tax legislation, legal or business centers institutions in Turkey, the corporation is subject to tax. Current year tax liability is calculated on the portion of the period profit subject to taxation. Taxable profit differs from the profit included in the income statement because it excludes taxable or tax-deductible items in other years or taxable items that cannot be deducted from taxable income. The Company's current tax liability is calculated using tax rates that are legally enacted or substantively enacted by the balance sheet date.

The corporate tax rate in Turkey is 23% as of December 31 2022. With the provisional article 13 added to the Corporate Tax Law No. 5520, with the 11th article of the Amending the Procedure Law on Collection of Public Claims and Some Other Laws No. 7316 The corporate tax rate will be 25% for corporate earnings for the 2021 taxation period, 23% for corporate earnings for the 2022 taxation period. As of the accounting period ending on December 31 2022, a provisional tax of 23% has been applied to the corporate income. As of 31 December 2021, in accordance with the tax legislation, 25% temporary tax has been calculated and paid on quarterly earnings, and the amounts paid in this way are deducted from the tax calculated on the annual income.

According to the Corporate Tax Law, financial losses shown on the declaration can be deducted from the corporate tax base of the period not exceeding 5 years. Declarations and related accounting records can be examined within five years of tax.

In Turkey, the resident companies from corporation tax and not responsible for the income tax and who are resident in Turkey, those made to those except for exempt and non-natural persons and dividend payments to legal persons not resident in Turkey are subject to 15% income tax.

As of December 31, 2022 and 2021, the tax provision has been set aside under the current tax legislation.

Dividend payments made to resident corporations in Turkey again from resident companies in Turkey are not subject to income tax. In addition, if the profit is not distributed or added to the capital, the income tax is not calculated.

50% of the profits arising from the sale of the immovable assets held in the assets for the same period as the 75% of the profits arising from the sale of founders' shares, founding shares and preferential rights, to be added to the capital as stipulated in the Corporate Tax Law or to be kept in a special fund account for 5 years.

2. Presentation of the financial statements (continued)

Deferred tax

Deferred tax is determined by calculating the temporary differences between the carrying amounts of assets/liabilities in the financial statements and the corresponding tax bases, used in the computation of the taxable profit, using currently enacted tax rates. Deferred tax liabilities are generally recognized for all taxable temporary differences where deferred tax assets resulting from deductible temporary differences are recognized to the extent that it is probable that future taxable profit will be available against which the deductible temporary difference can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

In the deferred tax calculation, a tax rate of 20% is used for temporary differences expected to be realized/closed in 2023.

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

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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

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

Deferred income tax is determined using tax rates that have been enacted by the balance sheet date. Tax is recognized in the statement of comprehensive income, except to the extent that it relates to items recognized in equity. Taxes arisen on items recognized in equity are recognized directly in equity.

Deferred income tax liabilities are recognized for all taxable temporary differences; whereas deferred income tax assets resulting from deductible temporary differences are recognized to the extent that it is probable that future taxable profit will be available against which the deductible temporary difference can be utilized. Deferred income tax asset is recognized to the extent that it is probable that the entity will have sufficient taxable profit in the same period as the reversal of the deductible temporary difference arising from tax losses carried forward.

2. Presentation of the financial statements (continued)

Deferred income tax assets and deferred income tax liabilities related to income taxes levied by the same taxation authority are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities. Deferred income tax assets and deferred income tax liabilities are classified as long-term in the financial statements.

Employee benefits

Long term provisions recognized in the financial statements related to benefits provided to employees consist of retirement pay liability, seniority incentive premiums arising from current employment contracts and provisions for accumulated vacation liabilities.

In Turkey, severance pay according to the current laws and collective bargaining agreements are paid in case of retirement or dismissal. In accordance with TAS 19 Employee Benefits Standard, such payments are classified as defined retirement benefit plans. The Company calculated the provision for severance indemnity on the financial statements based on its experience gained in previous years by using the "Projection Method" and completing the personnel service period and retirement benefits of the Company and recording the discounted value at the balance sheet date.

The Company makes certain assumptions about discount rates, inflation rates, salary increases rate and employee turnover rates in calculation of provisions for employee benefits Actuarial loss / gain from changes in current account; are accounted for in the statement of comprehensive income / expense for the termination indemnity liability. If the termination benefit premium is related to the incentive premium, it is recognized in the profit or loss table.

The liabilities arising from unused vacation rights, which are defined as long-term provisions provided to the employees, are accrued and accounted for at the period when they are earned.

Capital and dividends

Common shares are classified as equity. Dividends on common shares are recognized in equity in the period in which they are approved and declared.

Share premiums

Share premium represents differences resulting from the sale of the Company’s subsidiaries and associates’ shares at a price exceeding the face values of those shares or differences between the face values and the fair value of shares issued for acquired companies.

Treasury shares

In case the Company obtains its own shares, the cost amounts including the parts exceeding the nominal values of these shares are deducted from equity and presented as "Treasury shares". Profits or losses from the Company's transactions related to shares that have been recovered in this manner are also recognized under equity.

2. Presentation of the financial statements (continued)

Statement of cash flow

Cash flows during the period are classified and reported as operating, investing and financing activities in the statement of cash flows.

Cash flows from operating activities represent cash flows related to the Company's core business activities.

Cash flows arising from investment activities represent the cash flows that are used in or provided by the investing activities (direct investments and financial investments) of the Company.

Cash flows arising from financing activities represent the cash proceeds from the financing activities of the Company and the repayments of these funds.

Offsetting

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liabilities.

2.5 Significant judgments, assumptions and estimates

The preparation of consolidated financial statements in conformity with accounting standards requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income, and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

In preparation of the consolidated financial statements, the significant estimates and judgments used by the Group are included in the following notes:

Deferred taxes

The Company recognizes deferred tax assets and liabilities based upon temporary differences arising between their financial statements prepared in accordance with TFRS and their statutory financial statements. These temporary differences usually result in the recognition of revenue and expenses in different reporting periods for TFRS and tax purposes. Deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither an accounting nor taxable profit/ (loss). The fully or partially recoverable amount of deferred tax assets are estimated under available circumstances. The future income projections, current period losses, unused losses and expiration dates of other tax assets and tax planning strategies that can be used when necessary are considered during the evaluation of estimations. During the evaluation, recovery period of taxable temporary differences has been considered. If the Company has sufficent taxable temporary differences expected to be reversed in the same period with taxable losses, deferred tax assets are accounted for periods that taxable temporary differences arise. (Note 24).

2. Presentation of the financial statements (continued)

Fair values within the scope of revaluation application of property, plant and equipment

The Company accounts for its land, and facility, machinery and equipment under tangible fixed assets according to the revaluation model, updated over their fair values within the scope of TAS 16. The Company works with an independent valuation company authorized by the Capital Markets Board in Turkey in order to determine the fair values of these assets. Although the revaluation studies for land were last updated on 31 December 2021, the relevant revaluation studies for facility machinery and equipment group are carried out for the first time, effective from the interim reporting period ending on September 30, 2022, and were accounted on the financial statements. During the determination of the fair values of the tangible fixed assets, evaluations were made by considering the current situation of the related assets, market conditions and the most efficient way of use, considering the peer comparison method and the cost method (Notes 11 and 28).

Useful lifes of tangible and intangible assets

The Company management estimates and regularly audits the useful lives of the depreciable assets as explained in Note 2.4 on the date of first recognition of the assets. The entity determines the useful life of an asset, taking into account its estimated usefulness. This assessment is based on the Company's experience with similar assets. When determining the useful life of an asset, the Company will also consider changes in the market or the resulting technical and / or commercial unusable assets.

Provision for mine site rehabilitation

The Company calculates for stone and earth-based land degraded by mining activities within the scope of reintegration for mine site rehabilitation. Technical personnel have made certain important assumptions in determining calculation of provision. Explanations regarding such mine site rehabilitation are presented in Note 13. The provision is discounted to the present value of the and the related expense for the period, is included in financial expenses as the cost of rehabilitation. (Note 13)

Provisions for benefits provided to employees

Severance pay and seniority incentive premium liabilities are determined by actuarial calculations based on a number of assumptions, including discount rates, future salary increases and employee retirement rates. Because these plans are long-term, the assumptions involve significant uncertainties. Details regarding the allowance for employee benefits are provided in Note 14.

(All amounts are expressed in Thousand Turkish Lira (Thousand TL) unless otherwise stated)

3. Cash and cash equivalents

	December 31, 2022	December 31, 2021
Cash	**6**	11
Cash at banks		
- Demand deposits	**12.884**	794
- Time deposits	**27.555**	788
Cash and cash equivalents	**40.445**	1.593

As of December 31, 2022 and 2021 details of the time deposits, whose maturity is less than 3 months are as follows:

Currency	**Interest rate (%)**	**Maturity date**	**Original currency**	**December 31, 2022**
TL	**%7,60 - %19,00**	**January 2023**	**27.540**	**27.540**
				27.540

Currency	Interest rate (%)	Maturity date	Original currency	December 31, 2021
TL	%6,50 - %18,00	January 2022	788	788
				788

4. Financial investments

As of December 31, 2022 and 2021, details of the Company's available-for-sale financial assets are as follows:

	Share (%)	**December 31, 2022**	Share (%)	December 31, 2021
Batıçim Batı Anadolu Çimento Sanayii A.Ş. (*)	**-**	**-**	4,09	110.620
		-		110.620

(*) Shares of the Batıçim Batı Anadolu Çimento Sanayii A.Ş. owned by the Company, has been sold to Batıliman Liman İşletmeleri A.Ş. as of August 31, 2022 for amount of thousand TL 214.160. The amount of the sale price has not been collected in cash, and the debt amounting to the sales price of the Company's parent company Batıçim has been transferred to Batıliman Liman İşletmeleri A.Ş.

	2022	2021
Opening balance, January 1	**110.620**	34.735
Fair value measurement gains (loss)	**103.540**	75.885
Disposal of financial investments	**(214.160)**	
Closing balance, December 31	**-**	110.620

(All amounts are expressed in Thousand Turkish Lira (Thousand TL) unless otherwise stated)

5. Investment accounted for using equity method

As of September 30, 2022 and December 31, 2021, detail of consolidated summary financial information of Batıçim Enerji is as follows:

	September 30, 2022	December 31, 2021
Current assets	**162.549**	44.240
Non-current assets	**165.501**	147.822
Current liabilities	**(216.454)**	(146.970)
Non-current liabilities	**(86.124)**	(67.593)
Total equity (net assets)	**25.472**	(22.501)
Company's share	**-**	%30,02
Net assets share of company's interest	**-**	(6.755)
Goodwill	**-**	13.268
The carrying amount of equity accounted investments	**-**	6.513

As of September 30, 2022 and December 31, 2021, movement of the equity (net assets) is as follows:

	January 1 – September 30, 2022	January 1 – December 31, 2021
Opening balance	**(22.501)**	38.229
Net profit (loss) for the period	**48.527**	(60.643)
Other comprehensive income (expense)	**(554)**	(87)
Closing balance	**25.472**	(22.501)

	January 1 – September 30, 2022	January 1 – December 31, 2021
Net sales	**1.082.116**	384.261
Operating profit/(loss)	**82.772**	(7.813)
Net profit (loss) for the period	**48.527**	(60.643)
Other comprehensive income/(loss)	**(554)**	(87)
Total comprehensive income/(loss)	**47.974**	(60.730)
Company's share (*)	**%30,02**	%30,02
Proportion of net profit / (loss) of the Company	**14.402**	(18.231)

Movement of investments accounted for using the equity method is as follows:

	January 1 – September 30, 2022	January 1 – December 31, 2021
Opening balance	**6.513**	24.744
Net profit/(loss) for the period	**14.568**	(18.205)
Other comprehensive income/(loss)	**(166)**	(26)
Disposal effect due to share sales	**(20.915)**	
Closing balance	**-**	6.513

(All amounts are expressed in Thousand Turkish Lira (Thousand TL) unless otherwise stated)

5. Investment accounted for using equity method (continued)

Shares of the Batıçim Enerji Elektrik Üretim A.Ş.,owned by the Company, has been sold to Batıçim Batı Anadolu Çimento Sanayii A.Ş. as of September 30, 2022 for the amount of thousand TL 161.057, equivalent of thousand USD 8.697 for offset of the borrowings of the Company to Batıçim Batı Anadolu Çimento Sanayii A.Ş.. Profit from the sale, amounting to thousand TL 140.142, is reported under income from investment activities on profit or loss.

6. Financial Liabilities

	December 31, 2022	December 31, 2021
Short term borrowings	**503.960**	440.174
Short term lease liabilities	**463**	377
Current portion of long-term loan	**109.439**	584.278
Long-term bank loans	**1.715.950**	717.832
Long term lease liabilities	**141**	366
	2.329.953	1.743.027

				December 31, 2022
Currency	**Interest type**	**Nominal interest rate**	**Short-term**	**Long-term**
US Dollar	**Floating**	**Libor+%1 - Libor+%8,74**	**215.338**	**-**
US Dollar	**Floating**	**6M Libor+%7,50**	**109.439**	**1.679.218**
US Dollar	**Fixed**	**%8,75**	**-**	**36.732**
TL	**Fixed**	**%9 - %14**	**288.622**	**-**
			613.399	**1.715.950**

				December 31, 2021
Currency	Interest type	Nominal interest rate	Short-term	Long-term
US Dollar	Fixed	%2,22	143.337	-
Euro	Fixed	%1,00 - %4,20	625.762	685.737
TL	Fixed	%9 - %24,00	255.352	32.095
			1.024.451	717.832

The payment schedules of long-term bank borrowings as of December 31, 2022 and 2021 are as follows:

	December 31, 2022	December 31, 2021
Between 1-2 years	**215.939**	143.566
Between 2-3 years	**214.287**	143.566
Between 3-4 years	**214.287**	143.566
Between 4-5 years	**214.287**	143.566
5 years and longer	**857.151**	143.568
	1.715.951	717.832

The liquidity and currency risks that the Company is exposed to regarding its financial debts are explained in Note 27.

(All amounts are expressed in Thousand Turkish Lira (Thousand TL) unless otherwise stated)

6. Financial Liabilities (continued)

As of December 31, 2022 and 2021, financial liabilities movement tables are as follows:

	2022	2021
Opening balance, January 1	**1.743.026**	1.169.396
New financial debts received	**2.008.294**	256.652
Principal paid	**(1.967.757)**	(245.868)
Interest paid	**(157.450)**	(64.525)
Foreign exchange losses and interest accruals	**703.840**	627.371
Closing balance, December 31	**2.329.953**	1.743.026

7. Trade receivables and payables

a) Short term trade receivables

As of reporting date, detail of trade receivables is as follows:

	December 31, 2022	December 31, 2021
Trade receivables, net	**112.596**	63.922
Cheques and notes receivables	**61.165**	64.443
Trade receivables from related parties (Note 26)	**91.323**	45.902
	265.084	174.267

The average maturity period for trade receivables is 36 days. (December 31, 2021: 48 days).

There are doubtful trade receivables of the Company at amount of thousand TL 51 as of December 31, 2022 (December 31, 2021: thousand 51 TL). There are no overdue trade receivables of the Company as of December 31, 2022 (December 31, 2021: None).

The Company’s credit risk of receivables and guarantee letters received are explained in Note 13 and 27.

b) Short term trade payables

As of reporting date, detail of trade payables is as follows:

	December 31, 2022	December 31, 2021
Trade payables	**641.187**	220.432
Trade payables to related parties (Note 26)	**27.372**	23.072
	668.559	243.504

As of December 31, 2022 trade payable amounting to thousand TL188.139 equivalent of 8.291 thousand USD and thousand EUR1.771 is comprised of letters of credit issued for the purchase of raw materials (December 31, 2021: 3.274 thousand TL equivalent of thousand EUR 217).

The average credit period of trade payables is 45 days (December 31, 2021: 70 days).

(All amounts are expressed in Thousand Turkish Lira (Thousand TL) unless otherwise stated)

8. Other receivables and payables

	December 31, 2022	December 31, 2021
a) Other short-term receivables		
Other receivables from related parties (Note 26)	**4.325**	15.155
Other receivables	**1.273**	449
	5.598	15.604

	December 31, 2022	December 31, 2021
b) Other long-term receivables		
Deposits and guarantees given	**349**	327
	349	327

	December 31, 2022	December 31, 2021
c) Other short-term payables		
Taxes and funds payable	**6.364**	2.101
Other payables from related parties (Note 26)	**-**	213.967
	6.364	216.068

9. Inventories

	December 31, 2022	December 31, 2021
Raw materials	**84.275**	33.235
Semi-finished goods	**127.805**	35.387
Finished goods	**22.568**	631
Auxiliary materials and spare parts	**126.356**	103.451
Inventory impairment provision (-)	**(18.286)**	-
	342.718	172.704

Auxiliary materials and spare parts consist of auxiliary materials and spare parts that can be used in production.

There is insurance coverage of approximately thousand USD 4.060 equivalent of thousand TL 75.915 on inventories. (December 31, 2021: by thousand TL 51.000).

Movement of allowance for impairment on inventory:

	2022	2021
Opening, January 1	**-**	(1.348)
Charge for the year	**18.286**	-
Provisions no longer required	**-**	1.348
Closing, December 31	**18.286**	-

(All amounts are expressed in Thousand Turkish Lira (Thousand TL) unless otherwise stated)

10. Prepaid Expenses

a) Short term prepaid expenses

	December 31, 2022	December 31, 2021
Prepaid expense for the following months	**66.797**	16.729
Order advances given for inventory purchases	**347**	1.817
Other	**-**	1
	67.144	18.547

b) Obligations arising from customer contracts

	December 31, 2022	December 31, 2021
Advances received	**67.532**	1.649
	67.532	1.649

11. Property, plant and equipment

	January 1, 2022	Additions	Transfers	Transfers(*)	Revaluation	December 31, 2022
Cost						
Land	866.745	-	(157.920)	-	-	708.825
Land improvements	41.474	-	-	-	-	41.474
Buildings	441.348	-	-	130	-	441.478
Machinery and equipment	598.885	3.846	(217)	-	708.920	1.311.434
Vehicles	1.290	207	-	-	-	1.497
Furniture and fixture	64.335	17.417	(24)	33.976	-	115.704
Other tangible assets	862	-	-	-	-	862
Construction in progress	1.415	65.376	-	(130)	-	66.661
	2.016.354	86.846	(158.161)	33.976	708.920	2.687.935
Accumulated depreciation:						
Land improvements	(22.377)	(1.778)	-	-	-	(24.155)
Buildings	(58.617)	(10.812)	-	-	-	(69.429)
Machinery and equipment	(189.758)	(45.836)	9	-	211.230	(24.355)
Vehicles	(596)	(181)	-	-	-	(777)
Furniture and fixture	(43.148)	(14.118)	-	-	-	(57.266)
Other tangible assets	(862)	-	-	-	-	(862)
	(315.358)	(72.725)	9	-	211.230	(176.844)
Net book value	1.700.996					2.511.091

(*) In the current period, firebricks are reclassified from inventories to tangible assets.

(All amounts are expressed in Thousand Turkish Lira (Thousand TL) unless otherwise stated)

11. Property, plant and equipment (continued)

	January 1, 2021	Additions	Transfers	Revaluation increase	December 31, 2021
Cost:					
Land	98.391	-	-	768.354	866.745
Land improvements	41.409	-	65	-	41.474
Buildings	441.348	-	-	-	441.348
Machinery and equipment	596.540	2.345	-	-	598.885
Vehicles	523	767	-	-	1.290
Furniture and fixture	48.708	15.627	-	-	64.335
Other tangible assets	862	-	-	-	862
Construction in progress	65	1.415	(65)	-	1.415
	1.227.846	20.154	-	768.354	2.016.354
Accumulated depreciation:					
Land improvements	(20.603)	(1.774)	-	-	(22.377)
Buildings	(47.805)	(10.812)	-	-	(58.617)
Machinery and equipment	(161.190)	(28.568)	-	-	(189.758)
Vehicles	(499)	(97)	-	-	(596)
Furniture and fixture	(35.299)	(7.849)	-	-	(43.148)
Other tangible assets	(862)	-	-	-	(862)
	(266.258)	(49.100)	-	-	(315.358)
Net book value	961.588				1.700.996

As of December 31, 2022, there are first level and second level pledges and mortgages were places on the tangible assets respectively million USD 400 and billion TL 2.6. (December 31, 2021: None). Details regarding the additional guarantees, pledges and mortgages given within the scope of the refinancing agreement signed by the Company on February 28, 2022 are explained in Note 13.

There is insurance coverage of approximately thousand TL 1.231.994, equivalent of by thousand USD 65.888 on tangible fixed assets. (December 31, 2021: Thousand TL 1.023)

Amounting to thousand TL 71.361 (December 31, 2021: Thousand TL48.553) of depreciation expense was allocated to cost of sales, thousand TL 7 (December 31, 2021: by thousand TL 23) of depreciation expense was allocated to marketing expenses, thousand TL 1.357 (December 31, 2021:Thousand TL 525) of depreciation expense was allocated to administrative expenses.

The fair value of the machinery and equipment, which is included in the tangible assets is determined according to the current value, according to the report dated September 30, 2022 of Karşıyaka Gayrimenkul Değerleme ve Danışmanlık A.Ş., which has been authorized by the CMB to provide valuation services.

12. Intangible assets and right of use assets

a) Intangible assets

	January 1, 2022	**Additions**	**Disposals**	**December 31, 2022**
Cost:				
Rights	**1.932**	**-**	**-**	**1.932**
Assets subject to amortization	**595**	**-**	**-**	**595**
	2.527	**-**	**-**	**2.527**
Accumulated amortization:				
Rights	**(1.401)**	**(116)**	**-**	**(1.517)**
Assets subject to amortization	**(595)**	**-**	**-**	**(595)**
	(1.996)	**(116)**	**-**	**(2.112)**
Net book value	**531**			**415**

(All amounts are expressed in Thousand Turkish Lira (Thousand TL) unless otherwise stated)

12. Intangible assets and right of use assets (continued)

	January 1, 2021	Additions	Disposals	December 31, 2021
Cost:				
Rights	1.706	226	-	1.932
Assets subject to amortization	595	-	-	595
	2.301	226	-	2.527
Accumulated amortization				
Rights	(1.332)	(69)	-	(1.401)
Assets subject to amortization	(595)	-	-	(595)
	(1.927)	(69)	-	(1.996)
Net book value	374			531

There is no mortgage on intangible assets as of December 31, 2022 (December 31, 2021 – None).

Amortization expense of thousand TL 40 (December 31, 2021:Thousand TL 69) of amortization expense is charged to cost of sales.

b) Right of use assets

	January 1, 2022	**Additions**	**Disposals**	**December 31, 2022**
Cost:				
Vehicles	1.147	187	-	1.334
Accumulated depreciation (-):				
Vehicles	(466)	(357)	-	(823)
Net carrying value	**681**			**511**

	January 1, 2021	**Additions**	**Disposals**	**December 31, 2021**
Cost:				
Vehicles	980	167	-	1.147
Accumulated depreciation (-):				
Vehicles	(97)	(369)	-	(466)
Net carrying value	**883**			**681**

13. Provisions, contingent assets and liabilities

a) Long-term provisions

As of December 31, 2022 and 2021, the movement of the provision for mine site rehabilitation is as follows:

	December 31 2022	December 31 2021
Mine site rehabilitation provision	**10.923**	6.651
	10.923	6.651

(All amounts are expressed in Thousand Turkish Lira (Thousand TL) unless otherwise stated)

13. Provisions, contingent assets and liabilities (continued)

As of December 31, 2022 and 2021, the movement of the provision for mine site rehabilitation is as follows:

	2022	2021
Opening balance, January 1	**6.651**	4.881
Current year expense, net	**4.272**	1.770
31 December	**10.923**	6.651

Provision recognized in order to rehabilitate land that has been damaged by the Company's quarry mining activities. Provision related to mine site rehabilitation expense has been charged to cost of sales.

b) Guarantees pledges and mortgages("GPM")

As of December 31, 2022 and 2021, the detail of guarantee, pledge and mortgage position (GPM) chart of the Company is as follows:

	December 31, 2022	December 31, 2021
A. Total amount of GPMs given for the Company's own legal personality (*)	**8.210.446**	388.851
B. Total amount of GPMs given on behalf of fully consolidated companies (**)		
C. Total amount of GPMs given for continuation of its economic activities on behalf of third parties		
D. Total amount of other GPMs given	**48.000**	84.025
i. Total amount of GPMs given on behalf of the majority shareholder		
ii. Total amount of GPMs given to on behalf of other group companies which are not in scope of B and C	**48.000**	84.025
iii. Total amount of GPMs given on behalf of third parties which are not in scope of C		
Total given GPMs	**8.306.446**	472.876
Ratio of other GPMs to shareholder's equity	**%68.**	%360.

(*) Within the scope of the "Refinancing Agreement" signed with consortium banks (Emlak Katılım, Halk Bankası, İşbank, TSKB, Vakıf Katılım, Vakıfbank, Ziraat Bankası, Ziraat Katılım), first level and second level mortgages on the tangible assets of the "Credit Recipients" and "Guarantor" companies has been established. According to agreement of loan, Batıçim and Batısöke defined as "Credit Recipients" while Batıliman and Batıbeton defining as "Guarantor" companies. There are, respectively, USD 400 Million and TL 2.6 billion mortgages of these companies' tangible assets. Agreement also includes immovable and movable pledges.

(**) According to the Share Pledge Agreement signed on 1 December 2014, the Company used bank loan amounting to US Dollar 15.450.000 due to financing continued investment project operations and the Company put in pledge to 30,02% of capital of Batıçim Enerji Elektrik Üretim A.Ş. (36.025 number of shares) with TL 1.000 nominal value in favor of Akbank T.A.Ş. Accordingly, there is a pledge right for almost 30,020% shares of the Company established in favor of Akbank T.A.Ş. However, with the sale of the shares to the ultimate shareholder company Batıçim Batı Anadolu Çimento Sanayii A.Ş. on 30.09.2022, the transfer of the share pledge was completed on the same date. The remaining amount consists of the guarantees given for the group companies Batıçim Enerji Toptan, Batıbeton and Batıliman.

(All amounts are expressed in Thousand Turkish Lira (Thousand TL) unless otherwise stated)

13. Provisions, contingent assets and liabilities (continued)

The details of the guarantees, pledges and mortgages given by the company as of December 31, 2022 and 2021 are as follows:

	December 31, 2022	December 31, 2021
Guarantees given	**542.986**	385.577
Pledges and mortgages given	**7.479.320**	-
Letter of credit	**188.139**	3.274
Total	**8.199.874**	388.851

The details of the bank letters of guarantee given by the Company to financial and non-financial institutions are as follows:

	December 31, 2022	December 31, 2021
Letters of guarantee given for the Eximbank loan	**478.729**	344.038
Letters of guarantee given to the tax office	**30.807**	8.197
Letters of guarantee given to suppliers	**32.451**	21.862
Letters of guarantee given to public institutions	**820**	11.480
Letters of guarantee given to the enforcement office	**179**	-
Total	**542.986**	385.577

Letters of guarantees received

As of 31 December 2022, and 2021 Guarantee letters received against the Company's trade receivables is as follows:

	December 31, 2022	December 31, 2021
Guarantee letters received (*)	**115.144**	72.622
	115.144	72.622

(*) It consists of letters of guarantee received from customers.

14. Employee benefits

a) a) Employee benefit obligations

	December 31, 2022	December 31, 2021
Social security premium payables	**4.096**	1.508
Payables to personnel	**2.211**	1.175
	6.307	2.683

(All amounts are expressed in Thousand Turkish Lira (Thousand TL) unless otherwise stated)

14. Employee benefits (continued)

b) Long-term provisions for employee benefits

	December 31, 2022	December 31, 2021
Provision for employment termination benefits	**33.779**	14.404
Performance and seniority encouragement premium provisions	**11.339**	3.159
Provision for unused vacation	**3.004**	1.221
	48.122	18.784

Provision for employment termination benefits

Under Turkish Labor Law, the Company is required to pay termination benefits to each employee who has completed certain years of service and whose employment is terminated without due cause, who is called up for military service, dies or retires after completing 25 years of service and reaches the retirement age (58 for women and 60 for men).The amount payable consists of one month's salary limited to a maximum of TL 15,371.40 (December 31, 2021: TL 8.284,51). As of January 1, 2023, the severance pay ceiling has been updated to 19.982.93 TL.

Retirement pay liability is not subject to any kind of funding legally. Provision for retirement pay liability is calculated by estimating the present value of probable liability amount arising due to retirement of employees. TAS 19 Employee Benefits stipulates the development of company's liabilities by using actuarial valuation methods under defined benefit plans. In this direction, actuarial assumptions used in calculation of total liabilities are described as follows: The principal assumption is that the maximum liability for each year of service will increase parallel with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. Consequently, in the accompanying financial statements as of December 31, 2022, the provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of the employees. The provisions at the respective reporting dates have been calculated with the assumption of 2.26% real discount rate calculated by using 19.30% annual inflation rate and 22% discount rate (December 31, 2021: 4.38%). The drop-out rate for voluntary work for 0–15-year employees is 2,59%. For the employees who work 15 years and over, the rate is taken as 0%.

Movements in the provision for employee termination benefits are as follows:

	2022	2021
Opening balance, January 1	**14.404**	12.501
Interest cost	**3.097**	1.651
Service cost	**3.428**	1.125
Actuarial (gain) / loss	**16.210**	1.576
Paid in the current year (-)	**(3.360)**	(2.449)
Closing balance, December 31	**33.779**	14.404

The sensitivity analyses of the significant assumptions used in calculation of retirement pay liability as of December 31, 2022 are as follows:

		Net discount Rate		**Turnover rate to estimate the probability of retirement**
Sensitivity Level	**0,5% Decrease**	**0,5% increase**	**0,5% point Decrease**	**0,5% point İncrease**
Rate (%)	**2,21%**	**2,31%**	**98,56%**	**98,66%**
Change in the retirement pay liability (TL)	**205.070**	**(178.565)**	**(46.331)**	**46.542**

(All amounts are expressed in Thousand Turkish Lira (Thousand TL) unless otherwise stated)

14. Employee benefits (continued)

Performance and seniority encouragement premium provision

Provision for performance and employment termination benefit is provided to employees in accordance with the Company policy and the present value of the obligation is measured at the reporting date using a net discount rate.

The movement of performance and seniority encouragement premium provision:

	2022	2021
Opening balance, January 1	**3.159**	2.568
Interest cost	**679**	-
Service cost	**3.210**	1.099
Actuarial (gain) / loss	**5.821**	-
Paid in the current year (-)	**(1.530)**	(508)
Closing balance, December 31	**11.339**	3.159

15. Other assets and liabilities

i) Other assets

	December 31, 2022	December 31, 2021
a) Other current assets:		
Deferred VAT	**102.651**	70.367
	102.651	70.367

	December 31, 2022	December 31, 2021
b) Other non-current assets:		
Deferred VAT	**-**	16.380
	-	16.380

ii) Other liabilities

	December 31, 2022	December 31, 2021
a) Other short-term liabilities:		
Mine tax accruals	**5.066**	3.260
	5.066	3.260

16. Share capital, reserves and other equity items

a) Paid in capital

As of December 31, 2022, and 2021, the Company's paid in capital structure is as follows:

	December 31, 2022		December 31, 2021	
Shareholders	**Share (%)**	**Amount (Thousand TL)**	Share (%)	Amount (Thousand TL)
Batıçim Batı Anadolu Çimento Sanayii A.Ş.	**74,62**	**298.494**	74,62	298.494
Other	**25,38**	**101.506**	25,38	101.506
Nominal capital	**100**	**400.000**	100	400.000
Inflation adjustment difference		**59.825**		59.825
Adjusted capital		**459.825**		459.825

The Company is subject to registered capital system. Authorized capital is million TL 800.000.000.

The Company has registered shares amounting to TL 14.956,13. Nominal value of one share is TL 0,01. The total number of ordinary shares is 400.000.000 shares with a par value of shares with a par value of TL 0,01 per share with total nominal value of TL 400.000 thousand.

The Company’s capital consists of A and B Company shares.

Company A shareholders have the following rights in accordance with the Company’s articles of association:

All members of the board of directors have to be appointed from among the candidates chosen by the majority of the holders of Company A shares.

"Paid-in capital", "Restricted reserves" and "Share premiums" in accordance with the Communiqué Serial: II-14.1 "Communiqué on Principles of Financial Reporting in Capital Market" published in the Official Gazette No: 28676 dated June 13, 2013 "Must be shown in the amounts in the legal records. The valuation differences (such as inflation adjustment differences) shall be disclosed as follows:

- If the difference is arising from the valuation of “Paid-in capital” and has not yet been transferred to capital, it should be classified under the “Inflation adjustment capital”;
- If the difference is arising from valuation of “Restricted reserves” and “Share Premium” and the amount has not been subject to dividend distribution or capital increase, it shall be classified under “Retained earnings”.

Capital adjustment differences can only be added to the capital.

Listed companies processes their profit distributions according to the II-19.1 numbered CMB profit distribution declaration become effective on or after February 1, 2014.

(All amounts are expressed in Thousand Turkish Lira (Thousand TL) unless otherwise stated)

16. Share capital, reserves and other equity items (continued)

Shareholders distributes their profits within the frame of profit distribution policies determined by general assembly and according to the related declaration by the approval of general assembly. Within the mentioned declaration, minimum rate of distribution is not determined. Companies distribute their profits according to the predetermined terms in their articles of incorporation or profit distribution policies. In addition, equal or different purchases of dividends may be paid in instalments, and dividend advances may be distributed in cash over the profit included in the interim financial statements.

In accordance with the Turkish Commercial Code, unless the required reserves and the dividend for shareholders as determined in the Articles of Association or in the dividend distribution policy of the company are set aside; no decision may be taken to set up other reserves, to transfer profits to the subsequent year or to distribute dividends to the holders of usufruct shares, to the members of the board of directors or to the employees; and no dividend can be distributed to these people unless the determined dividend for shareholders is paid in cash.

Inflation adjustment differences of shareholders' equity and bonus share capital increase of extraordinary reserves; cash profit distribution or loss deduction. However, equity inflation adjustment differences will be subject to corporation tax if used for cash profit distribution.

Legal reserves and share premiums that are subject to statutory reserve in accordance with Article 466 of the Turkish Commercial Code are stated in the legal books. In this context, the differences arising from the inflation adjustments that are not included in dividend distribution or capital increase arising in the IFRS basis are attributed to previous years' profit / loss.

The legal reserves consist of first and second reserves, appropriated in accordance with the Turkish Commercial Code ("TCC"). The TCC stipulates that the first legal reserve is appropriated out of statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the Company's paid-in share capital. The second legal reserve is appropriated at the rate of 10% per annum of all cash distributions in excess of 5% of the paid-in share capital. Under the TCC, the legal reserves can only be used to offset losses and are not available for any other usage unless they exceed 50% of paid-in share capital.

b) Share premiums

Represents the difference between the nominal amount and the sales amount of newly issued shares due to capital increase. As of December 31, 2022, TL 511.025 (December 31, 2021: TL 511.025).

c) Other comprehensive income and expenses not to be classified to profit or loss

Movement related to value increase / (decrease) transferred directly to equity without being associated with profit or loss are as follows:

Actuarial gain / (loss) fund related to defined benefit plans:

	2022	2021
Opening balance, January 1	**(4.078)**	(2.818)
Current year remeasurement effect	**(22.031)**	(1.576)
Deferred tax effect	**4.406**	315
Closing balance, December 31	**(21.703)**	(4.079)

(All amounts are expressed in Thousand Turkish Lira (Thousand TL) unless otherwise stated)

16. Share capital, reserves and other equity items (continued)

Property, plant and equipment revaluation increase (decrease) fund:

	2022	2021
Opening balance, January 1	**749.066**	57.547
Current year remeasurement effect	**920.150**	768.354
Deferred tax effect	**(184.030)**	(76.835)
Disposal effect of sales of tangible assets (land)	**(134.738)**	-
Transfers	**(19.484)**	-
Closing balance, December 31	**1.330.964**	749.066

Movement schedules for gains (losses) from financial assets at fair value through profit or loss in the following periods that are recognized in shareholders' equity are as follows:

	2022	2021
Opening balance, January 1	**85.744**	13.654
Current year fair value measurement gain (loss) effect	**103.540**	75.885
Deferred tax effect	**(5.177)**	(3.795)
Disposal effect of sales of financial assets	**(184.107)**	-
Closing balance, December 31	**-**	85.744

d) Prior years' profits / (losses):

The net distributable profit for the period included in the statutory records as of the reporting date of the Company and other sources subject to profit distribution are given below.

	December 31, 2022	December 31, 2021
Net profit (loss) for the period	**(573.122)**	(653.810)
Extraordinary reserve	**119.228**	119.228
Special funds	**849**	849
Retained earnings	**(1.266.500)**	(612.659)
	(1.719.545)	(1.146.392)

17. Revenue and cost of sales

Net Sales

	January 1 – December 31, 2022	January 1 – December 31, 2021
Domestic sales	**1.173.296**	352.778
Export sales	**946.796**	386.506
Sales returns (-)	**(377)**	(9)
Sales discounts (-)	**(5.169)**	(1.906)
Other discounts (-)	**-**	(286)
	2.114.546	737.083

In the sale of goods, the asset is transferred when control of the asset is in the hands of the customers and revenue is recognized.

(All amounts are expressed in Thousand Turkish Lira (Thousand TL) unless otherwise stated)

17. Revenue and cost of sales (continued)

Cost of sales

	January 1 – December 31, 2022	January 1 – December 31, 2021
Raw materials used	**(1.127.247)**	(356.144)
Production overhead	**(784.165)**	(240.169)
Personnel expenses	**(72.452)**	(42.578)
Depreciation expenses	**(71.361)**	(48.553)
Change in work-in progress and finished goods (Note 9)	**114.355**	15.980
Provision for mine rehabilitation	**(4.272)**	(1.770)
Unused vacation accrual	**(1.595)**	(57)
Provision for performance and seniority encouragement premium	**(1.502)**	-
Provision of employee termination benefit	**(61)**	(756)
Depreciation and amortization expenses	**(41)**	(69)
	(1.948.341)	(674.116)

18. General administrative expenses, marketing, sales and distribution expenses

	January 1 – December 31, 2022	January 1 – December 31, 2021
a) General administrative expenses:		
Personnel expenses	**(10.166)**	(9.140)
Outsourcing expenses	**(13.479)**	-
Consultancy expenses	**(2.903)**	(5.413)
Real estate tax expenses and stamp duties	**(9.331)**	(3.391)
Security expenses	**(2.206)**	(2.015)
Depreciation expenses	**(1.357)**	(892)
Fuel expenses	**(966)**	(222)
Services expenses	**(710)**	(808)
Provision for employee termination benefits	**(1)**	(44)
Provision for performance and seniority encouragement premium (Note 14)	**(31)**	(80)
Vehicle rent expenses	**(104)**	(47)
Other expenses	**(5.083)**	(2.039)
	(46.337)	(24.091)

(All amounts are expressed in Thousand Turkish Lira (Thousand TL) unless otherwise stated)

18. General administrative expenses, marketing, sales and distribution expenses (continued)

	January 1 – December 31, 2022	January 1 – December 31, 2021
b) Marketing, sales and distribution expenses:		
Transportation and loading expenses	**(65.947)**	(38.251)
Personnel expenses	**(1.377)**	(756)
Provision for performance and seniority encouragement premium (Note 14)	**(147)**	(20)
Depreciation expenses (Note 11)	**(6)**	(23)
Provision for employee termination benefits (Note 14)	**(6)**	(20)
Other	**(1.085)**	(388)
	(68.568)	(39.458)

19. Expenses by nature

	January 1 – December 31, 2022	January 1 – December 31, 2021
Raw materials used	**(1.127.247)**	(356.144)
Production overhead	**(784.165)**	(240.168)
Change in work-in progress and finished goods inventories	**114.355**	15.980
Personnel expenses	**(83.995)**	(52.474)
Depreciation expenses	**(72.725)**	(49.469)
Transportation and loading expenses	**(65.947)**	(38.251)
Outsourcing expenses	**(13.479)**	-
Consultancy expenses	**(2.903)**	(5.413)
Real estate tax expenses and stamp duties	**(9.331)**	(3.391)
Mine rehabilitation provision expenses	**(4.272)**	(1.770)
Security expenses	**(2.206)**	(2.015)
Provision for employee termination benefits	**(69)**	(820)
Provision for performance and seniority encouragement Premium	**(1.680)**	(100)
Unused vacation accrual	**(1.628)**	(57)
Other	**(7.954)**	(3.572)
	(2.063.246)	(737.664)

(All amounts are expressed in Thousand Turkish Lira (Thousand TL) unless otherwise stated)

20. Other income / expenses from operating activities

a) Other income from operating activities

	January 1 – December 31, 2022	January 1 – December 31, 2021
Foreign exchange gains from operations	**20.815**	35.153
Discount interest income	**21.299**	13.092
Other	**4.866**	4.140
	46.980	52.385

b) Other expense from operating activities

	January 1 – December 31, 2022	January 1 – December 31, 2021
Foreign exchange losses from operations	**(106.250)**	(47.696)
Discount interest expenses	**(25.399)**	(13.640)
Other	**(1)**	(1.533)
	(131.650)	(62.869)

21. Income / losses from investing activities

	January 1 – December 31, 2022	January 1 – December 31, 2021
Income from investing activities:		
Profit from sales of investments accounted under equity method	**140.142**	-
Interest income	**1.770**	533
	141.912	533

	January 1 – December 31, 2022	January 1 – December 31, 2021
Expense from investing activities:		
Loss on sale of property, plant and equipment	**95.849**	-
	95.849	-

(All amounts are expressed in Thousand Turkish Lira (Thousand TL) unless otherwise stated)

22. Financial Income

	January 1 – December 31, 2022	January 1 – December 31, 2021
Foreign exchange gains	**3.974**	3.428
	3.974	3.428

23. Financial Expenses

	January 1 – December 31, 2022	January 1 – December 31, 2021
Foreign exchange loss	**(606.002)**	(584.105)
Interest expense on bank loans	**(229.661)**	(75.053)
Loss on derivative instrument	**(10.346)**	(2.695)
Bank commission expenses	**(2.377)**	(49)
Other	**(37.568)**	(1)
	(885.954)	(661.903)

24. Income taxes (including deferred tax assets and liabilities)

Corporation tax

The corporate tax rate in Turkey is 23% as of December 31 2022. With the provisional article 13 added to the Corporate Tax Law No. 5520, with the 11th article of the Amending the Procedure Law on Collection of Public Claims and Some Other Laws No. 7316 The corporate tax rate applied 25% for corporate earnings for the 2021 taxation period, 23% for corporate earnings for the 2022 taxation period, and it is anticipated to continue to be implemented as 20% rate again.

	December 31, 2022	December 31, 2021
Current period corporation tax	**-**	-
Less: Prepaid taxes and funds	**(84)**	(52)
Current tax assets	**(84)**	(52)

Taxation income (expense) reported in the statement of profit or loss	January 1 – December 31, 2022	January 1 – December 31, 2021
Current tax expense	**-**	-
Deferred tax income	**85.170**	(2.336)
	85.170	(2.336)

(All amounts are expressed in Thousand Turkish Lira (Thousand TL) unless otherwise stated)

24. Income taxes (including deferred tax assets and liabilities) (continued)

Deferred tax

As of 31 December 2022, the tax rates used in the calculation of deferred tax assets and liabilities are used as 20% for companies established in Turkey.

	Taxable temporary differences		Deferred tax assets / (liabilities)	
	December 31, 2022	December 31, 2021	**December 31, 2022**	December 31, 2021
Revaluation of tangible assets	**(1.602.736)**	(832.296)	**(252.289)**	(83.230)
Fair value measurement effects of financial investments	**-**	(78.242)	**-**	(3.912)
Amortized cost method effects on receivables and payables		(568)	**-**	(130)
Other	**(7.336)**	(432)	**(1.467)**	(90)
Deferred tax liabilities	**(1.610.072)**	(911.538)	**(253.756)**	(87.362)
Tangible and intangible assets	**44.547**	36.611	**8.910**	7.134
Cash capital increase interest incentive	**-**	-	**52.631**	44.919
Taxable loss	**233.633**	-	**46.733**	-
Provisions for employee benefits	**48.122**	18.784	**9.624**	3.757
Provision for mine site rehabilitation	**10.344**	6.651	**2.069**	1.331
Impairment of inventories	**18.287**	-	**3.657**	-
Amortized cost method effects on receivables and payables	**1.220**	-	**281**	-
Deferred tax assets	**356.153**	62.046	**123.905**	57.141
Deferred tax assets / (liabilities), net			**(129.853)**	(30.221)

The Company changed its accounting policy to revaluation model, as of September 30, 2022, for facility, machinery and equipment. Based on this revaluation, it has been considered that there is sufficient taxable temporary difference to be able to use the deductible temporary differences that will be closed through the effects of annual depreciation, taking into account the amounts of financial losses carried after the revaluation and their useful lives. Therefore, a deferred tax asset of by thousand TL 46.733 has been recognized for the periods in which deductible temporary differences arise and financial losses can be carried.

Within the scope of the adjustment explained above the expire dates of the deductible tax losses calculated as deferred tax assets is as follows:

	December 31, 2022	December 31 , 2021
December 31, 2023	**30.686**	**-**
December 31, 2024	**36.596**	**-**
December 31, 2025	**55.772**	**-**
December 31, 2026	**55.710**	**-**
December 31, 2027	**54.899**	**-**
	233.663	**-**

The maturity breakdown of deductible financial losses for which deferred tax assets are not calculated is as follows:

	December 31, 2022	December 31, 2021
December 31, 2023	**-**	30.686
December 31, 2024	**158.895**	181.639
December 31, 2025	**313.271**	369.043
December 31, 2026	**505.774**	561.484
December 31, 2027	**528.839**	-
	1.506.779	1.142.852

(All amounts are expressed in Thousand Turkish Lira (Thousand TL) unless otherwise stated)

24. Income taxes (including deferred tax assets and liabilities) (continued)

Within the scope of the "Law Amending the Laws of Some Laws and Amendments to Laws" numbered 6637 published in the Commercial Gazette dated April 7, 2015, the capital increases of the capital companies as of July 1, 2015 and the cash contributions of the capital invested in newly established capital companies 50% of the amount calculated up to the end of the relevant accounting period will be deductible from the corporate tax base considering the weighted average annual interest rate applied to commercial loans. With the resolution numbered 2015/7910 published in the Commercial Gazette dated December 31, 2017, 50%

a) For publicly traded capital companies whose shares are traded in the stock exchange, the nominal amount of the shares that are listed as shares in the stock exchange in the Central Registry Agency as of the last day of the year in which the deduction is utilized is 50% or less of the registered or registered capital registered in the trade register 25 points, 50 points for those who are above 50%

b) If the capital raised in cash is to be used in investments of production and industrial facilities with investment incentive certificates and machinery and equipment investments belonging to these facilities and / or land and land investments allocated to the construction of these facilities, 25 points shall be added to the fixed investment amount stated in the investment incentive certificate the discount will be applied.

The right of using cash capital increase interest indefinitely has been limited for four periods starting first declaration of capital increase or the registration date of first establishment, with the Law No 7417 as of July 5, 2022. According to the same regulation and 15th article of the Tax Procedure Law, companies made capital increase and benefit tax advantages, could continue to benefit tax advantages for five periods regardless of the number of periods tax advantages used. If the Company could not benefit tax advantages due to lack of profit in the defined periods, cash capital increase incentives can be used after the five-year period is over. No time limit has been set in this regard.

The movement of the deferred tax assets/ (liabilities), table of net balance as of follows:

	2022	2021
Opening balance, January 1	**(30.221)**	52.430
Recognized in statement of profit or loss	**85.170**	(2.336)
Charged to other comprehensive (loss) / income	**(184.800)**	(80.315)
December 31	**(129.851)**	(30.221)

Reconciliation between tax deductions on which the statutory tax rate before tax is applied and the tax deduction on the total income statement including deferred tax deductions:

	January 1 – December 31, 2022	January 1 – December 31, 2021
Pre-tax income from continuing operations	**(854.885)**	(687.239)
The current effective statutory tax rate	**%23**	%25
Calculated tax income (expense)	**196.624**	171.810
Cash equity incentive	**7.712**	14.038
The effect of non-deductible expenses	**(33.119)**	(23.769)
Share of profit/loss of investments accounted under equity method	**3.312**	(4.558)
Impact of uncalculated financial losses postponed over	**(87.527)**	(140.371)
Cancellation of deferred tax assets from carried tax losses	**-**	(11.229)
Effect of adjustments on which no deferred tax is calculated	**-**	(9.070)
Effect of other adjustments	**(1.832)**	813
Taxation income (expense) reported in the statement of profit or loss	**85.170**	(2.336)

(All amounts are expressed in Thousand Turkish Lira (Thousand TL) unless otherwise stated)

25. Earnings / losses per share

	January 1 – December 31, 2022	January 1 – December 31, 2021
Weighted number of ordinary shares with a TL 0,01 par value	**40.000.000**	40.000.000
(Loss) / profit for the period (TL)	**(769.715)**	(689.575)
(Loss) / earnings per share (for the Group A and B shares with a par value of TL 1)	**(1,9243)**	(1,7239)

26. Related party disclosure

As of 31 December 2022, and 2021, balances due to and due to related parties and a summary of important transactions with related parties during the period are presented below:

As of December 31, 2022 detail of trade receivables from related parties are as follows:

	Receivables		**Payables**	
	Short-term		**Short-term**	
Balances with related parties	**Trade**	**Non-trade**	**Trade**	**Non-trade**
Batıçim Batı Anadolu Çimento Sanayii A.Ş. (*) (1)	**22.970**	**-**	**-**	**-**
Batıbeton Sanayi A.Ş.(2)	**68.353**	**-**	**20.601**	**-**
Batıçim Enerji Toptan Satış A.Ş. (2)	**-**	**4.325**	**-**	**-**
Batıliman Liman İşletmeleri A.Ş. (2)	**-**	**-**	**6.771**	**-**
	91.323	**4.325**	**27.372**	

As of December 31, 2021 detail of trade receivables from related parties are as follows:

	Receivables		Payables	
	Short-term		Short-term	
Balances with related parties	Trade	Non-trade	Trade	Non-trade
Batıçim Batı Anadolu Çimento Sanayii A.Ş. (*) (1)	25.513	15.141	9.904	213.967
Batıbeton Sanayi A.Ş.(2)	20.389	14	7.242	-
Batıçim Enerji Toptan Satış A.Ş. (2)	-	-	1.686	-
Batıliman Liman İşletmeleri A.Ş. (2)	-	-	4.240	-
	45.902	15.155	23.072	213.967

(1) Ultimate shareholder
(2) The other companies controlled by ultimate shareholder
(*) Non-commercial debts in the form of financing obtained from Batıçim are due and interest is accrued at an annual average interest rate of 20% (December 31, 2021: 15%)

(All amounts are expressed in Thousand Turkish Lira (Thousand TL) unless otherwise stated)

26. Related party disclosure (continued)

	January 1 – December 31, 2022		
Transactions with related parties	**Inventory or service purchases**	**Sales of goods**	**Other**
Batıbeton Sanayi A.Ş.(2)	**-**	**132.370**	**(673)**
Batıçim Batı Anadolu Çimento Sanayii A.Ş. (1) (*)	**651**	**686.428**	**135.225**
Batıçim Enerji Toptan Satış A.Ş. (2)	**21.191**	**-**	**1**
Batıliman Liman İşletmeleri A.Ş. (**) (2)	**35.137**		**-**
	56.979	**818.798**	**134.553**

(*) Consists of the company's export registered sales. Other income mainly consists of profit reported under investment activities arising from share transfer and interest expenses arising from non-commercial borrowings, details of which are disclosed in Note 5 in the current period.
(**) Consists of port service expenses received from Batıliman in the current period.

	January 1 – December 31, 2021		
Transactions with related parties	Inventory or service purchases	Sales of goods	Other
Batıbeton Sanayi A.Ş.(2)	365	45.155	63
Batıçim Batı Anadolu Çimento Sanayii A.Ş. (1) (*)	1.604	102.115	(9.142)
Batıçim Enerji Toptan Satış A.Ş. (2)	6.210	-	13
Batıliman Liman İşletmeleri A.Ş. (**) (2)	28.284	-	-
	36.463	147.270	(9.066)

(*) Consists of the company's export registered sales. Other expenses occurred consist of from interest expenses.
(**) Consists of port service expenses received from Batıliman in the current period.

(1) Ultimate shareholder
(2) The other companies controlled by ultimate shareholder

Compensation of key management personnel:

Benefits to key management personnel are wages, premiums, health insurance, transportation and etc. Benefits to the key management personnel during the period is as follows:

	December 31, 2022	December 31, 2021
Wages, premiums, social relief benefits	**1.476**	796
Seniority incentives, performance premium and other relief and payments	**-**	625
	1.476	1.421

(All amounts are expressed in Thousand Turkish Lira (Thousand TL) unless otherwise stated)

27. Nature and level of risks arising from financial instruments

a) Credit risk:

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Company's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable and, where appropriate, credit guarantee insurance cover is purchased.

Allowances for doubtful receivables are recognized against financial assets based on estimated irrecoverable amounts determined by reference to past experience.

Details of credit risk of the Company as of December 31, 2022 and 2021 are as follows:

December 31, 2022

	Receivables					
	Trade receivables		Other receivables			
	Related parties	Third parties	Related parties	Third parties	Deposit in banks	Total
Maximum credit risk exposure as of reporting date (A+B+C+D+E) (*)	**91.323**	**173.761**	**4.325**	**1.623**	**40.439**	**311.471**
- Maximum risk secured by guarantee (**)	**-**	**115.144**	**-**	**-**	**-**	**115.144**
A. Net book value of financial assets neither overdue nor impaired	**91.323**	**173.761**	**4.325**	**1.623**	**40.439**	**311.471**
B. Net book value of financial assets of which conditions are negotiated, otherwise considered as impaired or overdue	**-**	**-**	**-**	**-**	**-**	**-**
C. Net book value of assets overdue but not impaired						
D. Net book value of impaired assets						
- Overdue (gross book value)	**-**	**(51)**	-	-	-	(51)
- Impairment (-)	**-**	**(51)**	-	-	-	(51)
E. Off-balance sheet items having credit risk	**-**	**-**	-	-	-	-

(*) In determining the credit amounts, factors that increase credit reliability, i.e. the guarantees received, are not taken into consideration.
(**) Guarantees consists of guarantee notes, guarantee cheques and mortgages obtained from the customers .

(All amounts are expressed in Thousand Turkish Lira (Thousand TL) unless otherwise stated)

27. Nature and level of risks arising from financial instruments (continued)

December 31, 2021

	Receivables						
	Trade receivables		Other receivables				
	Related parties	Third parties	Related parties	Third parties	Financial Investments	Related parties	Third parties
Maximum credit risk exposure as of reporting date (A+B+C+D+E) (*)	45.902	128.365	15.155	776	110.620	1.582	302.400
- Maximum risk secured by guarantee (**)	-	72.622	-		-	-	72.622
A. Net book value of financial assets neither overdue nor impaired	45.902	128.365	15.155	776	110.620	1.582	302.400
B. Net book value of financial assets of which conditions are negotiated, otherwise considered as impaired or overdue	-	-	-	-		-	-
C. Net book value of assets overdue but not impaired	-	-	-	-	-	-	-
D. Net book value of impaired assets	-	-	-	-	-	-	-
- Overdue (gross book value)	-	51	-	-	-	-	51
- Impairment (-)	-	(51)	-	-	-	-	(51)
E. Off-balance sheet items having credit risk	-	-	-	-	-	-	-

(*) In determining the credit amounts, factors that increase credit reliability, i.e. the guarantees received, are not taken into consideration.
(**) Guarantees consists of guarantee notes, guarantee cheques and mortgages obtained from the customers.

(All amounts are expressed in Thousand Turkish Lira (Thousand TL) unless otherwise stated)

27. Nature and level of risks arising from financial instruments (continued)

b) Liquidity risk:

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the management of the Company's short, medium and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The following tables detail the Company's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay. The table includes both interest and principal cash flows.

December 31, 2022

Contractual terms	**Book value**	**Total contractual cash outflows (I+II+III)**	**Up to 3 months (I)**	**3 - 12 months (II)**	**1 – 5 years (III)**	**More than 5 years (IV)**
Non-derivative financial liabilities						
Bank loans	**2.329.350**	**3.354.387**	**27.348**	**789.562**	**1.440.340**	**1.097.137**
Trade payables	**668.559**	**671.542**	**671.542**	**-**	**-**	**-**
	2.997.909	**4.025.929**	**698.890**	**789.562**	**1.440.340**	**1.097.137**

December 31, 2021

Contractual terms	Book value	Total contractual cash outflows (I+II+III)	Up to 3 months (I)	3 - 12 months (II)	1 – 5 years (III)	More than 5 years (IV)
Non-derivative financial liabilities						
Bank loans	1.742.283	1.892.625	57.750	1.020.878	665.161	148.836
Trade payables	243.504	246.993	246.993	-	-	-
Other payables to related parties	213.967	213.967	-	213.967	-	-
	2.199.754	2.353.585	304.743	1.234.845	665.161	148.836

c) Market risk:

<u>Foreign currency risk management</u>

The Company carries foreign exchange risk due to its assets and liabilities denominated in USD and Euro. The following table details the Company's sensitivity to every 10% increase and decrease in the US Dollars, Euro. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. The sensitivity analysis includes external loans as well as loans to foreign operations within the Company where the denomination of the loan is in a currency other than the currency of the lender or the borrower. A positive number indicates an increase in profit or loss and other equity where the TL strengthens against the relevant currency.

(All amounts are expressed in Thousand Turkish Lira (Thousand TL) unless otherwise stated)

27. Nature and level of risks arising from financial instruments (continued)

	December 31, 2022			December 31, 2021		
	TL Equivalent	US Dollars	Euro	TL Equivalent	US Dollar	Euro
1. Trade receivables	46.424	2.483	-	48.893	3.668	-
2a. Monetary financial assets (including cash and bank accounts)	9.790	523	1	70	1	4
2b. Non-monetary financial assets	-	-	-	-	-	-
3. Other	4.364	-	219	2.545	9	161
4. Current assets (1+2+3)	60.578	3.006	220	51.508	3.678	165
5. Trade receivables	-	-	-	-	-	-
6a. Monetary financial assets	-		-	-	-	-
6b. Non-monetary financial assets	-	-	-	-	-	-
7. Other	-	-	-	-	-	-
8. Non-current assets (5+6+7)	-	-	-	-	-	-
9. Total assets (4+8)	60.578	3.006	220	51.508	3.678	165
10. Trade payables	470.949	22.896	2.149	34.619	1.738	759
11. Financial liabilities	318.452	17.031	-	769.099	10.754	41.478
12a. Monetary other liabilities	-	-	-	-	-	-
12b. Non-monetary other liabilities	-	-	-	-	-	-
13. Short-term liabilities (10+11+12a+12b)	789.401	39.927	2.149	803.718	12.492	42.237
14. Trade payables	-	-	-	-	-	-
15. Financial liabilities	1.712.863	91.605	-	685.737	-	45.453
16a. Monetary other liabilities	-	-	-	-	-	-
16b. Non-monetary other liabilities	-	-	-	-	-	-
17. Long-term liabilities (14+15+16a+16b)	1.712.863	91.605	-	685.737	-	45.453
18. Total liabilities (13+17)	2.502.264	131.532	2.149	1.489.455	12.492	87.690
19. Net asset//(liability) position of off balance (19a- 19b)	-	-	-	-	-	-
19a. Off-balance sheet foreign currency derivative assets	-	-	-	-	-	-
19b. Off-balance sheet foreign currency derivative assets	-	-	-	-	-	-
20. Net foreign currency asset/(liability) position (9-18+19)	(2.441.686)	(128.526)	(1.929)	(1.437.947)	(8.814)	(87.525)
21. Net foreign currency asset/(liability) (TFRS7 B23) (=1+2a+5+6a-10-11-12a-14-15-16a)	(2.446.050)	(128.526)	(2.148)	(1.440.492)	(8.823)	(87.686)
22.Total fair value of financial instruments used for currency hedging	-	-	-	-	-	-
23. Amount of hedged portion of foreign currency assets	-	-	-	-	-	-
24. Amount of hedged portion of foreign currency liabilities	-	-	-	-	-	-

(All amounts are expressed in Thousand Turkish Lira (Thousand TL) unless otherwise stated)

27. Nature and level of risks arising from financial instruments (continued)

Table of foreign currency sensitivity analysis

		December 31, 2022
		Pre-tax profit (loss) effect
	Foreign currency appreciation	**Foreign currency depreciation**
Increase of US Dollars by 10% against TL		
1 - US Dollars net assets/liabilities	**(240.323)**	**240.323**
2- Amount hedged from US Dollars risk (-)	**-**	**-**
3- US Dollars net effect (1 +2)	**(240.323)**	**240.323**
Increase of Euro by 10% against TL		
4 - Euro net assets/liabilities	**(3.845)**	**3.845**
5 - Amount hedged from Euro risk (-)	**-**	**-**
6- Euro net effect (4+5)	**(3.845)**	**3.845**
Total (3 + 6)	**(244.168)**	**244.168**

		December 31,2021
		Pre-tax profit (loss) effect
	Foreign currency appreciation	Foreign currency depreciation
Increase of US Dollars by 10% against TL		
1 - US Dollars net assets/liabilities	(11.760)	11.760
2- Amount hedged from US Dollars risk (-)	-	-
3- US Dollars net effect (1 +2)	(11.760)	11.760
Increase of Euro by 10% against TL		
4 - Euro net assets/liabilities	(132.289)	132.289
5 - Amount hedged from Euro risk (-)	-	-
6- Euro net effect (4+5)	(132.289)	132.289
Total (3 + 6)	(144.049)	144.049

(All amounts are expressed in Thousand Turkish Lira (Thousand TL) unless otherwise stated)

27. Nature and level of risks arising from financial instruments (continued)

Interest rate risk

Company is exposed to interest rate risk as entities in the Company borrow funds at both fixed and floating interest rates. The risk is managed by the company. Hedging activities are evaluated regularly to align with interest rate views and defined risk appetite; ensuring optimal hedging strategies are applied, by either positioning the statement of financial position or protecting interest expense through different interest rate cycles.

As of December 31, 2022, and 2021 table of sensitivity analysis for foreign currency risk is as follows:

	2022	2021
Fixed rate instruments		
Financial assets	**27.555**	788
Financial liabilities	**325.354**	1.742.283
Floating rate instruments		
Financial liabilities	**2.003.995**	-

As of 31 December 2022, the effect of +100 / -100 basis point change in the interest rates of floating rate loans on the Company's financial expenses will be an increase of TL 5.879 thousand / a decrease of TL (5.879) thousand, respectively.

d) Capital risk management

The Company manages its capital to ensure that it will be able to continue as going concerns while maximizing the return to stakeholders through the optimization of the debt and equity balance.

The capital structure of the Company includes loans disclosed in Note 6, cash and cash equivalents, comprising issued capital, reserves and equity items include retained earnings.

The Company's board of directors review the capital structure semi-annually. The Company management considers the cost of capital and the risks associated with each class of capital. The management of the Company aims to balance its overall capital structure through new share issues, and by issue of new debt or the redemption of existing debt.

In addition, and consistent with others in the industry, the Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the statement of financial position) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the statement of financial position plus net debt.

	December 31, 2022	December 31, 2021
Total financial liabilities	**2.329.953**	1.743.027
Cash and cash equivalents (-)	**(40.445)**	(1.593)
Net financial liabilities	**2.289.508**	1.741.434
Total capital	**76.707**	23.335
Net financial liabilities / total equity ratio	**%97**	%99

28. Fair value disclosures

Fair value is the amount for which an asset could be exchanged or a liability settled in an arm's length transaction between knowledgeable willing parties, other than in a forced sale or liquidation, and is best evidenced by a quoted market price, where one exists.

Financial instruments

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

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

Financial assets

The carrying amounts of foreign currency denominated monetary assets which are translated at year end exchange rates are considered to approximate their fair values. Cash and cash equivalents are measured at fair value. Trade receivables and receivables from related parties are carried at their amortized cost and considered to approximate their respective carrying values. Financial investments registered in the stock exchange are accounted at their fair values determined according to the Borsa İstanbul market data as of the reporting date.

Financial liabilities

Trade payables and receivables, payables to related parties and other monetary liabilities are estimated to be presented with their discounted carrying amounts and they are considered to approximate to their fair values and the fair values of balances denominated in foreign currencies, which are translated at year-end exchange rates, are considered to approximate carrying values

The fair values of short-term bank loans and other monetary liabilities are estimated to approximate their carrying values due to their short-term nature. Since long-term floating rate bank loans are updated with regard to the changing market conditions, it is considered that the fair value of these loans represents the value they bear. When the long-term fixed interest rate borrowings are valued at the fixed interest rate as of the balance sheet date, fair value is found to be close to the carrying value.

Fair value levels

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

- Level 1: the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices;
- Level 2: the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions; and
- Level 3: the fair value of the financial assets and financial liabilities are determined where there is no observable market data.

(All amounts are expressed in Thousand Turkish Lira (Thousand TL) unless otherwise stated)

28. Fair value disclosures (continued)

As of December 31, 2022 and 2021, the fair values and levels of financial and non-financial (land assets and liabilities measured at their fair value in the statement of financial position are as follows:

December 31, 2022	**Fair value level as of the reporting date**		
	Level 1	**Level 2**	**Level 3**
	TL	**TL**	**TL**
Private sector equity securities	**-**	**-**	**-**
	-	**-**	**-**

December 31, 2021	Fair value level as of the reporting date		
	Level 1	Level 2	Level 3
	TL	TL	TL
Private sector equity securities	110.620	-	-
	110.620	-	-

<u>Non-financial assets</u>

Real estate appraisal reports prepared by a real estate appraisal company authorized by the CMB are used to determine the fair values of land measured at fair value, determine the fair values of machinery and equipment at market approach and fair value approach on the financial statements.

It is defined as the determination of the value of the real estate to be appraised, using the appropriate comparison criteria, by applying the necessary adjustments on the sales prices of the real estate that has been recently sold and similar to the real estate to be appraised, again according to these criteria. Those comparable to the real estate in question are analysed by comparing them in order of priority in terms of property rights, financing, sales conditions, after-sales expenditures, market conditions, location and physical characteristics. Quantitative and qualitative techniques are applied in the corrections to be made. In the case of sufficient and reliable data, it can be applied in the valuation of all types of real estate, and in the case of data, it is accepted as the most appropriate approach to determine the value.

In the revaluation of the company's machinery and equipment value appraisal was made using the "market approach" and "cost approach" method. In the market approach method, after it is concluded that there is sufficient sales data for the assets, the value is appraised by comparing the sales of similar assets in the market or by comparing the prices requested and the offers. Based on this value, the loss in value (depreciation) due to physical wear and being out of date functionally and economically has been estimated, and the remaining value has been appraised as fair value.

December 31, 2022	**Fair value level as of reporting date**		
	Level 1	**Level 2**	**Level 3**
	TL	**TL**	**TL**
Land	**-**	**708.825**	**-**
Machinery and equipment		**1.311.434**	
	-	**2.020.259**	**-**

28. Fair value disclosures (continued)

December 31, 2021	Fair value level as of reporting date		
	Level 1	Level 2	Level 3
	TL	TL	TL
Land	-	866.745	-
	-	866.745	-

The real estate valuation reports prepared by the real estate appraisal company authorized by the CMB have been taken as basis in the determination of the fair values of the lands and lands, which are measured with their fair value in accordance with the revaluation model in the financial statements, and the relevant study has been updated as of 31 December 2021.

The methods used to determine the fair value of land measured at their fair value and important unobservable assumptions are as follows:

December 31, 2021				
	Valuation Method	Significant unobservable expenses	Data Range	Weight average
Tangible assets				
Land	Market Approach	Precedent selling price – (TL/m^2)	38-820	267 TL

29. Fees for services received from independent auditor/independent audit firm

The Company's explanation regarding the fees for services rendered by independent audit firms, which is prepared by the KGK pursuant to the Board Decision published in the Official Gazette on March 30, 2022, and the preparation principles of which are based on the letter of the POA dated August 19, 2022 are as follows:

	January 1 – December 31, 2022	January 1 – December 31, 2021
Independent audit fee for the reporting period	**245**	117
Fees for tax advisory services	**64**	48
	309	165

30. Subsequent events

An earthquake occurred in the south-eastern part of Turkey that affected many of our cities killing and injuring thousands of people. Since the severity of disaster is currently uncertain; efforts to measure the impact on the Company’s operations and financial performance continue.

31. Disclosure of other matters

Convenience translation into English:

As of December 31, 2022, the accounting principles described in Note 2 (defined as Turkish Accounting Standards/Turkish Financial Reporting Standards) to the accompanying financial statements differ from International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board with respect to the application of inflation accounting, certain reclassifications and also for certain disclosures requirement of the POA. Accordingly, the accompanying financial statements are not intended to present the financial position and results of operations in accordance with IFRS.