**(CONVENIENCE TRANSLATION OF THE INDEPENDENT AUDITORS' REPORT AND CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH)**

**AKSA AKRİLİK KİMYA SANAYİİ A.Ş.**

**JANUARY 1 - DECEMBER 31, 2021 CONSOLIDATED FINANCIAL STATEMENTS TOGETHER WITH INDEPENDENT AUDITOR'S REPORT**

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

# INDEPENDENT AUDITOR'S REPORT

To the General Assembly of Aksa Akrilik Kimya Sanayii A.Ş.

## A. Audit of the consolidated financial statements

### 1. Our opinion

We have audited the accompanying consolidated financial statements of Aksa Akrilik Kimya Sanayii A.Ş. (the "Company"), its subsidiaries and joint ventures (collectively referred to as the "Group") which comprise the consolidated statement of financial position as at 31 December 2021, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements comprising a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2021, and its financial performance and its cash flows for the year then ended in accordance with Turkish Financial Reporting Standards ("TFRS").

### 2. Basis for opinion

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

### 3. Key audit matters

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

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| *Key audit matters* | *How our audit addressed the key audit matter* |
| --- | --- |
| ***Recoverability of trade receivables***<br><br>Trade receivables from third parties (TRY 828,371 thousand as of 31 December 2021), constitute a significant portion of the consolidated assets of the Group. Furthermore, the assessment of the recoverability of these assets involves significant level of management estimates. Such estimation includes considering the following for each customer – the amount of guarantees / collateral held, past collection performance, creditworthiness and aging of receivables. The outcome of such estimates is very sensitive to changes in market conditions. Therefore, recoverability of trade receivables is a key matter for our audit.<br><br>Please refer to notes 2.3, 2.4, 8 and 29 to the consolidated financial statements for the Group's disclosures on trade receivables, including the related accounting policy. | We performed the following procedures in relation to the recoverability of trade receivables:<br><br>• Understanding the business process for collections from customers,<br><br>• Comparing trade receivable turnover days to the prior period,<br><br>• Inquiries with management in relation to any disputes with customers and written inquiries with the Group's legal counsels on outstanding litigation in relation to trade receivables,<br><br>• Testing receivables from third parties by obtaining confirmation letters from customers and distributors and reconciling them to the Group's accounting records,<br><br>• Testing collections in the subsequent period from selected customers,<br><br>• Testing, on a sample basis, guarantees/collaterals and credit insurances held and assessing the Group's ability to convert them to cash,<br><br>• Assessing the adequacy of disclosures around recoverability of trade receivables in the notes to the consolidated financial statements.<br><br>We had no material findings related to the recoverability of trade receivables as a result of these procedures. |

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## B. Other responsibilities arising from regulatory requirements

1. No matter has come to our attention that is significant according to subparagraph 4 of Article 402 of Turkish Commercial Code ("TCC") No. 6102 and that causes us to believe that the Company's bookkeeping activities concerning the period from 1 January to 31 December 2021 period are not in compliance with the TCC and provisions of the Company's articles of association related to financial reporting.

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

3. In accordance with subparagraph 4 of Article 398 of the TCC, the auditor's report on the early risk identification system and committee was submitted to the Company's Board of Directors on 15 February 2022.

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

Sertu Talı, SMMM
Partner

Istanbul, 15 February 2022

**CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (NOTE 2.5)**

**AKSA AKRİLİK KİMYA SANAYİİ A.Ş.**

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AT 1 JANUARY - 31 DECEMBER**

(Amounts expressed in thousands of Turkish Lira (‘TRY’) unless otherwise indicated.)

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## AKSA AKRİLİK KİMYA SANAYİİ A.Ş.

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AT 1 JANUARY-31 DECEMBER

(Amounts expressed in thousands of Turkish Lira ('TRY') unless otherwise indicated.)

| | Notes | 31 December 2021 USD(*) | Audited 31 December 2021 TRY | Audited 31 December 2020 TRY |
|---|---|---|---|---|
| **ASSETS** | | | | |
| **Current assets** | | **452,271** | **6,028,316** | **2,653,990** |
| Cash and cash equivalents | 4 | 212,746 | 2,835,689 | 906,204 |
| Financial investments | 5 | - | - | 37,261 |
| Trade receivables | | | | |
| - Due from third parties | 8 | 51,535 | 686,910 | 425,428 |
| - Due from related parties | 28 | 34,204 | 455,902 | 404,580 |
| Other receivables | | | | |
| - Due from third parties | 9 | 76 | 1,013 | 716 |
| Derivative financial assets | 18 | 352 | 4,687 | - |
| Inventories | 10 | 116,966 | 1,559,041 | 630,967 |
| Prepaid expenses | 17 | 9,503 | 126,669 | 34,294 |
| Current income tax assets | 26 | 259 | 3,447 | |
| Other current assets | 17 | 26,470 | 352,817 | 123,190 |
| **Subtotal** | | **452,110** | **6,026,175** | **2,562,640** |
| Assets held for sale | 19 | 161 | 2,141 | 91,350 |
| **Total current assets** | | **452,271** | **6,028,316** | **2,653,990** |
| **Non-current assets** | | **256,188** | **3,414,734** | **2,272,022** |
| Trade receivables | | | | |
| - Due from third parties | 8 | 10,613 | 141,461 | 101,637 |
| Derivative financial assets | 18 | 312 | 4,162 | - |
| Investment accounted for using equity method | 6 | 58,383 | 778,181 | 388,529 |
| Investment properties | 11 | 1,115 | 14,856 | 42,110 |
| Property, plant and equipment | 13 | 155,341 | 2,070,534 | 1,576,736 |
| Right of use assets | 12 | 2,686 | 35,796 | 36,241 |
| Intangible assets and goodwill | | | | |
| - Goodwill | 14 | 449 | 5,989 | 5,989 |
| - Other intangible assets | 14 | 8,682 | 115,722 | 84,785 |
| Deferred tax assets | 26 | 14,411 | 192,080 | 2,264 |
| Prepaid expenses | 17 | 4,198 | 55,953 | 33,731 |
| **Total assets** | | **708,459** | **9,443,050** | **4,926,012** |

(*) United States Dollar ("USD") amounts presented above have been translated from Turkish Lira ("TRY") for convenience purposes only, at the official TRY bid rate announced by the Central Bank of the Republic of Turkey ("CBRT") at 31 December 2021, and therefore do not form part of these consolidated financial statements (Note 2.5).

These consolidated financial statements at 31 December 2021 have been reviewed by the Audit Committee and approved for issue by the Board of Directors on 15 February 2022. These consolidated financial statements will be finalised after approval in the General Assembly.

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

## CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (NOTE 2.5)

## AKSA AKRİLİK KİMYA SANAYİİ A.Ş.

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
### AT 1 JANUARY-31 DECEMBER

(Amounts expressed in thousands of Turkish Lira (‘TRY’) unless otherwise indicated.)

| | | | Audited | |
|---|---|---|---|---|
| | **Notes** | **31 December 2021 USD(*)** | **31 December 2021 TRY** | **31 December 2020 TRY** |
| **Current liabilities** | | **443,259** | **5,908,199** | **1,818,201** |
| Current borrowings | 7 | 159,498 | 2,125,952 | 511,554 |
| Current portions of non-current borrowings | | | | |
| - Bank loans | 7 | 17,079 | 227,640 | 197,330 |
| - Lease liabilities | 7 | 802 | 10,692 | 6,817 |
| Trade payables | | | | |
| - Due to third parties | 8 | 230,245 | 3,068,942 | 707,133 |
| - Due to related parties | 28 | 7,322 | 97,593 | 56,681 |
| Payables related to employee benefits | 16 | 441 | 5,876 | 4,825 |
| Other payables | | | | |
| - Other payables to third parties | 9 | 2,157 | 28,752 | 1,505 |
| Deferred income other than contract liabilities | 17 | 22,443 | 299,147 | 216,112 |
| Current income tax liabilities | 26 | - | - | 21,230 |
| Derivative instruments | 18 | - | - | 65,818 |
| Current provisions | | | | |
| - Current provisions for employee benefits | 16 | 3,264 | 43,500 | 29,096 |
| - Other current provisions | 15 | 8 | 105 | 100 |
| **Non-current liabilities** | | **52,560** | **700,572** | **1,241,651** |
| Long term borrowings | | | | |
| - Bank loans | 7 | 42,412 | 565,315 | 1,149,230 |
| - Lease liabilities | 7 | 3,398 | 45,297 | 35,166 |
| Non-current provisions | | | | |
| - Non-current provisions for employee benefits | 16 | 4,483 | 59,750 | 38,972 |
| Derivative instruments | 18 | - | - | 249 |
| Other non-current liabilities | 17 | 2,266 | 30,210 | 18,034 |
| **Total liabilities** | | **495,819** | **6,608,771** | **3,059,852** |
| **EQUITY** | | **212,640** | **2,834,279** | **1,866,160** |
| **Equity attributable to owners of parent** | | **212,640** | **2,834,279** | **1,866,160** |
| Paid-in capital | 20 | 24,289 | 323,750 | 323,750 |
| Inflation adjustments on capital | 20 | 4,237 | 56,469 | 56,469 |
| Treasury shares (-) | 20 | - | - | (6,666) |
| Other accumulated comprehensive income/(loss) that will not be reclassified in profit or loss | | | | |
| - Gains/(losses) on remeasurement of defined benefit plans | | (2,269) | (30,237) | (15,018) |
| - Share of other comprehensive income of investments accounted for using equity method | | 719 | 9,585 | 3,331 |
| Other comprehensive income/loss that will be reclassified in profit or loss | | | | |
| - Currency translation differences | | 57,208 | 762,523 | 385,910 |
| - Gains/(losses) on hedge | | (23,948) | (319,200) | (15,628) |
| Restricted reserves | 20 | 19,212 | 256,074 | 214,787 |
| Retained earnings | | 45,623 | 608,107 | 479,272 |
| Net profit for the period | | 87,569 | 1,167,208 | 439,953 |
| **Non-controlling interests** | | - | - | - |
| **Total liabilities and equity** | | **708,459** | **9,443,050** | **4,926,012** |

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

## CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (NOTE 2.5)

## AKSA AKRİLİK KİMYA SANAYİİ A.Ş.

## CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEARS ENDED 31 DECEMBER 2021 AND 2020

(Amounts expressed in thousands of Turkish Lira (‘TRY’) unless otherwise indicated.)

| | | | Audited | |
|---|---|---|---|---|
| **Profit or loss** | **Notes** | **2021 (USD)*** | **2021** | **2020** |
| Revenue | 21 | 940,966 | 8,348,157 | 4,109,857 |
| Cost of sales (-) | 21, 22 | (733,129) | (6,504,250) | (3,141,662) |
| **Gross profit** | | **207,837** | **1,843,907** | **968,195** |
| General administrative expenses (-) | 22 | (13,132) | (116,506) | (77,069) |
| Marketing expenses (-) | 22 | (16,919) | (150,100) | (86,115) |
| Research and development expenses (-) | 22 | (1,676) | (14,873) | (11,065) |
| Other income from operating activities | 23 | 120,403 | 1,068,200 | 321,531 |
| Other expense from operating activities (-) | 23 | (155,999) | (1,384,010) | (289,199) |
| **Profit from operating activities** | | **140,513** | **1,246,618** | **826,278** |
| Investment activity income | 24 | 4,642 | 41,185 | 6,742 |
| Share of loss from investments accounted for using equity method | 6 | 5,057 | 44,863 | 7,508 |
| **Profit before financing income/(expense)** | | **150,212** | **1,332,666** | **840,528** |
| Finance income | 25 | 115,647 | 1,026,005 | 334,713 |
| Finance expense (-) | 25 | (138,283) | (1,226,833) | (682,566) |
| **Profit from continuing operations, before tax** | | **127,576** | **1,131,838** | **492,675** |
| **Tax (expense)/income from continuing operations** | | | | |
| - Current period tax expense | 26 | (7,607) | (67,490) | (73,999) |
| - Deferred tax income | 26 | 11,594 | 102,860 | 21,277 |
| **Profit from continuing operations** | | **131,562** | **1,167,208** | **439,953** |
| **Attributable to:** | | | | |
| Owners of parent | | 131,562 | 1,167,208 | 439,953 |
| Non-controlling interests | | - | - | - |
| | | **131,562** | **1,167,208** | **439,953** |
| Basic earnings per share from continuing operations (Kr) | 27 | 0.41 | 3.61 | 1.36 |

(*) USD amounts presented above have been translated from TRY for convenience purposes only, at the USD average CBRT bid rates for the period ended 31 December 2021, and therefore do not form part of these consolidated financial statements (Note 2.5).

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

## CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (NOTE 2.5)

## AKSA AKRİLİK KİMYA SANAYİİ A.Ş.

## CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEARS ENDED 31 DECEMBER 2020 AND 2019

(Amounts expressed in thousands of Turkish Lira ('TRY') unless otherwise indicated.)

| | | | Audited | |
|---|---|---|---|---|
| **Other comprehensive income** | **Notes** | **2021 (USD)*** | **2021** | **2020** |
| **Profit from continuing operations** | | **131,562** | **1,167,208** | **439,953** |
| **Other comprehensive income that will not be reclassified to profit or loss** | | | | |
| Gains/(losses) on remeasurements of defined benefit plans | 16 | (2,144) | (19,024) | (5,110) |
| Share of other comprehensive income of associates and joint ventures accounted for using equity method that will not be reclassified to profit or loss | | | | |
| Gains/(losses) on remeasurement of defined benefit plans of associates and joint ventures accounted for using equity method | 6 | 705 | 6,254 | 922 |
| Taxes relating to components of other comprehensive income that will not be reclassified to profit or loss | 26 | 429 | 3,805 | 1,022 |
| **Other comprehensive income that will be reclassified to profit or loss** | | | | |
| Other comprehensive (loss)/income related with cash flow hedges | | (43,548) | (386,351) | 3,445 |
| Currency translation differences | | 42,450 | 376,613 | 85,027 |
| Taxes relating to other comprehensive income to be reclassified to profit/loss | 26 | 9,330 | 82,779 | (689) |
| **Total comprehensive income** | | **138,785** | **1,231,284** | **524,570** |
| **Attributable to:** | | | | |
| Owners of parent | | 138,785 | 1,231,284 | 524,570 |
| Non-controlling interests | | - | - | - |
| | | **138,785** | **1,231,284** | **524,570** |

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

## CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (NOTE 2.5)

## AKSA AKRİLİK KİMYA SANAYİİ A.Ş.

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED 31 DECEMBER 2021 AND 2020

(Amounts expressed in thousands of Turkish Lira ('TRY') unless otherwise indicated.)

| | Attributable to equity holders of the parent | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Audited** | **Paid-in capital** | **Inflation adjustments on capital** | **Treasury shares** | **Share Premium** | **Gains/ (losses) on hedge(1)** | **Restricted reserves** | **Income from investments accounted for using equity method(2)** | **Currency translation differences** | **Gains/(losses) on remeasurement of defined benefit plans(2)** | **Retained earnings** | **Net profit for the period** | **Total** | **Non-controlling interests** | **Total equity** |
| **1 January 2020** | **185,000** | **195,175** | **(34,106)** | **44** | **(18,384)** | **179,838** | **2,409** | **300,883** | **(10,930)** | **457,609** | **277,682** | **1,535,220** | **-** | **1,535,220** |
| Increase/(decrease) through treasury share transactions | - | - | 26,549 | - | - | - | - | - | - | 18,505 | - | 45,054 | - | 45,054 |
| Issue of equity | 138,750 | (138,706) | - | (44) | - | - | - | - | - | - | - | - | - | - |
| Transfers | - | - | - | - | - | 34,949 | - | - | - | 242,733 | (277,682) | - | - | - |
| Dividends paid | - | - | 891 | - | - | - | - | - | - | (239,575) | - | (238,684) | - | (238,684) |
| Total comprehensive income | - | - | - | - | 2,756 | - | 922 | 85,027 | (4,088) | - | 439,953 | 524,570 | - | 524,570 |
| **31 December 2020** | **323,750** | **56,469** | **(6,666)** | **-** | **(15,628)** | **214,787** | **3,331** | **385,910** | **(15,018)** | **479,272** | **439,953** | **1,866,160** | **-** | **1,866,160** |
| **1 January 2021** | **323,750** | **56,469** | **(6,666)** | **-** | **(15,628)** | **214,787** | **3,331** | **385,910** | **(15,018)** | **479,272** | **439,953** | **1,866,160** | **-** | **1,866,160** |
| Increase/(decrease) through treasury share transactions (Note 20) | - | - | 6,666 | - | - | - | - | - | - | 11,832 | - | 18,498 | - | 18,498 |
| Transfers | - | - | - | - | - | 41,287 | - | - | - | 398,666 | (439,953) | - | - | - |
| Dividends paid | - | - | - | - | - | - | - | - | - | (281,663) | - | (281,663) | - | (281,663) |
| Total comprehensive income | - | - | - | - | (303,572) | - | 6,254 | 376,613 | (15,219) | - | 1,167,208 | 1,231,284 | - | 1,231,284 |
| **31 December 2021** | **323,750** | **56,469** | **-** | **-** | **(319,200)** | **256,074** | **9,585** | **762,523** | **(30,237)** | **608,107** | **1,167,208** | **2,834,279** | **-** | **2,834,279** |

(1) Items to be reclassified to profit and loss
(2) Items not to be reclassified to profit and loss

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

# CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (NOTE 2.5)

## AKSA AKRİLİK KİMYA SANAYİİ A.Ş.

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED 31 DECEMBER 2020 AND 2019

(Amounts expressed in thousands of Turkish Lira ('TRY') unless otherwise indicated.)

| | Notes | 2021 (USD)* | 2021 | 2020 |
|---|---|---|---|---|
| **A. Cash Flows From/(Used in) Operating Activities** | | **328,087** | **2,910,752** | **862,084** |
| Profit for the period | | 131,562 | 1,167,208 | 439,953 |
| **Adjustments to reconcile profit/(loss):** | | **123,840** | **1,098,699** | **501,911** |
| - Adjustments for depreciation and amortization expense | 22 | 15,680 | 139,113 | 125,301 |
| - Adjustments for impairment loss/(reversal of impairment loss) | | 3,858 | 34,230 | 49,670 |
| - Adjustments for provisions | | 675 | 5,986 | 6,258 |
| - Adjustments for interest income and expense | 25 | (321) | (2,846) | 56,335 |
| - Adjustments for unrealised foreign exchange losses/(gains) | | 125,392 | 1,112,465 | 154,306 |
| - Adjustments for fair value gains/(losses) | | (8,444) | (74,916) | 66,713 |
| - Adjustments for undistributed profits of investments accounted for using equity method | 6 | (5,057) | (44,863) | (7,508) |
| - Adjustments for tax expense | 26 | (3,987) | (35,370) | 52,722 |
| - Adjustments for losses/(gains) on disposal of non-current assets | 24 | (3,956) | (35,100) | (1,886) |
| **Changes in working capital** | | **60,401** | **535,869** | **(100,487)** |
| - Adjustments for (increase)/decrease in inventories | | (104,486) | (926,992) | 43,861 |
| - Adjustments for (increase)/decrease in trade receivables | | (1,396) | (12,387) | (145,316) |
| - Adjustments for (increase)/decrease in other operating receivables | | (33) | (297) | 15,338 |
| - Adjustments for increase/(decrease) in trade payables | | 199,067 | 1,766,103 | (109,166) |
| - Adjustments for increase/(decrease) in other operating payables | | 3,071 | 27,247 | 319 |
| - Other adjustments for other increase/(decrease) in working capital | | (35,822) | (317,805) | 94,477 |
| **Cash flows from/(Used in) operations** | | **315,803** | **2,801,776** | **841,377** |
| Interest paid | 23 | (1,943) | (17,235) | (8,727) |
| Interest received | 23 | 2,720 | 24,133 | 23,124 |
| Payments related with provisions for employee benefits | 16 | (375) | (3,323) | (1,683) |
| Income taxes refunds | | 11,880 | 105,401 | 7,993 |
| **B. Cash flows from/(Used in) investing activities** | | **(62,001)** | **(550,069)** | **(408,236)** |
| Proceeds from sales of property, plant, equipment and intangible assets | | 14,566 | 129,224 | 2,251 |
| Cash outflows from purchase of property, plant, equipment and intangible assets | | (67,822) | (601,714) | (385,989) |
| Cash advances and loans made to other parties | | (12,917) | (114,597) | (7,653) |
| Cash inflows from participation (profit) shares or other financial instruments | | 4,172 | 37,018 | 7,000 |
| Cash outflows from participation (profit) shares or other financial instruments | | - | - | (23,845) |
| **C. Cash Flows From/(Used in) Financing Activities** | | **(51,892)** | **(460,382)** | **(189,431)** |
| Payments to treasury shares | 20 | - | - | (12,171) |
| Cash inflows from sale of treasury shares | | 2,085 | 18,498 | 57,225 |
| Proceeds from borrowings | 7 | 62,732 | 556,551 | 1,836,378 |
| Repayments of borrowings | 7 | (80,128) | (710,889) | (1,751,530) |
| Dividends paid | 20 | (31,748) | (281,663) | (238,684) |
| Payments of lease liabilities | 7 | (1,315) | (11,665) | (4,992) |
| Interest received | | 5,253 | 46,607 | 21,730 |
| Interest paid | | (8,772) | (77,821) | (97,387) |
| **Net increase/(decrease) in cash and cash equivalents before effect of exchange rate changes** | | **214,193** | **1,900,301** | **264,417** |
| **D. Effect of exchange rate changes on cash and cash equivalents** | | **3,389** | **30,068** | **5,543** |
| **Net increase/(decrease) in cash and cash equivalents** | | **217,582** | **1,930,369** | **269,960** |
| **E. Cash and cash equivalents at the beginning of the period** | **4** | **102,006** | **904,990** | **635,030** |
| **Cash and cash equivalents at the end of the period** | **4** | **319,589** | **2,835,359** | **904,990** |

(*) USD amounts presented above have been translated from TRY for convenience purposes only, at the USD average CBRT bid rates for the period ended 31 December 2021, and therefore do not form part of these consolidated financial statements (Note 2.5).

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

(Amounts expressed in thousands of Turkish Lira ('TRY') unless otherwise indicated.)

## NOTE 1 - ORGANISATION AND NATURE OF OPERATIONS

Aksa Akrilik Kimya Sanayii A.Ş. ("Aksa" or the 'Company') was established on 21 November 1968 and registered in Turkey.

Aksa and its subsidiaries (together referred to as the "Group") have the following main activities; manufacturing of textile, chemical and other industrial products and all kinds of raw materials, auxiliary materials and intermediate substances, artificial, synthetic and natural fibers, carbon fibers, filament and polymers, and any equipment, machinery or spare parts used in the production, processing or storage of these, importing exporting, establishment of domestic, foreign and international branches, marketing and trading, establishment and start-up and rental of energy generation plant, electricity generation and sale of generated electricity or capacity to customers rental of real estate.

Aksa is registered with the Capital Markets Board ("CMB") and its shares have been quoted in the Borsa İstanbul A.Ş. ("BİST") since 1986. As of 31 December 2021, the principal shareholders and their respective shareholding rates in the Company are as follows:

| | **%** |
|---|---:|
| Akkök Holding A.Ş. ("Akkök Holding") | 39.59 |
| Emniyet Ticaret ve Sanayi A.Ş. | 20.23 |
| Other(*) | 40.18 |
| **Total** | **100.00** |

(*) As of 31 December 2021, 36.64% of the Aksa shares are traded on BIST.

Akkök Holding, which is the main shareholder of the Company, is controlled by Dinçkök family members. As of 31 December 2021, the number of employees employed by the Company is 1,338 (31 December 2020: 1,238).

The address of the registered office of the Company is as follows:

Merkez Mahallesi Ali Raif Dinçkök Cad. No:2
PK 114 77602 Taşköprü Çiftlikköy - Yalova

Main operations of the Group are in Turkey and for the purpose of segment reporting, the operations are summarized in three operational segments as (Note 3):

- Fibers
- Energy
- Other

The Company has the following subsidiary and joint venture. Country, nature of operations and segmental information of these companies are as follows (Note 3):

| **Subsidiary** | **Country** | **of business** | **Nature Segment** |
|---|---|---|---|
| Aksa Egypt Acrylic Fiber Industry SAE ("Aksa Egypt") | Egypt | Textile | Fibers |

| **Joint ventures** | **Country** | **Nature of business** |
|---|---|---|
| DowAksa Advanced Composites Holdings B.V. ("DowAksa Holdings") | Netherlands | Investment |

## NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

### 2.1 Basis of preparation

### 2.1.1 Financial reporting standards applied

The consolidated financial statements of the Group have been prepared in accordance with the Turkish Financial Reporting Standards ("TFRS") and interpretations as adopted in line with international standards by the Public Oversight Accounting and Auditing Standards Authority of Turkey ("POA") in line 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 of Turkey ("CMB") on 13 June 2013 which is published on Official Gazette numbered 28676. TFRS are updated in harmony with the changes and updates in International Financial Reporting Standards ("IFRS") by the communiqués.

The consolidated financial statements are presented in accordance with "Announcement regarding with TAS Taxonomy" which was published on 15 April 2019 by POA and the format and mandatory information recommended by CMB.

The Company maintain their books of accounts and prepare their statutory financial statements in accordance with the Turkish Commercial Code ("TCC"), tax legislation, the Uniform Chart of Accounts issued by the Ministry of Finance and principles issued by CMB. The foreign subsidiaries maintain their books of account in accordance with the laws and regulations in force in the countries in which they are registered. These consolidated financial statements have been prepared under historical cost conventions except for financial assets and liabilities which are carried at fair value and are based on the statutory records with the required adjustments and reclassifications reflected for the purpose of fair presentation in accordance with TFRS.

The consolidated financial statements have been prepared under historical cost conventions except for derivative instruments and financial investments which are carried at fair value and in the case of business combinations, revaluation resulting from the difference between the fair value and the carrying value of tangible and intangible assets.

**Functional and presentation currency**

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in TRY, which is the functional currency of Aksa and the presentation currency of the Group.

**Amendments in Turkish Financial Reporting Standards**

The accounting policies adopted in preparation of the consolidated financial statements as at 31 December 2021 are consistent with those of the previous financial year, except for the adoption of new and amended TFRS and its interpretations effective as of 1 January 2021. The effects of these standards and interpretations on the Group's financial position and performance have been disclosed in the related paragraphs.

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

### 2.1.1 Financial reporting standards applied (Continued)

***a) Standards, amendments and interpretations applicable as at 31 December 2021:***

**Amendment to IFRS 16, 'Leases' – Covid-19 related rent concessions**

As of March 2021, this change has been extended until June 2022 and is effective from July 1, 2021. As a result of the coronavirus (COVID-19) pandemic, rent concessions have been granted to lessees. Such concessions might take a variety of forms, including payment holidays and deferral of lease payments. On 28 May 2020, the IASB published an amendment to IFRS 16 that provides an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification. Lessees can elect to account for such rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as variable lease payments in the period(s) in which the event or condition that triggers the reduced payment occurs. This change has no material impact on the financial position and performance of the Group.

**Amendments to IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform;**

effective from annual periods beginning on or after 1 January 2021. The Phase 2 amendments address issues that arise from the implementation of the reforms, including the replacement of one benchmark with an alternative one. This change has no material impact on the financial position and performance of the Group.

***b) Standards, amendments and interpretations that are issued but not effective as at 31 December 2021***

**TFRS 17, "Insurance Contracts"**

Effective from annual periods beginning on or after 1 January 2023. This standard replaces IFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features. The effects on the financial position and performance of the Group are being evaluated and no significant impact is expected.

**Amendments to TAS 1, Presentation of financial statements on classification of liabilities;**

Effective from 1 January 2022. These narrow-scope amendments to TAS 1, 'Presentation of financial statements', clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what TAS 1 means when it refers to the 'settlement' of a liability. The impact on the Group's financial position and performance is being evaluated.

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

**A number of narrow-scope amendments to TFRS 3, TAS 16, TAS 37 and some annual improvements on TFRS 1, TFRS 9, TAS 41 and TFRS 16**

Effective from Annual periods beginning on or after 1 January 2022.

- **Amendments to TFRS 3 'Business combinations';** update a reference in TFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations
- **Amendments to TAS 16, 'Property, plant and equipment';** prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.
- **Amendments to TAS 37, 'Provisions, contingent liabilities and contingent assets';** specify which costs a company includes when assessing whether a contract will be loss-making**.**

Annual improvements make minor amendments to TFRS 1, 'First-time Adoption of TFRS', TFRS 9, 'Financial instruments', TAS 41, 'Agriculture' and the Illustrative Examples accompanying TFRS 16, 'Leases'. The impact on the Group's financial position and performance is being evaluated.

**Narrow scope amendments to TAS 1, Practice statement 2 and TAS 8**

Effective from annual periods beginning on or after 1 January 2023. The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies.

The impact on the Group's financial position and performance is being evaluated.

**Amendment to TAS 12 – Deferred tax related to assets and liabilities arising from a single transaction;**

Effective from annual periods beginning on or after 1 January 2023. These amendments require companies to recognise deferred tax on transactions that, on initial recognition give rise to equal amounts of taxable and deductible temporary differences. The impact on the Group's financial position and performance is being evaluated.

### 2.1.2 Basis of Consolidation

a) The consolidated financial statements include the accounts of the parent company, Aksa, and its subsidiaries on the basis set out in sections (b), The financial statements of the companies included in the scope of consolidation have been prepared as of the date of the consolidated financial statements and have been prepared in accordance with TAS by applying uniform accounting policies and presentation The results of operations of subsidiaries are included or excluded from their effective dates of acquisition or disposal respectively.

(Amounts expressed in thousands of Turkish Lira ('TRY') unless otherwise indicated.)

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

### 2.1.2 Basis of Consolidation (Continued)

b) Subsidiaries are businesses controlled by Aksa. Control is provided only on the business that Aksa invests in, and only when all of the following indicators are present:

- Power over the investee,
- Exposure or rights, to variable returns from involvement with the investee; and,
- The ability to use power over the investee to affect the amount of the investor's returns.

The table below demonstrates subsidiaries and ownership rates as of 31 December 2021 and 2020:

| | The Group's direct and indirect ownership interest (%) | |
|---|---|---|
| **Subsidiary** | **31 December 2021** | **31 December 2020** |
| Aksa Egypt | 99.84 | 99.84 |

Subsidiaries are consolidated from the date on which the control is transferred to the Group and are deconsolidated from the date that the control ceases. Where necessary, accounting policies for subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

Carrying values of the subsidiaries' shares held by the Company are eliminated against the related equity of subsidiaries. Intercompany transactions and balances between Aksa and its subsidiaries are eliminated on consolidation. Dividends arising from shares held by the Group in its subsidiaries are eliminated from income for the period and equity, respectively.

The minority shareholders' share in the net assets and results of subsidiaries for the period are separately classified as "non-controlling interests" in the consolidated statements of financial position and profit or loss and other comprehensive income.

c) Joint ventures

Joint ventures are companies in respect of which there are contractual arrangements through which an economic activity is undertaken subject to joint control by the Group and one or more other parties. The Group exercises such joint control through direct and indirect ownership interest held by itself and related shareholders majority of who declared their intention to exercise their voting power in favor of Company.

(Amounts expressed in thousands of Turkish Lira ('TRY') unless otherwise indicated.)

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

### 2.1.3 Basis of Consolidation (Continued)

Joint ventures are accounted for using the equity method of accounting in accordance with TFRS 11 "Joint Arrangements" (Note 5).

Financial information of joint ventures is prepared in accordance with the Group's accounting policies and principles.

Joint venture's operating results are included or excluded at the effective date of transaction dates of acquisition or disposal of the joint venture.

| | The Group's direct and indirect ownership interest (%) | |
|---|---|---|
| **Subsidiary** | **31 December 2021** | **31 December 2020** |
| DowAksa Holdings | 50.00 | 50.00 |

### 2.2 Changes in Accounting Policies, Accounting Estimates and Errors

In case of changes and errors in accounting policies and accounting estimates, important changes made and significant accounting errors detected are applied retrospectively and the previous period financial statements are restated. If the changes in accounting estimates are for only one period, they are applied both in the current period when the change is made and both in the future when the change is made and in the future.

**Comparative Figures and the Restatement to the Financial Statements of the Prior Period**

In accordance with the decision taken at the CMB meeting dated June 7, 2013 and numbered 20/670, examples of financial statements that entered into force as of the interim periods ending after 31 March 2014, and the usage guide have been published. In accordance with the mentioned examples, various classifications can be made in the consolidated financial statements of the Group.

### 2.3 Summary of Significant Accounting Policies

**Cash and cash equivalents**

Cash and cash equivalents include cash and bank deposits and short-term investments with high liquidity, the amount of which can be easily converted into cash, with a minimal risk of change in value and with maturity of three months or less (Note 4).

**Financial Assets**

The Group classifies its financial assets in three classes of financial assets: at fair value through profit or loss, at amortized cost and at fair value through other comprehensive income. The classification is based on the business model used by the entity for the management of financial assets and the contractual cash flows of the financial asset. The Group classifies its financial assets at the time of the purchase.

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

### 2.3 Summary of Significant Accounting Policies (Continued)

**Financial Assets (Continued)**

“Financial assets measured at amortized cost” are non-derivative financial assets held by a business model that aims to collect contractual cash flows and that have cash flows that include interest payments on principal dates and principal balances on certain dates under contractual terms. The Group's financial assets that are accounted for at amortized cost include “cash and cash equivalents”, “trade receivables” and “other receivables”. The related assets, with their fair values in the initial recognition of financial statements; in subsequent accounts, it is measured at amortized cost using the effective interest rate method. Gains and losses resulting from the valuation of non-derivative financial assets measured at amortized cost are recognized in the consolidated statement of profit or loss.

*Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement loans and receivables are carried at amortized cost using the effective interest method less any allowance for impairment. Gains and losses are recognized in profit or loss when the loans and receivables are derecognized or impaired, as well as through the amortization process.

**Trade receivables**

Trade receivables have a maturity range of 30 **-** 120 days and are recognized at original invoice amount and carried at amortized cost less an allowance for any uncollectible amounts. An estimate for doubtful debt is made when collection of the full amount is no longer probable. A credit risk provision for trade receivables is established if there is objective evidence that the Group will not be able to collect all amounts due. The allowance is an estimated amount which is difference between existing receivable and collectible amount. Collectible amount is the discounted value of trade receivables, all cash flows including collections from guarantees by using original effective interest rate. The receivables determined not possible to be collected are written off (Note 8). The Group calculates rediscount on its receivables over short term receivables less than one year.

In addition, the Group uses the provisioning matrix by selecting the simplified application for the impairment calculations of the trade receivables accounted at amortized cost value in the financial statements. With this application, in cases where the trade receivables are not impaired due to certain reasons, the expected credit loss provision is measured by an amount equal to the expected credit losses. In the calculation of the expected credit losses, the Group's future estimates are taken into consideration along with past loan loss experiences.

**Finance Lease**

*As lessor*

Leasing is classified as a financial lease, where most of the risks and gains of the property belong to the tenant and the right to purchase at the end of maturity is given to the lessee. The asset subject to financial leasing is shown as a net receivable equal to the investment subject to this transaction. Interest income is determined by calculating the present value of the total value of the lease payments and the unsecured residual value by calculating the discount rate that equals the fair value of the economic asset subject to lease, and the part not accrued in the relevant period is monitored in the unearned interest income account.

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

### 2.3 Summary of Significant Accounting Policies (Continued)

**Lease Liabilities**

The Group measures the lease obligation based on the present value of the lease payments, which were not paid on the date the lease actually started.

The lease payments included in the measurement of the lease obligation at the date of the lease actually consist of the following payments to be made for the right of use of the underlying asset during the lease period and not paid at the date when the lease actually started:

(a) Fixed payments,
(b) Variable rental payments based on an index or rate, made using an index or rate at the date when the first measurement was actually started,
(c) Amounts expected to be paid by the Group within the scope of residual value commitments
(d) The price of use of this option if the Group is reasonably sure that it will use the purchase option and
(e) If the rental period indicates that the Group will use an option to terminate the lease, penalties for termination of the lease.

Variable lease payments that do not depend on an index or rate are recorded as expenses in the period when the event or condition that triggered the payment occurred.

In case the revised discount rate and the implicit interest rate in the lease can be easily determined for the remainder of the group lease period, this rate is; If it cannot be determined easily, it determines the alternative borrowing interest rate on the date of the Group's re-evaluation.

The group measures the lease obligation after the lease actually starts as follows:

(a) Increases the carrying amount to reflect the interest on the lease obligation and
(b) Reduces the carrying value to reflect the rent payments made.

In addition, if there is a change in lease duration, a change in substance of fixed lease payments or a change in the assessment of the option to purchase an underlying asset, the value of financial lease liabilities is re-measured.

*Short-term leases and low-value leases*

The Group applies its short-term lease registration exemption to short term machinery and equipment lease contracts (i.e. assets with a lease period of 12 months or less from the start date and without a purchase option). At the same time, it applies the exemption of accounting for low-value assets to office equipment, the rental value of which is considered to be low-value. Short term lease contracts and lease contracts of low value assets are recorded as expense according to the linear method during the lease period.

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

### 2.3 Summary of Significant Accounting Policies (Continued)

**Right-of-use assets**

The Group accounts for its right-of-use assets on the date the financial lease contract commences. The right-of-use assets are calculated by deducting the accumulated depreciation and impairment losses from the cost value. In case the financial leasing debts are revalued, this figure is corrected.

The cost of the right-of-use asset includes:

(a) The first measurement of the lease obligation,
(b) The amount obtained from all lease payments made before or before the lease actually started, by deducting all lease incentives received and
(c) All initial costs incurred by the Group.

Unless the transfer of the ownership of the underlying asset to the Group is reasonably finalized at the end of the lease term, the Group depreciates its asset right to use until the end of the useful life of the underlying asset.

Right-of-use assets are subject to impairment assessment.

**Trade payables**

Trade payables have average maturities changing between 30 - 180 days and consist of the amounts invoiced or not invoiced related with the realized material or service purchases and are carried at amortized cost (Note 8).

**Inventories**

Inventories are valued at the lower of the net realizable value or cost value. The cost determination method is the monthly weighted average for all inventories, and work-in-process and finished goods take a share from the production costs. Net realizable value less costs to sell is the estimated selling price in the ordinary course of business, less the estimated costs necessary to make the sale. Unusable inventories are removed from the records (Note 10).

**Investment properties**

Instead of being used in the production of goods and services or being sold for administrative purposes or during the normal course of business, the land and buildings held for the purpose of obtaining rent and/or capital gain or both are classified as investment properties and according to the cost method, the cost is minus accumulated depreciation values. (Note 11). The cost of an investment property bought consists of the purchase price and expenses that can be directly associated with this transaction. The average useful life of investment properties changes between ten (10) and fifty (50) years.

**Property, plant and equipment**

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

The initial cost of property, plant and equipment comprises its purchase price, including import duties and non-refundable taxes consist of charges to make the tangible asset available.

(Amounts expressed in thousands of Turkish Lira ('TRY') unless otherwise indicated.)

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

**2.3 Summary of Significant Accounting Policies (Continued)**

Depreciation is provided for property, plant and equipment on a straight-line basis (Note 13). Useful life and the depreciation method are constantly reviewed, and accordingly, parallels are sought between the depreciation method and the period and the useful life to be derived from the related asset. As of 31 December 2021, the depreciation periods for property, plant and equipment, which approximate the economic useful lives of such assets, are as follows:

| | **Period (Year)** |
|---|---|
| Land improvements | 2 - 50 |
| Buildings | 5 - 50 |
| Machinery and equipment | 3 - 40 |
| Motor vehicles | 4 - 8 |
| Furniture and fixtures | 2 - 20 |

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

Profit and loss resulting from the sale of fixed assets is determined as the difference between the amounts collected or to be collected and asset's carrying value reflected in the relevant profit or loss account in the current period.

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

**Intangible assets**

Intangible assets are recorded at their acquisition costs. Except for the expenses incurred for the development of new vehicles that are planned to be produced within the Group, intangible assets cannot be capitalized and expenditures incurred during the period they occur. Intangible assets are amortized using the straight-line method based on their estimated useful lives. The activated development expenses are amortized by the straight-line method in line with the estimated useful life of the product after the commencement of commercial production. Intangible assets; the values they carry are reviewed in case the changes in the conditions and the events show that the carried value may decrease, and the required provision is set (Note 14).

Payments made in relation the Group's share of assets in Yalova Kompozit ve Kimya İhtisas Islah Organize Sanayi Bölgesi ("Yalkim OSB") are recorded under intangible assets.

Useful lives of use rights are determined as 3 - 24 years excluding land use fees.

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

### 2.3 Summary of Significant Accounting Policies (Continued)

*Research and development costs*

Research expenses are recorded on the date they occur. Apart from the project expenditures with the below mentioned criteria, expenditures for development are recorded as expense in the period they occur. Costs of development projects that meet the criteria mentioned below are accepted as development costs within the scope of TAS 38 "Intangible Assets" standard, they are capitalized and amortized by the straight-line method in accordance with the project life (Note 14).

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

**Assets held for sale and related liabilities**

Assets or liabilities held for sale refer to the main business field/activities/asset groups that are planned to be disposed of under a coordinated plan of management.

Fixed assets are classified as held for sale in cases where they will be recovered as a result of the sales transaction. Liabilities directly associated with these assets are grouped similarly.

Fixed assets or groups of assets those meet the classification criteria for sale are measured with the lower of the value found by deducting the sales costs from their fair value and the cost value. These assets are not subjected to depreciation or amortisation.

**Revenue recognition**

In accordance with TFRS 15 "Revenue from Customer Contracts Standard", which entered into force as of 1 January 2018, the Group records revenue in its financial statements in line with the following basic principles:

- Identification of contracts with customers
- Identification of performance obligations in contracts
- Determination of the transaction price in contracts
- Distribution of transaction fee to performance obligations
- Revenue recognition

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

The Group recognizes a contract with its customer as revenue when all of the following conditions are met.

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

### 2.3 Summary of Significant Accounting Policies (Continued)

**Revenue recognition (Continued)**

a) ownership of the company's right to collect goods or services,
b) the ownership of the legal property of the customer,
c) transfer of possession of goods or services
d) ownership of significant risks and rewards arising from ownership of the goods or services
e) consider the terms of the customer's acceptance of the goods or service

The Group generate their major revenue from fiber and energy sales.

*Income from sale of fibers*

Revenue is recognized in the financial statements when the significant risks and rights of ownership of the goods or energy have transferred to the buyer. Revenue is calculated by deducting any discounts. Net sales are the invoiced value of the delivered goods less sales returns and discounts.

*Income from sale of energy*

The electricity sold is transmitted to the customer over transmission lines and the customer simultaneously consumes the benefit derived from the performance of the Group. Revenue from electricity sales is recognized at the time of delivery.

*Interest income*

Interest income is calculated on accrual basis by taking into consideration the effective interest rate and the effective interest rate within the remaining period to maturity.

If there is a significant financing element in revenue, the revenue value is determined by discounting the future collections with the interest rate included in the financing element. The difference is recognized in the related periods as other income from the operating activities on accrual basis (Note 23).

The Group has accrued discount premiums in line with the fibers customers' purchase targets to be paid at the end of each quarter. In the current period, the Group has classified the discount premiums under "other discount" account in sales.

**Cash flow hedge accounting**

There is an effective cash flow protection relationship between the Company's foreign currency denominated long-term loans (non-derivative hedging instrument) and its likely future sales (hedged item).

In this context, the Company has defined its likely sales to be realized as "hedged item" within the scope of its policy of managing cash flows arising from exchange rate risk, by matching these sales with its long-term financial debts defined as "non-derivative hedging instrument" and started hedge accounting. In the context of this accounting, the discounted spot component of the long-term loans' principal payments (proportionate to effectiveness) foreign exchange losses/gains, which are defined as hedging instruments in a calendar period in accordance with the foreseeable budgets, is to be booked under Reserve of gains or losses on hedge in the Other Comprehensive Income Statement until the related sales are realized. When the sales are realized, the related foreign exchange gain/loss accumulated in the reserve is accounted under "foreign exchange income/expenses" in the income statement.

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

### 2.3 Summary of Significant Accounting Policies (Continued)

**Bank borrowings**

All bank loans are recorded over their fair values with reduced transaction costs. In the following periods, the effective interest rate method is valued at its discounted prices and the difference between the amount remaining after the transaction costs is deducted and the discounted cost value is reflected in the comprehensive income statement as financing cost during the loan period (Note 7). In case of need, the Group also performs early collection transactions in factoring practices against the cost of the receivable. This is an application parallel to the risk management practice in the form of recourse. Related amount is classified in financial liabilities and included in note explanations (Note 7).

**Borrowing costs**

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset, one that takes a substantial period of time to get ready for its intended use or sale, are capitalized as part of the cost of that asset in the period in which the asset is prepared for its intended use or sale. Without this context, the borrowing costs are expensed as occurred. Capitalized borrowing costs are presented as purchases of property, plant and equipment and intangibles in the consolidated statement of cash flow.

**Fair value of financial instruments**

Fair (market) value is the amount for which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by a quoted market price, if one exists. The fair values of the financial instruments are determined in accordance with the following methods and assumptions as follows:

*Financial assets*

Monetary assets for which fair value approximates carrying value are carried at cost in the financial statements and consists of cash and cash equivalents, their interest accruals, and other financial assets; and considered to approximate their respective carrying values due to their short-term nature and negligible credit losses. It is considered that the carrying values of the trade receivables after the rediscount and doubtful receivables provision are deducted are close to their fair values.

*Financial liabilities*

Monetary liabilities for which fair value approximates carrying value including accounts payable, short-term bank borrowings and other monetary liabilities are considered approximate their respective carrying values due to their short-term nature. The bank borrowings are stated at their amortized costs and transaction costs are included in the initial measurement of bank borrowings. It is considered that the fair values of loans denote the value they carry, since the interest rates are updated by considering the changing market conditions. The fair values of the trade payables after deducting the provision for rediscount are considered to approximate the carrying value.

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

### 2.3 Summary of Significant Accounting Policies (Continued)

**Employment termination benefits**

The provision for employment termination benefits, as required by Turkish Labor Law represents the present value of the future probable obligation of the group arising from the retirement of its employees based on the actuarial projections. TAS 19 "Employee Benefits" requires actuarial assumptions (net discount rate, turnover rate to estimate the probability of retirement etc.) to estimate the entity's obligation for employment termination benefits. The effects of differences between the actuarial assumptions and actual outcome together with the effects of changes in actuarial assumptions compose the actuarial gains/losses.

In accordance with TAS 19 "Employee Benefits" effective before 1 January 2013, the actuarial gains/losses were recognised in the statement of income whereas the amendment, effective as of 1 January 2013, requires the actuarial gains/losses to be recognised under other comprehensive income. With this amendment, the Group accounted for its actuarial gains/losses under other comprehensive income in conformity with the translation provisions stated in TAS 19 "Employee Benefits".

*Unused vacation rights*

Liabilities arising from unused vacation rights are accrued in the periods in which they are entitled.

*Seniority Incentive Bonus*

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

**Current and deferred income tax**

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

Deferred income tax is determined, using the liability method and tax rates (and laws) that have been enacted by the balance sheet date. Deferred income tax is provided in full, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements.

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. 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 profit will be available to allow all or part of the deferred tax asset to be utilized. Deferred taxes arising from income and expenses accounted under equity are recorded under equity, accordingly.

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

### 2.3 Summary of Significant Accounting Policies (Continued)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled (based on tax rates that have been enacted or substantively enacted at the balance sheet date). The carrying amount of deferred income tax assets is reviewed by the Group at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized (Note 26).

**Earnings per share**

Earnings per share disclosed in the income statement are determined by dividing net income by the weighted average number of shares that have been outstanding during the related period concerned (Note 27).

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

**Events after the balance sheet date**

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

**Provisions**

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate (Note 15).

**Contingent assets and liabilities**

Probable obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group are not included in financial statements and are treated as contingent liabilities. A contingent asset is not recognized in the financial statements, but disclosed when an inflow of economic benefits is probable (Note 15).

**Offsetting**

The financial assets and liabilities are reported on the balance sheet at the net amount if they have the same right and nature and will be paid or collected in net.

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

### 2.3 Summary of Significant Accounting Policies (Continued)

**Foreign currency transactions**

Foreign currency transactions are translated using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currency are translated using the exchange rates at the balance sheet date. Foreign exchange gains and losses resulting from the translation of monetary assets and liabilities denominated in foreign currencies are recognized in the statements of income.

**Goodwill**

The cost of a business combination is allocated by recognizing the acquiree’s identifiable assets at the date of acquisition. Any excess of the acquirer’s interest in the net fair value of the acquiree’s identifiable assets, over the business combination cost is accounted for as goodwill.

The carrying value of goodwill is reviewed annually and presented after deducting cumulative impairment in the balance sheet. Goodwill is monitored at the cash generating business units. The cash generating unit is determined according to expected benefits from related business combination. The Group performs goodwill impairment tests on December 31st of each year. Any impairment is not subsequently reversed. Gains/losses from the sale of business unit also include its carrying value of goodwill.

**Segment reporting**

Operating segments are reported in a manner consistent with the reporting provided to the chief operating decision-maker. The chief operating decision-maker is responsible for allocating resources and assessing performance of the operating segments. The Board of Directors has been determined as the competent authority to make decisions regarding the activities of the Company.

For an operating segment to be identified as a reportable segment, its reported revenue, including both sales to external customers and intersegment sales or transfers, is 10 per cent or more of the combined revenue, internal and external, of all operating segments; the absolute amount of its reported profit or loss is 10 per cent or more of the combined profit or loss or its assets are 10 per cent or more of the combined assets of all operating segments. Operating segments that do not meet any of the quantitative thresholds may be considered reportable, and separately disclosed, if the management believes that information about the segment would be useful to users of the financial statements.

For at the Group the reportable segments are industrial segments. Reportable segment, its reported revenue, including both sales to external customers and intersegment sales or transfers, is 10 per cent or more of the combined revenue, internal and external, of all operating segments; the absolute amount of its reported profit or loss is 10 per cent or more of the combined profit or loss or its assets are 10 per cent or more of the combined assets of all operating segments (Note 3).

The Group assesses the performance of the operating segments based on a measure of adjusted Earnings Before Interest, Tax, Depreciation and Amortization, “EBITDA”.

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

### 2.3 Summary of Significant Accounting Policies (Continued)

**Segment reporting (Continued)**

The Group's reportable business segments are "fibers", "energy" and the remained operations are reported as "other". Aksa Egypt and DowAksa Holdings are reported under "fibers" segment (Note 6).

The support functions of industrial segments namely Financial Affairs, Human Resources and Management of Systems, Purchasing, Business Development, Head Office Expenses and other general administrative and operating expenses are classified under unallocated corporate expenses. Unallocated corporate expenses are followed at the Group level by management as the expenses are made to ensure the integrity of the Group by the management.

**Derivative instruments**

Derivative instruments are initially recognized at the acquisition cost reflecting the fair value on the date of the contract and are valued at their fair value in the following periods. The Group's derivative financial instruments mainly consist of forward foreign exchange contracts and interest rate swap transactions. While the derivative instruments provide effective protection against risks for the community economically, they are recognized as derivatives held for trading in consolidated financial statements where they do not meet the requirements for risk accounting and the fair value changes are reflected in the statement of profit or loss.

In addition, the Group's foreign currency purchase and sale transactions are accounted for as derivative financial instruments held for trading in consolidated financial statements due to the fact that they do not meet the requirements for risk accounting and the changes in the fair value of these derivative financial instruments are associated with the income statement.

If the fair value change of derivate financial instruments is positive or not, the change affected at assets or liabilities in the balance sheet (Note 18).

**Related parties**

Parties are considered related to the Group if:

a) Directly, or indirectly through one or more intermediaries, the party:

   i) Controls, is controlled by, or is under common control with, the Company (this includes parents, subsidiaries and fellow subsidiaries);
   ii) Has an interest in the Group that gives it significant influence over the Group.

   Has joint control over the Group;

b) The party is an associate of the Group;
c) The party is a joint venture in which the Group is a venture;
d) The party is member of the key management personnel of the Group or its parent;
e) The party is a close member of the family of any individual referred to in (a) or (d);

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

### 2.3 Summary of Significant Accounting Policies (Continued)

**Related parties (Continued)**

f) The party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or
g) The party has a post-employment benefit plan for the benefit of employees of the Group, or of an entity that is a related party of the Group.

Related party transactions are transfer of resources or obligations between related parties, regardless of whether a price is charged. A number of transactions are entered into with related parties in the ordinary course of business (Note 28).

**Reporting of cash flow**

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

Cash flows from operating activities represent the cash flows of the Group operating activities.

Cash flows related to investing activities represent the cash flows that are used in or provided from the investing activities of the Group (capital expenditure and financial investments).

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

Cash and cash equivalents comprise cash on hand and bank deposits and short-term, highly liquid investments that are readily convertible to known amounts of cash with maturities equal or less than three (3) months and which are subject to an insignificant risk of changes in value (Note 4).

**Government grants**

Grants from the government are recognized at their fair value where there is a reasonable assurance that the grant will be received and the group will comply with all attached conditions. Government incentives that allow for the payment of discounted corporation tax within the scope of investment reduction exemption are evaluated within the scope of TAS 12 – "Income Tax" standard. The Company has used an incentive certificate within the scope of textile and chemical modernization in the current year. In this scope, the Group has benefited from reduced corporate tax, customs tax exemptions and VAT exemptions.

### 2.4 Critical Accounting Judgments, Estimates and Assumptions

The preparation of financial statements requires the use of estimates and assumptions that affect asset and liability amounts reported as of the balance sheet date, explanations of contingent liabilities and assets; and income and expense amounts reported for the accounting period. Although these estimates and assumptions are based on all management information related to the events and transactions, actual results may differ from them. Estimates are regularly reviewed; necessary adjustments are made and reflected in the income statement of the period they occur.
The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities for the next reporting period are outlined below:

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

### 2.4 Critical Accounting Judgments, Estimates and Assumptions (Continued)

#### *a) Provisions*

As discussed in Note 2.3, provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and when reliable estimate can be made of the amount of the obligation (Note 15).

The Group makes various assumptions such as discount rate, inflation rate, real salary increase rate, and the possibility of leaving voluntarily in the calculation of severance pay liability. The effect arising from the changes in the current period in these assumptions has been recognized in the income statement in the current period. Assumptions used in calculating the liability are detailed in Note 16.

The doubtful receivables reflect the amounts that the Group management believes will cover the future losses of the receivables that exist as of the balance sheet date but which have the risk of not being collected within the framework of the current economic conditions. Regarding the receivables which have been the subject of the lawsuit, the Group management also evaluates the opinions of the legal counselors. While evaluating whether the receivables are impaired or not, the past performances of the borrowers other than the related institution and key customers, their credibility in the market and their performance from the balance sheet date to the approval date of the financial statements and the conditions under discussion are also taken into consideration. In addition, while determining the provision amount, besides the guarantees obtained as of the balance sheet date, collaterals acquired during the period until the approval date of the financial statements are also taken into consideration.

Regarding inventory impairment, inventories are physically analysed, their availability is determined in line with the opinions of technical staff, and a provision is set for items that are not likely to be used. List sales prices are also used to determine the net realizable value of inventories and estimates are made for the sales expenses to be incurred. As a result of these studies, a provision is made for inventories with a net realizable value below the cost value.

#### *b) Useful lives of property, plants and equipment and intangibles*

According to accounting policy, which is specified in Note 2.3, property, plant and equipment and intangibles are presented as net-off accumulated depreciation and impairment (if any) from acquisition cost. Depreciation is applied with using straight line method of depreciation based on useful lives of property, plant and equipment. Useful lives are estimated by the management to the best of their knowledge; and reviewed and revised if necessary at every balance sheet date.

#### *c) Deferred tax assets and liabilities*

Deferred tax assets and liabilities are recorded using tax rates that are largely used for temporary differences between the carrying values and bases of assets and liabilities. Based on the existing evidence, it has been evaluated that all or some of the deferred tax assets are likely to be converted into cash or not. Among the main factors considered, future income potential, losses accumulated from previous years, tax planning strategies to be implemented if necessary, the assumption that all of the Group's expenditures within the scope of investment incentive documents will be accepted in the incentive certificate closing approval. Also, the income nature is included in the incentive certificate.

(Amounts expressed in thousands of Turkish Lira ('TRY') unless otherwise indicated.)

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

### 2.5 USD amounts presented in the financial statements

USD amounts shown in the consolidated statement of financial position prepared in accordance with the TFRS have been translated from TRY, as a matter of arithmetic computation only, at the official USD bid rate announced by the CBRT on 31 December 2021 of TRY 13.329 = USD 1 and USD amounts shown in the consolidated statements of profit or loss and other comprehensive income and cash flow have been translated from TRY, as a matter of arithmetic computation only, at the average USD bid rate calculated from the official daily bid rates announced by the CBRT for the period ended 31 December 2021 of TRY 8.8719 = USD 1, and do not form part of these consolidated financial statements.

## NOTE 3 - SEGMENT REPORTING

Segmental information of the Group is as follows:

| | 1 January - 31 December 2021 | | | |
|---|---|---|---|---|
| | **Fibers** | **Energy** | **Other** | **Total** |
| Total segment revenue (*) | 7,894,453 | 411,185 | 42,519 | 8,348,157 |
| **Revenue from external customers** | **7,894,453** | **411,185** | **42,519** | **8,348,157** |
| **Adjusted EBITDA (**)** | **1,720,781** | **84,161** | **7,935** | **1,812,877** |
| Unallocated corporate expenses (***) | - | - | - | (111,359) |
| **EBITDA** | **-** | **-** | **-** | **1,701,518** |
| Amortization and depreciation | (105,567) | (15,824) | (17,722) | (139,113) |
| Other operating income, net | - | - | - | (315,810) |
| Income from investment activities | - | - | - | 41,185 |
| Share of profit/(loss) of investment accounted for using equity method | 44,863 | - | - | 44,863 |
| Financial income/(expenses), net | - | - | - | (200,828) |
| **Profit before tax** | | | | **1,131,815** |

(*) Revenues for the Energy and Other segments of the Group consist of domestic sales, while overseas sales revenue is only included in the Fibers section.

(**) Adjusted Earnings Before Interest, Taxes, Depreciation, Amortization ("Adjusted EBITDA"), is not a financial performance measurement published on TFRS and may not be comparable with the similar indicators defined by other companies.

(***) Unallocated corporate expenses consists of unallocated parts of general administrative expenses for the period between 1 January – 31 December 2021

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(Amounts expressed in thousands of Turkish Lira ('TRY') unless otherwise indicated.)

## NOTE 3 - SEGMENT REPORTING(Continued)

Segmental information of the Group is as follows

| | 1 January - 31 December 2021 | | | |
|---|---|---|---|---|
| | **Fibers** | **Energy** | **Other** | **Total** |
| Purchase of property, plant and equipment and intangibles | 573,025 | 27,729 | 960 | 601,714 |
| | | | | **31 December 2021** |
| Total segment assets | 4,581,710 | 490,144 | - | 5,071,854 |
| Investments accounted for using equity method | 778,181 | - | - | 778,181 |
| Unallocated corporate assets | - | - | 3,593,015 | 3,593,015 |
| **Total assets** | **5,359,891** | **490,144** | **3,593,015** | **9,443,050** |
| Total segment liabilities | 4,380,880 | 10,048 | - | 4,390,928 |
| Unallocated corporate liabilities | - | - | 2,217,843 | 2,217,843 |
| **Total liabilities** | **4,380,880** | **10,048** | **2,217,843** | **6,608,771** |

| | 1 January - 31 December 2020 | | | |
|---|---|---|---|---|
| | **Fibers** | **Energy** | **Other** | **Total** |
| Total segment revenue (*) | 3,875,216 | 213,255 | 21,386 | 4,109,857 |
| **Revenue from external customers** | **3,875,216** | **213,255** | **21,386** | **4,109,857** |
| **Adjusted EBITDA** | **946,156** | **38,934** | **4,498** | **989,588** |
| Unallocated corporate expenses | - | - | - | (70,341) |
| **EBITDA** | **-** | **-** | **-** | **919,247** |
| Amortization and depreciation | (94,602) | (13,868) | (16,831) | (125,301) |
| Other income from operating activities, net | - | - | - | 32,332 |
| Income from investment activities | - | - | - | 6,742 |
| Share of profit/(loss) of investment accounted for using equity method | 7,508 | - | - | 7,508 |
| Finance income/(expense), net | - | - | - | (347,853) |
| **Profit before tax** | | | | **492,675** |

(*) Unallocated corporate expenses consists of unallocated parts of general administrative expenses for the period between 1 January - 31 December 2020

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(Amounts expressed in thousands of Turkish Lira ('TRY') unless otherwise indicated.)

## NOTE 3 - SEGMENT REPORTING(Continued)

Segmental information of the Group is as follows

| | 1 January - 31 December 2020 | | | |
|---|---|---|---|---|
| | **Fibers** | **Energy** | **Other** | **Total** |
| Purchase of property, plant and equipment and intangibles | 233,542 | 25,035 | 127,412 | 385,989 |
| | | | | **31 December 2020** |
| Total segment assets | 2,665,058 | 497,622 | - | 3,162,680 |
| Investments accounted for using equity method | 388,529 | - | - | 388,529 |
| Unallocated corporate assets | - | - | 1,374,803 | 1,374,803 |
| **Total assets** | **3,053,587** | **497,622** | **1,374,803** | **4,926,012** |
| Total segment liabilities | 1,710,356 | 9,217 | - | 1,719,573 |
| Unallocated corporate liabilities | - | - | 1,340,279 | 1,340,279 |
| **Total liabilities** | **1,710,356** | **9,217** | **1,340,279** | **3,059,852** |

### Segment Assets

Reconciliation between the reportable segment assets and total assets is as follows:

| | **31 December 2021** | **31 December 2020** |
|---|---|---|
| **Reportable segment assets** | **5,850,035** | **3,551,209** |
| Cash and cash equivalents | 2,835,689 | 906,204 |
| Financial investments | - | 37,261 |
| Derivative financial assets | 8,848 | - |
| Right of use assets | 6,329 | 3,696 |
| Other assets | 331,452 | 117,707 |
| Property, plants and equipment and intangibles | 218,617 | 307,671 |
| Deferred tax assets | 192,080 | 2,264 |
| **Total assets** | **9,443,050** | **4,926,012** |

### Segment Liabilities

Reconciliation between the reportable segment liabilities and total liabilities is as follows:

(Amounts expressed in thousands of Turkish Lira ('TRY') unless otherwise indicated.)

## NOTE 3 - SEGMENT REPORTING(Continued)

### Segment Liabilities

| | 31 December 2021 | 31 December 2020 |
|---|---|---|
| **Reportable segment liabilities** | **4,390,928** | **1,719,573** |
| Borrowings | 2,125,952 | 1,208,902 |
| Lease liabilities | 7,135 | 4,499 |
| Derivative financial liabilities | - | 66,067 |
| Other payables | 28,752 | 1,505 |
| Other short-term provisions | 105 | 100 |
| Current income tax liability | - | 21,230 |
| Provision for employee benefits | 50,023 | 33,151 |
| Liabilities for employee benefits | 5,876 | 4,825 |
| **Total liabilities** | **6,608,771** | **3,059,852** |

## NOTE 4 - CASH AND CASH EQUIVALENTS

Details of cash and cash equivalents of the Group are as follows:

| | 31 December 2021 | 31 December 2020 |
|---|---|---|
| Cash | 216 | 88 |
| Bank | | |
| *Demand deposit (TRY)* | 1,953 | 1,287 |
| *Foreign currency demand deposit* | 21,824 | 20,796 |
| *Time deposits (TRY)* | 409,519 | 86,624 |
| *Foreign currency time deposit* | 2,402,177 | 797,409 |
| **Total** | **2,835,689** | **906,204** |

As of 31 December 2021, the maturity of time deposits are less than three months and weighted average effective interest rates on TRY denominated time deposits are 20% (31 December 2020: 18%), 95% for USD denominated time deposits (31 December 2020: USD0.93%) and 0.23% for EUR denominated time deposits (31 December 2020: EUR1,5%) respectively.

The cash and cash equivalents included in the consolidated cash flow statement by years are as follows:

| | 31 December 2021 | 31 December 2020 | 31 December 2019 |
|---|---|---|---|
| Cash and cash equivalents | 2,835,689 | 906,204 | 635,091 |
| Less: Interest accrual | (330) | (1,214) | (61) |
| **Cash and cash equivalents, net** | **2,835,359** | **904,990** | **635,030** |

(Amounts expressed in thousands of Turkish Lira ('TRY') unless otherwise indicated.)

## NOTE 5 - FINANCIAL INVESTMENTS

**Financial Investments Held to Maturity**

| | 31 December 2021 | | 31 December 2020 | |
|---|---|---|---|---|
| | **Simple annual interest rate %** | **TRY** | **Simple annual interest rate %** | **TRY** |
| Financial investments held to maturity | | | | |
| *- Less than one (1) year (TRY)* | - | 19.27 | 20,243 | |
| *- Less than one (1) year (USD)* | - | - | 5.38 | 17,018 |

## NOTE 6 - INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

**Joint Ventures**

| | 31 December 2021 | 31 December 2020 |
|---|---|---|
| DowAksa Holdings | 778,181 | 388,529 |

Summarized financial information of DowAksa Holding is presented below:

| | 31 December 2021 | 31 December 2020 |
|---|---|---|
| Current assets | 1,200,810 | 631,503 |
| Non-current assets | 2,957,092 | 1,506,505 |
| **Total Assets** | **4,157,902** | **2,138,008** |
| Short-term liabilities | 811,216 | 501,642 |
| Long-term liabilities | 1,790,324 | 859,308 |
| Equity | 1,556,362 | 777,058 |
| **Total Liabilities** | **4,157,902** | **2,138,008** |
| **Equity corresponding to Group's shares of 50%** | **778,181** | **388,529** |

| | 2021 | 2020 |
|---|---|---|
| Revenue | 981,357 | 585,566 |
| Net profit | 89,726 | 15,016 |
| **Net profit/(loss) corresponding to Group's shares of 50%** | **44,863** | **7,508** |

Movement of joint ventures accounted for using equity method as follows:

| | 2021 | 2020 |
|---|---|---|
| **1 January** | **388,529** | **302,846** |
| Net profit corresponding to Group's shares of 50% | 44,863 | 7,508 |
| Currency translation differences | 338,535 | 77,253 |
| Gains on remeasurements of defined benefit plans | 6,254 | 922 |
| **31 December** | **778,181** | **388,529** |

(Amounts expressed in thousands of Turkish Lira ('TRY') unless otherwise indicated.)

## NOTE 7 - BORROWINGS

Group's financial liabilities are as follows:

| | 31 December 2021 | 31 December 2020 |
|---|---|---|
| Short-term bank borrowings | 2,125,952 | 511,554 |
| Short-term portion of long-term bank borrowings | 227,640 | 197,330 |
| Lease liabilities | 10,692 | 6,817 |
| **Total short-term borrowings** | **2,364,284** | **715,701** |
| Long-term bank borrowings | 565,315 | 1,149,230 |
| Lease liabilities | 45,297 | 35,166 |
| **Total long-term borrowings** | **610,612** | **1,184,396** |
| **Total borrowings** | **2,974,896** | **1,900,097** |

| | 31 December 2021 | | 31 December 2020 | |
|---|---|---|---|---|
| | Annual weighted average effective interest rate (%) | TRY | Annual weighted average effective interest rate (%) | TRY |
| **a) Short-term bank borrowings:** | | | | |
| USD borrowings | 1.85 | 2,132,640 | - | - |
| TRY borrowings | - | - | 10.24 | 527,616 |
| Prepaid interest | | (6,688) | | (16,062) |
| **Total short-term bank borrowings** | | **2,125,952** | | **511,554** |
| **b) Short-term portion of long-term bank borrowings:** | | | | |
| USD borrowings | 3.38 | 128,256 | 3.23 | 137,882 |
| EUR borrowings | 3.15 | 99,384 | 3.15 | 59,448 |
| Lease liabilities | | 10,692 | | 6,817 |
| **Total short-term portion of long-term bank borrowings** | | **238,332** | | **204,147** |
| **Total short-term borrowings** | | **2,364,284** | | **715,701** |
| **c) Long-term bank borrowings:** | | | | |
| USD borrowings | 3.38 | 318,442 | 2.67 | 942,867 |
| EUR borrowings | 3.15 | 246,873 | 3.15 | 206,363 |
| Lease liabilities | | 45,297 | | 35,166 |
| **Total long-term borrowings** | | **610,612** | | **1,184,396** |

As of 31 December 2021 and 2020, there is no violation of the Group's long-term foreign currency borrowings.

The long-term bank borrowings' fair values and book values are as follows:

| | 31 December 2021 | | 31 December 2020 | |
|---|---|---|---|---|
| | Fair value | Book value | Fair value | Book value |
| USD borrowings (*) | 326,491 | 318,442 | 960,964 | 942,867 |
| EUR borrowings | 260,715 | 246,873 | 223,666 | 206,363 |

(*) Loans using derivative instruments for hedging are calculated by considering swap interest rates.

(Amounts expressed in thousands of Turkish Lira ('TRY') unless otherwise indicated.)

## NOTE 7 - BORROWINGS (Continued)

According to the contractual terms, the maturity distribution of the financial borrowings of the Group are as follows:

| | 31 December 2021 | 31 December 2020 |
|---|---|---|
| Less than 3 months | 397,317 | 339,773 |
| Between 3-12 months | 1,966,967 | 375,928 |
| Between 1-2 years | 236,381 | 832,733 |
| Between 2-3 years | 236,170 | 134,819 |
| Between 3-4 years | 122,658 | 134,260 |
| 4 years and longer | 15,403 | 82,584 |
| | **2,974,896** | **1,900,097** |

Movement of borrowing for the years 2021 and 2020 as follows;

| | 2021 | 2020 |
|---|---|---|
| **1 January** | **1,900,097** | **1,594,189** |
| Additions | 556,551 | 1,836,378 |
| Principal payments | (722,554) | (1,756,522) |
| Change in lease liabilities | 7,564 | 26,981 |
| Change in interest accrual | (3,209) | 3,297 |
| Currency translation differences | 1,236,447 | 195,774 |
| **31 December** | **2,974,896** | **1,900,097** |

Movement of lease liabilities for the years 2021 and 2020 as follows;

| 31 December 2021 | Site Rents | Buildings | Vehicles | Total |
|---|---|---|---|---|
| **1 January** | **11,058** | **1,241** | **29,684** | **41,983** |
| Effect of change in accounting policies | 1,342 | 157 | 6,065 | 7,564 |
| Additions | 3,291 | 316 | 1,567 | 5,174 |
| Interest expenses | (3,294) | (610) | (12,935) | (16,839) |
| Payments | - | - | 18,107 | 18,107 |
| **31 December 2021** | **12,397** | **1,104** | **42,488** | **55,989** |

| 31 December 2020 | Site Rents | Buildings | Vehicles | Total |
|---|---|---|---|---|
| **1 January** | **9,676** | **1,443** | **4,466** | **15,585** |
| Effect of change in accounting policies | 1,383 | 115 | 25,483 | 26,981 |
| Additions | 2,566 | 353 | 1,015 | 3,934 |
| Interest expenses | (2,567) | (670) | (5,689) | (8,926) |
| Payment | - | - | 4,409 | 4,409 |
| **31 December 2020** | **11,058** | **1,241** | **29,684** | **41,983** |

(Amounts expressed in thousands of Turkish Lira ('TRY') unless otherwise indicated.)

## NOTE 8 - TRADE RECEIVABLES AND PAYABLES

Details of trade receivables and payables of the Group are as follows:

**a) Short-term trade receivables:**

| | 31 December 2021 | 31 December 2020 |
|---|---|---|
| Trade receivables | 504,499 | 338,989 |
| Notes receivable and cheques | 231,687 | 107,236 |
| Less: Provision for doubtful receivables | (47,880) | (18,819) |
| Less: Unearned finance income on credit sales | (1,396) | (1,978) |
| **Total short-term trade receivables, net** | **686,910** | **425,428** |

**b) Long-term trade receivables:**

| | | |
|---|---|---|
| Long-term trade receivables | 166,225 | 123,430 |
| Notes receivables and cheques | 57,952 | 57,102 |
| Less: Unearned finance income on credit sales | (329) | (1,455) |
| Less: Provision for doubtful receivables | (82,387) | (77,440) |
| **Total long-term trade receivables, net** | **141,461** | **101,637** |

As of 31 December 2021, trade receivables which are denominated in TRY and foreign currency have an average maturity of 90 days (31 December 2020: 90 days) and they are discounted with an average annual interest rate of 1.3% (31 December 2020: 2.4%).

The movements of the provision for doubtful trade receivables during the periods ending on 31 December 2021 and 2020 are as follows:

| | 2021 | 2020 |
|---|---|---|
| **1 January** | **96,259** | **46,663** |
| Provisions collected during the period | (36) | (523) |
| Provisions during the period (Note 23) | 34,044 | 52,699 |
| Written-off provisions | - | (2,580) |
| **31 December** | **130,267** | **96,259** |

Explanations about the nature and level of risks in trade receivables are provided in Note 29 Credit Risk section.

**c) Short-term trade payables:**

| | 31 December 2021 | 31 December 2020 |
|---|---|---|
| Suppliers | 3,071,418 | 709,960 |
| Less: Unaccrued finance costs on credit purchases (-) | (2,476) | (2,827) |
| **Total** | **3,068,942** | **707,133** |

As of 31 December 2021, trade payables which are denominated in TRY and foreign currency have an average maturity of 3 months (31 December 2020: 3 months) and they are discounted with an average annual interest rate of 1,3% (31 December 2020: 2,4%) in US dollars.

(Amounts expressed in thousands of Turkish Lira ('TRY') unless otherwise indicated.)

## NOTE 9 - OTHER RECEIVABLES AND PAYABLES

Details of other receivables and payables of the Group are as follows:

**a) Short-term other receivables:**

| | 31 December 2021 | 31 December 2020 |
|---|---|---|
| Deposits and guarantees given | 1,013 | 716 |

**b) Short-term other payables:**

| | 31 December 2021 | 31 December 2020 |
|---|---|---|
| Taxes and funds payable | 27,263 | 706 |
| Other | 1,489 | 799 |
| **Total** | **28,752** | **1,505** |

## NOTE 10 - INVENTORIES

| | 31 December 2021 | 31 December 2020 |
|---|---|---|
| Raw materials and supplies | 480,951 | 177,307 |
| Work in progress | 106,146 | 31,337 |
| Finished goods | 397,052 | 140,103 |
| Goods in transit | 522,816 | 244,505 |
| Other inventories and spare parts | 55,489 | 40,906 |
| Less: Provision for impairment of inventories | (3,413) | (3,191) |
| **Total** | **1,559,041** | **630,967** |

Provision for inventory impairment is related to raw materials, spare parts and finished goods.

As of 31 December 2021 and 2020, the Group has included movements in the amount of impairment in inventory to cost of goods sold. (Due the increase in the costs of the inventories, inventory impairment resulted with decrease).

As of 31 December 2021 and 2020, the Group has insurance on all of its inventories.

As of current period, the cost of raw material and goods are shown in Note 22.

The movements of the provision for impairment of inventories for the periods ending on 31 December 2021 and 2020 are as follows:

| | 2021 | 2020 |
|---|---|---|
| **1 January** | **3,191** | **5,697** |
| Provisions (cancelled/reversed) during the period | 222 | (2,506) |
| **31 December** | **3,413** | **3,191** |

(Amounts expressed in thousands of Turkish Lira ('TRY') unless otherwise indicated.)

## NOTE 11 - INVESTMENT PROPERTIES

| | 1 January 2021 | Additions | Disposals | Transfers(*) | 31 December 2021 |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| Land and buildings | 47,509 | - | - | (30,880) | 16,629 |
| Independent units | 3,091 | - | (124) | - | 2,967 |
| | **50,600** | **-** | **(124)** | **(30,880)** | **19,596** |
| **Accumulated depreciation** | | | | | |
| Land and buildings | 6,335 | 1,188 | - | (4,889) | 2,634 |
| Independent units | 2,155 | 72 | (121) | - | 2,106 |
| | **8,490** | **1,260** | **(121)** | **(4,889)** | **4,740** |
| **Net book value** | **42,110** | | | | **14,856** |

| | 1 January 2020 | Additions | Disposals | Transfers(*) | 31 December 2020 |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| Land and buildings | 47,509 | 93,214 | - | (93,214) | 47,509 |
| Independent units | 3,091 | - | - | - | 3,091 |
| | **50,600** | **93,214** | **-** | **(93,214)** | **50,600** |
| **Accumulated depreciation** | | | | | |
| Land and buildings | 5,147 | 3,052 | - | (1,864) | 6,335 |
| Independent units | 2,082 | 73 | - | - | 2,155 |
| | **7,229** | **3,125** | **-** | **(1,864)** | **8,490** |
| **Net book value** | **43,371** | | | | **42,110** |

(*) Transfers are related to the classification of some unused real estates into tangible fixed assets due to their use.

Current year depreciation expense of investment properties are classified under general administrative expenses.

*Land and Buildings*

Comprise land and buildings located at the city of Çiftlikköy/Yalova, Denizçalı Köyü, Taşköprü Mevkii, Yalkim OSB, on Yalova-İzmit highway at city block no: 151, no: 6 and 7. The fair value of the investment properties is TRY48,300 (31 December 2020: TRY95,840) according to the report received from the independent valuation institution and it is rented with a monthly price of TRY191 (31 December 2020: TRY164)

(Amounts expressed in thousands of Turkish Lira ('TRY') unless otherwise indicated.)

## NOTE 11 - INVESTMENT PROPERTIES (Continued)

*Independent Units*

Comprise of offices of the Company located at Gümüşsuyu. According to the valuation report dated 31 December 2021, the fair value of the units is TRY28,215 (31 December 2020: TRY22,500) and it provides rent income amounting to TRY113 (31 December 2020: TRY129) per month.

As of 31 December 2021, rent income from investment properties has been disclosed as income from investment activities and is amounting to TRY5,457 (31 December 2020: TRY4,282).

## NOTE 12 - RIGHT-OF-USE ASSETS

As of 31 December 2021 and 2020, the movement of right-of-use assets are as follows:

| 31 December 2021 | Site Rent | Buildings | Vehicles | Total |
|---|---|---|---|---|
| **Cost** | | | | |
| Balance at 1 January 2021 | 11,064 | 1,692 | 31,568 | 44,324 |
| Additions | - | - | 6,065 | 6,065 |
| Rental condition changes | 1,341 | 157 | - | 1,498 |
| Outputs | - | - | (3,704) | (3,704) |
| | **12,405** | **1,849** | **33,929** | **48,183** |
| **Accumulated Depreciation** | | | | |
| Balance at 1 January 2021 | 523 | 628 | 6,932 | 8,083 |
| Charge for the period | 316 | 394 | 6,444 | 7,154 |
| Outputs | - | - | (2,850) | (2,850) |
| | **839** | **1,022** | **10,526** | **12,387** |
| **Net book value** | **11,566** | **827** | **23,403** | **35,796** |

| 31 December 2020 | Site Rent | Buildings | Vehicles | Total |
|---|---|---|---|---|
| **Cost** | | | | |
| Balance at 1 January 2020 | 9,681 | 1,577 | 6,085 | 17,343 |
| Additions | - | - | 25,459 | 25,459 |
| Rental condition changes | 1,383 | 115 | 24 | 1,522 |
| | **11,064** | **1,692** | **31,568** | **44,324** |
| **Accumulated Depreciation** | | | | |
| Balance at 1 January 2020 | 244 | 287 | 2,008 | 2,539 |
| Charge for the period | 279 | 341 | 4,924 | 5,544 |
| | **523** | **628** | **6,932** | **8,083** |
| **Net book value** | **10,541** | **1,064** | **24,636** | **36,241** |

Depreciation expense for the current period amounting to TRY6,761 (31 December 2020: TRY5,204) are recognized in cost of goods sold, TRY373 (31 December 2020: TRY323) are recognized in general administrative expenses and TRY20 (31 December 2020: TRY17) are recognized in marketing expenses.

(Amounts expressed in thousands of Turkish Lira (‘TRY’) unless otherwise indicated.)

## NOTE 13 - PROPERTY, PLANT AND EQUIPMENT

| | 1 January 2021 | Additions | Disposals | Transfers (*) | Currency translation differences | 31December 2021 |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| Land | 105,172 | 948 | (1,361) | - | 1,700 | 106,459 |
| Land improvements | 161,248 | - | - | 2,886 | - | 164,134 |
| Buildings | 259,558 | 3,238 | - | 130,222 | 5,939 | 398,957 |
| Machinery and equipment | 1,814,826 | 11,235 | (1,801) | 658,283 | 12,674 | 2,495,217 |
| Motor vehicles | 2,227 | 24 | (518) | 770 | 930 | 3,433 |
| Furniture and fixture | 84,859 | 2,923 | (167) | 4,876 | 444 | 92,935 |
| Construction in progress | 325,762 | 571,832 | - | (770,841) | - | 126,753 |
| | **2,753,652** | **590,200** | **(3,847)** | **26,196** | **21,687** | **3,387,888** |
| **Accumulated depreciation** | | | | | | |
| Land improvements | 64,619 | 7,039 | - | - | - | 71,658 |
| Buildings | 76,460 | 7,192 | - | 4,889 | 3,323 | 91,864 |
| Machinery and equipment | 981,987 | 105,197 | (1,441) | (2,266) | 9,524 | 1,093,001 |
| Motor vehicles | 1,338 | 320 | (343) | - | 599 | 1,914 |
| Furniture and fixture | 52,512 | 6,158 | (147) | - | 394 | 58,917 |
| | **1,176,916** | **125,906** | **(1,931)** | **2,623** | **13,840** | **1,317,354** |
| **Net book value** | **1,576,736** | | | | | **2,070,534** |

(*)Transfers with a net book value of TRY2,141 relate to equipment classified as assets held for sale, transfers with a net book value of TRY25,990 relate to land and buildings classified from investment properties to tangible assets, and TRY277 relate to intangible assets.

There is a net financing cost of TRY51,048 capitalized as a result of the exchange difference expenses and interest costs incurred by investment loans used in the period of 1 January - 31 December, 2021.

Depreciation expense for the current period amounting to TRY120,837 are recognized in cost of goods sold, TRY481 are recognized in research and development expenses, TRY2,351 are recognized in general administrative expenses, TRY86 are recognized in marketing expenses, TRY847 are recognized in construction in progress as the projects which has not completed and TRY1,304 are recognized in inventories.

As of 31 December 2021, there is no collateral, pledge and mortgage on property, plant and equipment. At the date of reporting, Group’s property, plants and equipment is insured for TRY8.3 billion.

(Amounts expressed in thousands of Turkish Lira ('TRY') unless otherwise indicated.)

## NOTE 13 - PROPERTY, PLANT AND EQUIPMENT (Continued)

| | 1 January 2020 | Additions | Disposals | Transfers (*) | Currency translation differences | 31 December 2020 |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| Land | 104,949 | - | (206) | - | 429 | 105,172 |
| Land improvements | 134,425 | - | - | 26,823 | - | 161,248 |
| Buildings | 257,709 | - | (28) | 372 | 1,505 | 259,558 |
| Machinery and equipment | 1,718,618 | 5,222 | (450) | 88,439 | 2,997 | 1,814,826 |
| Motor vehicles | 1,809 | 540 | (291) | - | 169 | 2,227 |
| Furniture and fixtures | 80,410 | 3,252 | (168) | 1,263 | 102 | 84,859 |
| Construction in progress | 154,806 | 287,894 | - | (116,938) | - | 325,762 |
| | **2,452,726** | **296,908** | **(1,143)** | **(41)** | **5,202** | **2,753,652** |
| **Accumulated depreciation** | | | | | | |
| Land improvements | 59,112 | 5,507 | - | - | - | 64,619 |
| Buildings | 69,110 | 6,627 | (8) | - | 731 | 76,460 |
| Machinery and equipment | 886,634 | 93,640 | (377) | - | 2,090 | 981,987 |
| Motor vehicles | 1,230 | 222 | (243) | - | 129 | 1,338 |
| Furniture and fixtures | 46,737 | 5,835 | (150) | - | 90 | 52,512 |
| | **1,062,823** | **111,831** | **(778)** | **-** | **3,040** | **1,176,916** |
| **Net book value** | **1,389,903** | | | | | **1,576,736** |

(*) Transfers amounting to TRY41 are associated with intangible assets

There is a net financing cost of TRY52,652 capitalized as a result of the exchange difference expenses and interest costs incurred by investment loans used in the period of 1 January – 1 December 2020.

Depreciation expense for the current period amounting to TRY108,765 are recognized in cost of goods sold, TRY504 are recognized in research and development expenses, TRY1,958 are recognized in general administrative expenses, TRY45 are recognized in marketing expenses, TRY539 are recognized in construction in progress as the projects which has not completed and TRY20 are recognized in inventories.

As of 31 December 2020, there is no collateral, pledge and mortgage on property, plant and equipment. At the date of reporting, Group's property, plants and equipment is insured for TRY4.5 billion.

## NOTE 14 - INTANGIBLE ASSETS

| | 1 January 2021 | Additions | Disposals | Transfers (*) | Currency translation differences | 31 December 2021 |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| Rights | 74,681 | 6,598 | (61) | - | 2,096 | 83,314 |
| Development cost | 38,172 | 30,929 | - | - | - | 69,101 |
| Other intangible assets | 7,754 | 69 | - | 277 | - | 8,100 |
| | **120,607** | **37,596** | **(61)** | **277** | **2,096** | **160,515** |
| **Accumulated depreciation** | | | | | | |
| Rights | 13,822 | 3,772 | (61) | - | 1,933 | 19,466 |
| Development cost | 14,466 | 2,915 | - | - | - | 17,381 |
| Other intangible assets | 7,534 | 412 | - | - | - | 7,946 |
| | **35,822** | **7,099** | **(61)** | **-** | **1,933** | **44,793** |
| **Net book value** | **84,785** | | | | | **115,722** |

| | 1 January 2020 | Additions | Disposals | Transfers (*) | Currency translation differences | 31 December 2020 |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| Rights | 66,364 | 7,822 | (11) | - | 506 | 74,681 |
| Development cost | 28,365 | 9,807 | - | - | - | 38,172 |
| Other intangible assets | 7,713 | - | - | 41 | - | 7,754 |
| | **102,442** | **17,629** | **(11)** | **41** | **506** | **120,607** |
| **Accumulated depreciation** | | | | | | |
| Rights | 10,665 | 2,731 | (11) | - | 437 | 13,822 |
| Development cost | 12,474 | 1,992 | - | - | - | 14,466 |
| Other intangible assets | 6,897 | 637 | - | - | - | 7,534 |
| | **30,036** | **5,360** | **(11)** | **-** | **437** | **35,822** |
| **Net book value** | **72,406** | | | | | **84,785** |

(*) Transfers amounting to TRY27 are related to tangible assets (2020: TRY41).

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

## NOTE 14 - INTANGIBLE ASSETS (Continued)

Amortization expenses for the period ended 31 December 2021 amounting to TRY2,953 (2020: TRY1,996) are recognized in cost of goods sold, TRY2,760 (2020: TRY1,993) are recognized in research and development expenses, TRY1,186 (2020: TRY1,332) are recognized in general administrative expenses, TRY45 (2020: TRY49) are recognized in marketing expenses. TRY155 of project development costs that have not been completed yet, are included in the investments in progress as depreciation amount.

**Goodwill**

As of 31 December 2021, the goodwill balance with the carrying amount of TRY5,989 (2020: TRY5,989) resulted from the acquisition of 50% shares of Ak-Tops Tekstil Sanayi A.Ş. during 2007.

There is no impairment in the goodwill's book value.

## NOTE 15 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

Provisions:

| | **31 December 2021** | **31 December 2020** |
|---|---|---|
| Provision for litigation | 105 | 100 |

Contingent assets and liabilities are as follows:

a) The details of commitments, guarantees, pledges and mortgages given to third parties by the Group are as follows:

| | **31 December 2021** | **31 December 2020** |
|---|---|---|
| Letters of credit commitments | 2,299,087 | 818,739 |
| Letters of guarantees given | 1,604,248 | 422,128 |
| **Total** | **3,903,335** | **1,240,867** |

Letters of guarantees given are mainly consist of raw material purchases.

b) Guarantee letters received for trade receivables are as follows:

| | **31 December 2021** | **31 December 2020** |
|---|---|---|
| Credit insurance limits | 1,489,478 | 740,394 |
| Mortgages received | 199,206 | 139,552 |
| Guarantee cheques and notes received | 157,863 | 65,320 |
| Share pledges | 80,995 | 44,605 |
| Confirmed/unconfirmed letters of credit | 42,833 | 89,989 |
| Limits of direct debiting system (“DDS”) | 21,465 | 9,510 |
| Guarantee letters received | 12,653 | 3,537 |
| **Total** | **2,004,493** | **1,092,907** |

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

## NOTE 15 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Continued)

c) Collaterals, Pledges and Mortgages given by the Group ("CPM"):

| | 31 December 2021 | 31 December 2020 |
|---|---|---|
| A. CPM given on behalf of the Group's legal personality | 3,903,335 | 1,240,867 |
| *- USD* | *3,757,087* | *1,193,880* |
| *-EUR* | *109,007* | *30,086* |
| *-TRY* | *37,241* | *16,901* |
| *-Other* | - | - |
| B. CPM given on behalf of fully consolidated subsidiaries | - | - |
| C. CPM given for continuation of its economic activities on behalf of third parties | - | - |
| *- USD* | - | - |
| D. Total amount of other CPM given | - | - |
| *i) Total amount of CPM given on behalf of the parent company* | - | - |
| *ii) Total amount of CPM given to on behalf of other group companies which are not in scope of B and C* | - | - |
| *iii) Total amount of CPM given on behalf of third parties which are not in scope of C* | - | - |
| **Total** | **3,903,335** | **1,240,867** |

As of 31 December 2021, the ratio of other CPMs' given by the Company (D) to equity is 0% (31 December 2020: 0%).

## NOTE 16 - EMPLOYEE BENEFIT OBLIGATIONS

| Payables for employee benefit obligations | 31 December 2021 | 31 December 2020 |
|---|---|---|
| Social security premiums payable | 5,864 | 4,817 |
| Payables to employees | 12 | 8 |
| **Total** | **5,876** | **4,825** |

| Current provisions for employee benefits | 31 December 2021 | 31 December 2020 |
|---|---|---|
| Provision for performance premium | 40,000 | 26,500 |
| Provision for unused vacation rights | 3,500 | 2,596 |
| **Total** | **43,500** | **29,096** |

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

## NOTE 16 - EMPLOYEE BENEFIT OBLIGATIONS (Continued)

| **Non-current provisions for employee benefits** | **31 December 2021** | **31 December 2020** |
|---|---|---|
| Provision for employment termination benefits and seniority incentive | 59,750 | 38,972 |

Provision for employment termination benefits

Employment termination benefit provision is recorded according to the following descriptions.

Under the Turkish Labor Law, the Company is required to pay termination benefits to each employee who has completed one year of service and left from the group or retired, completed 25 service years (20 for women) and who reaches the retirement age (58 for women and 60 for men), whose employment is terminated without due cause, is called up for military service or passed away. Since the legislation was changed on 23 May 2002, there are certain transitional provisions relating to length of service prior to retirement.

The liability for employment termination benefits is not legally subjected to any funding and there is no condition for funding.

The provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of employees.

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

| | **31 December 2021** | **31 December 2020** |
|---|---|---|
| Discount rate (%) | 4.45 | 4.70 |
| Probability of retirement (%) | 98.28 | 98.27 |

The principal assumption is that the maximum liability for each year of service will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. As the maximum liability is revised once every six months, the maximum amount of TRY10,849 effective from 1 January 2022 (1 January 2021: TRY7,639) has been taken into consideration in calculating the reserve for employment termination benefit of the Group.

Movements in the provision for employment termination benefits and seniority incentive are as follows:

| | **2021** | **2020** |
|---|---|---|
| **1 January** | **38,972** | **30,780** |
| Service cost | 3,342 | 3,315 |
| Interest cost | 1,736 | 1,450 |
| Payments | (3,324) | (1,683) |
| Actuarial gain | 19,024 | 5,110 |
| **31 December** | **59,750** | **38,972** |

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

## NOTE 16 - EMPLOYEE BENEFIT OBLIGATIONS (Continued)

As of 31 December 2021 the sensitivity analysis of employment termination benefits is as follows:

| | 0,5 decrease% | 0,5 increase% |
|---|---|---|
| Discount rate | 3,900 | (3,480) |
| Probability of retirement | (1,335) | 1,410 |
| **Change in employee termination benefits** | **2,565** | **(2,070)** |

## NOTE 17 - OTHER ASSETS AND LIABILITIES

**a) Other current assets:**

| | 31 December 2021 | 31 December 2020 |
|---|---|---|
| Value Added Taxes ("VAT") receivables | 352,563 | 123,179 |
| Other | 254 | 11 |
| **Total** | **352,817** | **123,190** |

**b) Short-term prepayments**

| | 31 December 2021 | 31 December 2020 |
|---|---|---|
| Advances given | 119,721 | 28,774 |
| Prepaid expenses | 6,948 | 5,520 |
| **Total** | **126,669** | **34,294** |

**c) Long-term prepayments**

| | 31 December 2021 | 31 December 2020 |
|---|---|---|
| Advances given for purchase of property, plant and equipment | 55,458 | 33,562 |
| Prepaid expenses | 495 | 169 |
| **Total** | **55,953** | **33,731** |

**d) Deferred income:**

| | 31 December 2021 | 31 December 2020 |
|---|---|---|
| Deferred revenue | 193,107 | 46,503 |
| Order advances received | 106,040 | 169,609 |
| **Total** | **299,147** | **216,112** |

**e) Other long-term liabilities:**

| | 31 December 2021 | 31 December 2020 |
|---|---|---|
| Deposits and guarantees received | 30,210 | 18,034 |

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

## NOTE 18 - DERIVATIVE FINANCIAL INSTRUMENTS

| | 31 December 2021 | | 31 December 2020 | |
|---|---|---|---|---|
| | Asset | Liability | Asset | Liability |
| Derivatives used for hedging | 5,827 | - | - | 63,845 |
| Held for trading | 3,022 | - | - | 2,222 |

**Derivatives used for hedging:**

| | 31 December 2021 | | 31 December 2020 | |
|---|---|---|---|---|
| | Contract amount USD (thousand) | Fair value Liability TRY | Contract amount USD (thousand) | Fair value Asset amount TRY |
| Interest rate swaps | 33,447 | 5,827 | 43,671 | 666 |
| Cross currency swaps | - | - | 23,582 | 31,080 |
| **Total** | **33,447** | **5,827** | **67,253** | **31,746** |

| | 31 December 2021 | | 31 December 2020 | |
|---|---|---|---|---|
| | Contract amount EUR (thousand) | Fair Value Liability TRY | Contract amount EUR (thousand) | Fair value Liability amount TRY |
| Cross currency swaps | - | - | 15,106 | 32,099 |

Derivative financial instruments are initially recognized at their acquisition cost and re-measured at their fair value in the following periods and the Group implement this policy. The derivative financial instruments of the Group mainly consist of cross currency forward swaps and interest rate swap instruments.

At the date of the derivative contract, the Group determines that there are transactions that provide hedging against changes in cash flows arising from a certain risk and that may affect profit/loss (cash flow hedges) for a registered asset or liability or transactions that may be associated with a certain risk and are likely to occur.

These derivative financial instruments are recognized as derivative financial instruments for hedging purposes in the consolidated financial statements, since they provide effective protection against risks for the Group and meet the necessary conditions in terms of risk accounting.

If the hedging instrument fails to meet the terms of the hedge accounting, selling, expiring, or if one of the promised or probable future transactions is not expected to occur, the contractual or probable future transaction will be the hedging instrument continues to be classified separately under equity. When the committed or probable future transaction is realized or predicted future transaction will not to be happen, it is recognized in profit or loss and the accumulated gains or losses related to the transaction are reflected to the consolidated financial statements as profit or loss.

As of 31 December 2021, fixed interest rates are 0,325% (31 December 2020: 1.13% and 1.35%). The Group's main floating interest rates are EURIBOR and LIBOR.

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

## NOTE 18 - DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

**Derivative financial instruments held for trading:**

The Group is able to make option contracts regarding to foreign exchange trading transactions in accordance with its risk policies. The mentioned option transactions are accounted as derivative financial instruments held for trading in the consolidated financial statements, as they do not qualify for hedge accounting and changes in fair value of these financial instruments are recognized in the consolidated statement of income.

| | 31 December 2021 | | 31 December 2020 | |
|---|---|---|---|---|
| | Contract amount (thousand) | Fair value Asset TRY | Contract amount (thousand) | Fair value Liability amount TRY |
| Foreign exchange transactions | | | | |
| - *USD* | 9,000 | 3,022 | 3,000 | 2,222 |

## NOTE 19 - ASSETS HELD FOR SALE

Assets held for sale summary information is as follows:

| | 31 December 2021 | 31 December 2020 |
|---|---|---|
| Cost | 4,407 | 93,214 |
| Accumulated depreciation | (2,266) | (1,864) |
| **Net book value** | **2,141** | **91,350** |

Assets held for sale consist of land and buildings registered in Merkez Efendi Mahallesi 2953 island 25 parcel, Zeytinburnu, Istanbul. The related asset is held for sale. According to the report dated 31 December 2021, which were classified as assets held for sale, were sold for 113 million TL including VAT, and the sales profit was classified under the note "Income from investment activities".

## NOTE 20 - EQUITY

Aksa has adopted the registered share capital system applicable to companies registered on the Capital Markets Board and set a limit on its registered share capital representing type of registered shares with a nominal value of Kr 1. As of 31 December 2021 and 2020, the historical, authorized and issued capital of Aksa is presented below:

| | 31 December 2021 | 31 December 2020 |
|---|---|---|
| Limit on registered share capital | 650,000 | 425,000 |
| Issued share capital | 323,750 | 323,750 |

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

## NOTE 20 - EQUITY (Continued)

The Group's shareholders and their respective shareholding structure as follows:

| | Share (%) | 31 December 2021 | Share (%) | 31 December 2020 |
|---|---|---|---|---|
| Akkök Holding | 39.59 | 128,166 | 39.59 | 128,166 |
| Emniyet Ticaret ve Sanayi A.Ş. | 20.23 | 65,500 | 18.82 | 60,942 |
| Other | 40.18 | 130,084 | 41.59 | 134,642 |
| | **100.00** | **323,750** | **100.00** | **323,750** |
| Adjustments on capital | | 56,469 | | 56,469 |
| **Total paid-in share capital** | | **380,219** | | **380,219** |
| Treasury shares | | - | | (6,666) |

The Company has 32,375,000,000 shares (31 December 2020: 18,500,000,000) with a nominal value of 1 Kr (31 December 2020: 1 Kr). All shareholders have same rights and there are not issued different type of shares such as privilege. Adjustment to share capital represents the difference between the amounts of the restatement effect of cash and cash equivalents contributions to share capital and the amounts before the restatements.

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 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 capital. According to the TCC, the legal reserve does not exceed half of the capital or issued capital can be used only to offset losses, to continue the business when things did not go well or to get ahead of unemployment and to take favorable measures to manage its results

In accordance with TAS, the Company has to classify the above-mentioned amounts under "Restricted reserves", the amount of restricted reserves is TRY256,074 as of 31 December 2021 (31 December 2020: TRY214,787). This amount fully consists of legal reserves.

"Paid in Capital", "Restricted Reserves" and "Share Premiums" shall be disclosed by their statutory amounts in accordance with the Communiqué on the Principles of Financial Reporting in Capital Markets (numbered II-14.1) and CMB announcements. During the implementation of the relevant communiqué, differences in valuations (such as differences arising from inflation adjustment):

- The difference arising from the "Paid-in Capital" and if has not been transferred to capital yet, shall be classified under the "Adjustments to Share Capital", following the "Paid-in capital";

- The difference due to the inflation adjustment of "Restricted Reserves" and "Share Premium" and the amount has not been utilized in dividend distribution or capital increase yet, shall be classified under "Retained Earnings". Other equity totals are being demonstrated as they are valued according to CMB's and TAS's statements.

Capital adjustment differences have no use other than complementing the capital.

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

## NOTE 20 - EQUITY (Continued)

### Dividend distribution

Regarding the dividend distribution, the entities have to distribute their profits under the scope of CMB Communiqué Serial: II-19.1, their articles of association and their previously publicly declared profit distribution policies.

Besides that, to prepare and publicly announce the amount of net distributable profit is regulated for Companies which are obligated to prepare consolidated financial statements under CMB policies in accordance with CMB Communiqué No. II -14.1. It is also regulated that the Companies are required to calculate the net profit for the period with considering the consolidated financial statements as long as the net profit can be provided from legal sources.

In the case of making decision on dividend payment, dividend is paid in cash or is distributed as "bonus shares" to shareholders by adding dividend to capital or distributed cash and bonus shares in certain amounts according to the decision that is taken by the general assembly of the company.

In the ordinary general meeting of the Group dated 6 April 2021, in accordance with the Turkish Commercial Code and the Company's Articles of Association, the distributable profit of 2020 is amounting to TRY41,287. The Group decided to account Legal Reserves and to pay TRY281,663 (2020: TRY239,575) of the gross profit share (TRY0.87 per share). Dividend payments were completed on 15 April 2021.

### Treasury shares

In accordance with the decision taken by the Board of Directors on 9 May 2018, a treasury share buyback process was initiated. As of 18 February 2021, all of the treasury shares were sold each to TRY16.00, and excluding dividends, TRY10,941 profit recognized. The related amount and dividend paid for owned shares by the Company with TRY11,832 have been recognized under equity.

## NOTE 21 - REVENUE AND COST OF SALES

Sales and cost of goods sold for the years ended 31 December 2021 and 2020 are as follows:

| | **31 December 2021** | **31 December 2020** |
|---|---|---|
| Domestic sales | 6,065,592 | 2,890,841 |
| Export sales | 2,692,902 | 1,415,500 |
| Less: Sales returns | (7,608) | (4,314) |
| Less: Sales discounts | (402,729) | (192,170) |
| **Net sales income** | **8,348,157** | **4,109,857** |
| **Cost of sales (-)** | **(6,504,250)** | **(3,141,662)** |
| **Gross profit** | **1,843,907** | **968,195** |

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

## NOTE 22 - EXPENSES BY NATURE

Cost of sales, marketing expenses, general administrative expenses and research and development expenses by nature for the years ended as of 31 December 2021 and 2020 are as follows:

| | 31 December 2021 | 31 December 2020 |
|---|---|---|
| Raw materials and goods | 5,959,134 | 2,734,922 |
| Employee benefit expenses | 252,798 | 189,379 |
| Depreciation and amortization | 139,113 | 125,301 |
| Consumable materials | 100,709 | 65,747 |
| Commission expenses | 62,228 | 36,478 |
| Maintenance, repair and cleaning expenses | 54,836 | 32,091 |
| Export expenses | 53,849 | 28,298 |
| Information technologies expense | 17,567 | 14,540 |
| Insurance expenses | 12,160 | 9,235 |
| Consultancy expenses | 10,484 | 8,580 |
| Rent expenses | 1,306 | 3,202 |
| Other | 121,545 | 68,138 |
| **Total** | **6,785,729** | **3,315,911** |

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

Fees for Services Received from Independent Auditor/Independent Audit Firm The Group's statement regarding the fees for services rendered by independent audit firms, prepared by the KGK pursuant to the Board Decision published in the Official Gazette on March 30, 2021, and the preparation principles of which are based on the KGK letter dated August 19, 2021. as follows:

| | 2021 | 2020 |
|---|---|---|
| Independent audit fee for the reporting period | 1,220 | 964 |
| Fees for tax advisory services | 118 | 103 |
| Fee for other assurance services | 19 | 53 |
| Fees for services other than independent auditing | 20 | 17 |
| **Total** | **1,377** | **1,137** |

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

## NOTE 23 - OTHER OPERATING INCOME/(EXPENSE)

Other operating income for the years ended at 31 December 2021 and 2020 are as follows:

| | 31 December 2021 | 31 December 2020 |
|---|---|---|
| Foreign exchange gains | 1,033,536 | 293,015 |
| Interest income on credit sales | 24,133 | 23,124 |
| Gain on sale of scraps | 8,423 | 4,404 |
| Other | 2,108 | 988 |
| **Total** | **1,068,200** | **321,531** |

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

## NOTE 23 - OTHER OPERATING INCOME/(EXPENSE) (Continued)

Other operating expenses for the years ended at 31 December 2021 and 2020 are as follows:

| | 31 December 2021 | 31 December 2020 |
|---|---|---|
| Foreign exchange losses | 1,323,761 | 226,038 |
| Provision for doubtful receivables (Note 8) | 34,044 | 52,699 |
| Interest expense from credit purchases | 17,235 | 8,727 |
| Other | 8,970 | 1,735 |
| **Total** | **1,384,010** | **289,199** |

## NOTE 24 - INCOME FROM INVESTMENT ACTIVITIES

Income from investment activities for the years ended at 31 December 2021 and 2020 are as follows:

| | 31 December 2021 | 31 December 2020 |
|---|---|---|
| Income from fixed asset sales | 35,100 | 1,915 |
| Rent income | 6,085 | 4,827 |
| **Total** | **41,185** | **6,742** |

## NOTE 25 - FINANCIAL INCOME/(COSTS)

Finance income for the years ended at 31 December 2021 and 2020 are as follows:

| | 31 December 2021 | 31 December 2020 |
|---|---|---|
| Foreign exchange gains | 980,525 | 311,587 |
| Interest income | 45,480 | 23,126 |
| **Total** | **1,026,005** | **334,713** |

Financial costs for the years ended at 31 December 2021 and 2020 are as follows:

| | 31 December 2021 | 31 December 2020 |
|---|---|---|
| Foreign exchange expense | 1,177,301 | 603,105 |
| Interest and commission expenses | 49,532 | 79,461 |
| **Total** | **1,226,833** | **682,566** |

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

## NOTE 26 - TAX ASSETS AND LIABILITIES

Tax expenses for the years ended at 31 December 2021 and 2020 are as follows:

| | **31 December 2021** | **31 December 2020** |
|---|---|---|
| Current income tax expense | (67,490) | (73,999) |
| Deferred tax income | 102,860 | 21,277 |
| **Total tax income/(expense)** | **35,370** | **(52,722)** |

*Corporate Tax*

The Group is subject to corporate tax valid in Turkey. Tax liability provisions are determined in accordance with the current year financial activities.

The Corporate Tax Law has been amended with the Law No. 5520 dated 13 June 2006. Many provisions of the said new Corporate Tax Law No. 5520 came into effect as of January 1, 2006. In accordance with the temporary article 13 added to the Corporate Tax Law with the Law No. 7061 on the "Law on the Collection Procedure of Public Claims and Amendments to Certain Laws", which was published in the Official Gazette dated April 22, 2021, the corporate tax rate was increased to 25% for 2021. (2020: 22%). The corporate tax rate is applied to the net corporate income to be found as a result of adding the expenses that are not accepted as deductible in accordance with the tax laws to the commercial income of the corporations, and deducting the exceptions and deductions in the tax laws. Losses can be carried for a maximum of 5 years, to be deducted from the taxable profit that will occur in the coming years, provided that the conditions stipulated in the Law are met. However, the losses incurred cannot be deducted retrospectively from the profits of previous years.

There is no agreement with the tax authorities on the tax payable in Turkey. The corporate tax declaration is given on the until the evening of the last day of the fourth month following the month of which the accounting period is closed and is paid within the same period.

Companies declare their temporary tax, which is equal to 20% of their quarterly financial income (22% for 2021: %25 for 2022:%23 for taxation periods of 2018, 2019 and 2020) until the 17th day of the second month following that period. (4. Provisional tax return will be submitted for the last time in 2021, and the 4th Provisional tax return will not be submitted for the October-December period to be applied as of the tax returns for the 2022 taxation period). The temporary tax paid during the year belongs to that year and is deducted from the corporation tax that will be calculated on the tax declaration of the institutions to be given in the following year. If the temporary tax amount paid still left after the deduction, this amount can be refunded as cash or offset.

The Law on the Amendment of the Corporate Tax Law and the Tax Procedure Law dated January 20, 2022 and numbered 7352 was published in the Official Gazette dated 29.01.2022, including the provisional accounting periods for the 2021 and 2022 accounting periods and the 2023 accounting period provisional tax periods within the scope of the repeated article 298. It is stipulated that financial statements will not be subject to inflation adjustment, regardless of whether the conditions for inflation adjustment have been met. The Public Oversight Authority made a statement on the Implementation of Financial Reporting in High Inflation Economies under TFRS on January 20, 2022, and it was stated that there was no need to make any adjustments within the scope of TAS 29 Financial Reporting in Hyperinflationary Economies in the consolidated financial statements for 2021.

*Income Withholding Tax*

Dividends paid to non-resident corporations, which have a place of business in Turkey, or resident corporations are not subject to withholding tax. Otherwise, dividends paid are subject to withholding (Reserving the provisions of the Double Taxation Avoidance Agreement) tax at the rate of 15%. (With the Presidential Decision No. 4936 published in the Official Gazette dated 22 December 2021, the dividend withholding tax rate was reduced from 15% to 10%). An increase in capital via issuing bonus shares is not considered as a profit distribution..

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

## NOTE 26 - TAX ASSETS AND LIABILITIES (Continued)

### Deferred Income Tax Assets and Liabilities

The Company calculates deferred tax assets and liabilities considering the effect of temporary differences arising from different valuation of balance sheet items according to TAS and statutory financial statements. Such temporary differences usually result from the recognition of revenue and expenses in different reporting periods according to TAS and Tax Code.

The tax rate used in calculating deferred tax assets and liabilities is 20% and 23% (2020: 20% and 22%).

The breakdown of cumulative temporary differences and deferred income tax assets and liabilities provided using enacted tax rates as of 31 December 2021 and 2020 are as follows:

| | **Temporary taxable differences** | | **Deferred income tax asset/liability** | |
|---|---|---|---|---|
| | **31 December 2021** | **31 December 2020** | **31 December 2021** | **31 December 2020** |
| Property, plant and equipment and intangible assets | 649,288 | - | 134,510 | - |
| Deferred income | 288,481 | 46,669 | 63,490 | 9,334 |
| Employee termination benefits | 63,520 | 41,568 | 12,704 | 8,314 |
| Lease liabilities | 55,989 | 41,983 | 11,198 | 8,397 |
| Other short-term liabilities | 72,108 | 4,475 | 14,896 | 895 |
| Trade receivables | - | 82,806 | - | 16,561 |
| Derivative financial instruments | - | 66,067 | - | 13,213 |
| **Deferred tax assets** | | | **236,798** | **56,714** |
| Inventories | (142,907) | (34,500) | (32,869) | (6,900) |
| Right-of-use assets | (35,796) | (36,241) | (7,159) | (7,248) |
| Trade receivables | (12,123) | - | (2,425) | - |
| Derivative financial instruments | (8,849) | - | (1,770) | - |
| Trade payables | (2,476) | (2,827) | (495) | (565) |
| Property, plant and equipment and intangible assets | - | (198,686) | - | (39,737) |
| **Deferred tax liabilities** | | | **(44,718)** | **(54,450)** |
| **Deferred tax assets/(liability), net** | | | **192,080** | **2,264** |

Movement for the deferred income tax assets for the periods ended at 31 December 2021 and 2020 are as follows:

| | **2021** | **2020** |
|---|---|---|
| **1 January** | **2,264** | **(18,247)** |
| Deferred tax income for the period, net | 102,860 | 21,277 |
| Recognized under equity | 86,584 | 333 |
| Currency translation differences | 372 | (1,099) |
| **31 December** | **192,080** | **2,264** |

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

## NOTE 26 - TAX ASSETS AND LIABILITIES (Continued)

| | 31 December 2021 | 31 December 2020 |
|---|---|---|
| Income tax | (67,490) | (73,999) |
| Prepaid taxes | 70,937 | 52,769 |
| **Current income tax assets/(liabilities)** | **3,447** | **(21,230)** |

The reconciliation of tax expenses stated in consolidated income statements for the years ended at 31 December 2021 and 2020 are as follows:

| | 31 December 2021 | 31 December 2020 |
|---|---|---|
| Profit before tax in the consolidated financial statements | 1,131,838 | 492,675 |
| **Expected tax expense of the Group (22%- 25%)** | **282,960** | **108,389** |
| The effect of application of equity method | (44,863) | (7,508) |
| Fixed asset valuation application impact (*) | (894,840) | - |
| Investment incentives | (497,978) | (256,735) |
| Discounts and exemptions | (64,503) | (16,586) |
| Additions | 49,888 | 21,182 |
| Tax effect 25(% 22%) | (363,074) | (57,122) |
| Tax rate effect (%20) | 44,744 | 1,455 |
| **Current period tax (income)/expense of the Group** | **(35,370)** | **52,722** |

(*) With the regulation published in the Official Gazette dated 09.06.2021, the Provisional Article 31 of the Tax Procedure Law No. 213 was updated and the opportunity to revalue the immovables registered to companies and other economic assets subject to depreciation, provided that they comply with the determined conditions and provisions. The fixed assets of the company have been evaluated in accordance with this article in the books prepared in accordance with the tax procedure law. Within the scope of the said law, deferred tax asset has been created in the financial position statement based on the revaluation records in the legal book and the deferred tax income related to this has been recorded in the consolidated income statement.

## NOTE 27 - EARNINGS PER SHARE

Earnings per share disclosed in the consolidated statements is determined by dividing net profit for the period by the weighted average number of shares issued within the relevant period. The earnings per share calculation for the years ended 31 December 2021 and 2020 as follows:

| | 31 December 2021 | 31 December 2020 |
|---|---|---|
| Net profit attributable to the equity holders of the parent (TRY) (*) (A) | 1,167,208,204 | 439,953,140 |
| Weighted average number of shares (B) (**) | 32,375,000,000 | 32,259,389,400 |
| Earnings per share (Kr) (A/B) | 3.61 | 1.36 |

(*) Amounts expressed in full Turkish Lira.
(**) The number of shares has been calculated by deducting the shares owned by the Company.

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

## NOTE 28 - RELATED PARTY DISCLOSURES

### a) Short-term trade receivables:

As of 31 December 2021 and 2020, trade receivables from related parties are as follows:

| | 31 December 2021 | 31 December 2020 |
|---|---|---|
| Ak-Pa Tekstil İhracat Pazarlama A.Ş. ("Ak-Pa") (*) (1) | 383,798 | 369,262 |
| Akkim Kimya San. ve Tic. A.Ş. ("Akkim") (1) | 33,028 | 11,648 |
| DowAksa İleri Kompozit Malzemeler San. Ltd. Şti. ("DowAksa") (2) | 28,213 | 20,840 |
| Sakarya Elektrik Perakende Satış A.Ş.("Sepaş") (1) | 13,879 | 2,103 |
| Akenerji Elektrik Enerjisi İthalat İhracat ve Toptan Tic. A.Ş.("Akenerji") (1) | - | 1,579 |
| Other | 1,087 | 555 |
| Less: Unearned finance income on credit sales (-) | (4,103) | (1,407) |
| **Total** | **455,902** | **404,580** |

(*) Foreign sales are made through Ak-Pa, the foreign trade company of the Group, and the balance consists of trade receivables arising from these transactions.

As of 31 December 2021 and 2020, the foreign currency denominated trade receivables have 3 months maturity on average and are discounted with annual average discount rate of 2,4% (31 December 2020: 3,7%) based on USD.

### b) Short-term trade payables:

As of 31 December 2021 and 2020, short-term trade payables to related parties are as follows:

| | 31 December 2021 | 31 December 2020 |
|---|---|---|
| Ak-Pa (1) | 43,333 | 17,941 |
| Akkim (1) | 27,599 | 26,752 |
| Akgirişim Müt. Müş. Çevre Tek. San. Tic. A.Ş. ("Akgirişim") (4) | 12,863 | 2,947 |
| Yalova Kompozit ve Kimya İhtisas Organize Sanayi Bölgesi ("Yalkim OSB") (4) | 6,337 | 5,047 |
| DowAksa(2) | 2,545 | - |
| Dinkal Sigorta Acenteliği A.Ş. (**) (1) | 2,377 | 1,698 |
| Aktek Bilgi İşlem Tekn. San. ve Tic. A.Ş. (1) | 2,001 | 2,011 |
| Other | 538 | 285 |
| **Total** | **97,593** | **56,681** |

(**) This amount represent payments to insurance companies through Dinkal Sigorta Acenteliği A.Ş.

31 December 2021 and 2020, trade receivables have an average maturity of one (1) month.

(1) Akkök Holding subsidiary
(2) Company's joint venture
(3) Company main shareholder
(4) Other related parties

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

## NOTE 28 - RELATED PARTY DISCLOSURES (Continued)

### c) Advances given:

Advances given to related parties for the year ended as of 31 December 2021 and 2020 are as follows:

| | 31 December 2021 | 31 December 2020 |
|---|---|---|
| Akgirişim [(4)] | 15,737 | 721 |
| Yalkim OSB [(4)] | 4,846 | 2,419 |
| **Total** | **20,583** | **3,140** |

Advances given are consists of advance payments for various investment projects in Yalova facility.

### d) Sales:

Sales to related parties for the years ended 31 December 2021 and 2020 are as follows:

| | 31 December 2021 | 31 December 2020 |
|---|---|---|
| Ak-Pa (*) [(1)] | 2,774,602 | 1,406,482 |
| Akkim [(1)] | 187,655 | 110,369 |
| DowAksa [(2)] | 129,219 | 80,272 |
| Sakarya Elektrik Perakende Satış A.Ş ("Sepaş") [(1)] | 31,485 | 19,903 |
| Akenerji [(1)] | 5,039 | 17,015 |
| Other | 8,792 | 5,898 |
| **Total** | **3,136,792** | **1,639,939** |

(*) Foreign sales are made through Ak-Pa, the foreign trade company of the Group, and the balance consists of trade receivables arising from these exporting transactions.

Other sales to related parties consist of rent incomes, electric and steam energy sales.

(1) Akkök Holding subsidiary
(2) Company's joint venture
(3) Company main shareholder
(4) Other related parties.

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

## NOTE 28 - RELATED PARTY DISCLOSURES (Continued)

### e) Purchases of goods and services:

Product and service purchases from related parties for the years ended 31 December 2021 and 2020 are as follows:

| | 31 December 2021 | 31 December 2020 |
|---|---|---|
| Akkim (1) | 214,991 | 143,567 |
| Akgirişim (4) | 107,329 | 33,062 |
| Yalkim OSB (4) | 56,384 | 39,169 |
| Ak-Pa (1) | 42,698 | 22,085 |
| Dinkal Sigorta Acenteliği A.Ş. (*) (1) | 23,843 | 17,718 |
| DowAksa (2) | 19,860 | - |
| Aktek Bilgi İşlem Tekn. San. ve Tic. A.Ş. (1) | 18,957 | 16,366 |
| Akenerji (1) | 6,760 | 3,357 |
| Akkök Holding (3) | 671 | 971 |
| Other | 1,102 | 1,119 |
| **Total** | **492,595** | **277,414** |

(*) Insurance service purchases from various insurance companies through Dinkal Sigorta Acenteliği A.Ş.

Purchases from related parties consist of chemicals, insurance, contracting, consultancy, commissions, rent, expenses for organized industrial zone and other service purchases.

### f) Interest Income:

| | 31 December 2021 | 31 December 2020 |
|---|---|---|
| Akiş (1) | 2,907 | 3,216 |
| **Total** | **2,907** | **3,216** |

The Group has purchased private sector bonds with floating interest coupon payments issued by Akiş, and interest income has been recognized during the period.

(1) Akkök Holding subsidiary
(2) Company's joint venture's subsidiary
(3) Company main shareholder
(4) Other related parties

### g) Key management compensation:

The Group defined its key management personnel as member of executive committee and board members. Benefits provided to key management personnel as of 31 December 2021 and 2020 are as follows:

| | 31 December 2021 | 31 December 2020 |
|---|---|---|
| Wages and other short-term employee benefits | 12,156 | 10,331 |
| Provision for employment termination benefits | 125 | 134 |
| **Total** | **12,281** | **10,465** |

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

**NOTE 28 - RELATED PARTY DISCLOSURES (Continued)**

**g) Key management compensation (Continued):**

Benefits provided to the Board of Directors, for the years ended 31 December 2021 and 2020 are as follows:

| | 31 December 2021 | 31 December 2020 |
|---|---|---|
| Wages and other short-term employee benefits | 1,678 | 1,218 |
| Provision for employment termination benefits | - | - |
| **Total** | **1,678** | **1,218** |

## NOTE 29 - FINANCIAL RISK MANAGEMENT

**Purposes and principles of risk management**

The Groups principal financial instruments are cash and cash equivalents, trade receivables and financial liabilities. The main purpose of these financial instruments is to generate financing resources for the Group's operations. The Group has various other financial instruments such as trade debtors and trade creditors, which arise directly from its operations. The main risks arising from the Group's financial instruments are liquidity risk, foreign currency risk and credit risk. The Group management reviews and agrees policies for managing each of the risks as summarized below.

***Credit risk***

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counterparties, and continually assessing the creditworthiness of the counterparties. It is the Group policy that all customers who wish to trade on credit terms are subject to credit screening procedures and the Group also obtains collaterals from customers when appropriate. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. Trade receivables are evaluated by management based on their past experiences and current economic condition, and are presented in financial statements net of provision for doubtful receivables (Note 8).

Trade Receivable Aging Analysis

The Company has TRY130,267 provision (31 December 2020: TRY96,259) on their receivables and aging of the receivables which are overdue but not impaired are as follows:

| Trade Receivables | 31 December 2021 | 31 December 2020 |
|---|---|---|
| 1-30 days overdue | 96,403 | 68,728 |
| 1-3 months overdue | 23,887 | 2,019 |
| 3-12 months overdue | 6,611 | 26,369 |
| More than 12 months overdue | 180,662 | 88,333 |
| **Total (*)** | **307,563** | **185,449** |
| **Secured with guarantees** | **276,856** | **152,656** |

(*) TRY112.885 of the amount has been collected as of the date of the report (31 December 2020: TRY59,205)

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

## NOTE 29 - FINANCIAL RISK MANAGEMENT (Continued)

As of 31 December 2021 the Group's maximum exposure to credit risk is presented below:

| | **Trade receivables** | | **Other receivables** | | **Financial assets** | | **Deposits in banks** |
|---|---|---|---|---|---|---|---|
| **31 December 2021** | **Related Parties** | **Other** | **Related Parties** | **Other** | **Related Parties** | **Other** | **Other** |
| **Maximum credit risk exposure as of reporting date** | **455,902** | **828,371** | **-** | **1,013** | **-** | **-** | **2,835,473** |
| **- Secured portion of maximum credit risk by guarantees (*)** | ***353,915*** | ***697,238*** | - | - | - | - | - |
| Net book value of financial assets either are not due or not impaired | 352,749 | 623,263 | - | 1,013 | - | - | 2,835,473 |
| *- Secured portion with guarantees* | *267,654* | *505,945* | - | - | - | - | - |
| Net book value of the overdue or not impaired financial assets | 103,153 | 204,410 | - | - | - | - | - |
| *- Secured portion with guarantees* | *86,261* | *190,595* | - | - | - | - | - |
| Net book value of impaired assets | - | 698 | - | - | - | - | - |
| *-Matured (gross book value)* | - | *130,965* | - | - | - | - | - |
| *-Impairment (-) (Note 8)* | - | *(130,267)* | - | - | - | - | - |
| *-Secured portion with guarantees* | - | *698* | - | - | - | - | - |
| Off balance sheet credit risks | - | - | - | - | - | - | - |

(*) Guarantees taken from the related parties consist of Ak-Pa's guarantees received from export customers.

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

## NOTE 29 - FINANCIAL RISK MANAGEMENT (Continued)

As of 31 December 2020 the Group's maximum exposure to credit risk is presented below:

| | **Trade receivables** | | **Other receivables** | | **Financial assets** | | **Deposits in banks** |
|---|---|---|---|---|---|---|---|
| **31 December 2020** | **Related Parties** | **Other** | **Related Parties** | **Other** | **Related Parties** | | **Other** |
| **Maximum credit risk exposure as of reporting date** | **404,580** | **527,065** | **-** | **716** | **20,243** | **17,018** | **906,116** |
| **- Secured portion of maximum credit risk by guarantees (*)** | ***363,057*** | ***422,366*** | **-** | **-** | **-** | **-** | **-** |
| Net book value of financial assets either are not due or not impaired | 371,054 | 374,444 | - | 716 | 20,243 | 17,018 | 906,116 |
| *-Secured portion with guarantees* | 339,985 | 244,162 | - | - | - | - | - |
| Net book value of the overdue or not impaired financial assets | 33,526 | 151,923 | - | - | - | - | - |
| *- Secured portion with guarantees* | 23,072 | 129,584 | - | - | - | - | - |
| Net book value of impaired assets | - | 698 | - | - | - | - | - |
| *-Matured (gross book value)* | - | 96,957 | - | - | - | - | - |
| *- Impairment (-) (Note 8)* | - | (96,259) | - | - | - | - | - |
| *- Secured portion with guarantees* | - | *698* | - | - | - | - | - |
| Off balance sheet credit risks | - | - | - | - | - | - | - |

(*) Guarantees taken from the related parties consist of Ak-Pa's guarantees received from export customers.

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

## NOTE 29 - FINANCIAL RISK MANAGEMENT (Continued)

### *Foreign Exchange Risk*

The Group is exposed to foreign exchange risk arising from the ownership of foreign currency denominated assets and liabilities in the translation of the Turkish Lira. The exchange rate risk is monitored by analysing the foreign currency position. The Group is exposed to foreign exchange risk arising from the ownership of foreign currency denominated assets and liabilities.

Foreign currency position presented in TRY is as follows:

| | 31 December 2021 | | 31 December 2020 | |
|---|---|---|---|---|
| | TRY equivalent | USD equivalent (*) | TRY equivalent | USD equivalent (*) |
| Assets | 3,570,729 | 267,892 | 1,693,003 | 230,639 |
| Liabilities | 6,061,963 | 454,795 | 2,109,252 | 287,344 |
| **Net balance sheet position** | **(2,491,234)** | **(186,903)** | **(416,249)** | **(56,705)** |
| Foreign currency denominated net position of derivative financial assets/(liabilities) | 119,961 | 9,000 | (287,155) | (39,119) |
| **Net Foreign Currency Asset/(Liability) Position** | **(2,371,273)** | **(177,903)** | **(703,404)** | **(95,824)** |
| Inventories considered under natural hedge (**) | 1,503,552 | 112,803 | 590,061 | 80,384 |
| Cash flow hedge (***) | 991,376 | 74,377 | 757,879 | 103,246 |
| **Net foreign currency position after hedge** | **123,655** | **9,277** | **644,536** | **87,806** |

(*) US Dollar equivalent amounts are calculated by dividing the TRY positions by the US dollar exchange rates as of the balance sheet date and unless otherwise stated, they are expressed in thousand US Dollar.

(**) The Group limits the foreign currency risk arising from net foreign currency financial liabilities and trade payables by reflecting changes to product sales prices. The amount consists of the Group's total raw material, semi-finished and finished product stocks.

(***) As of 31 December 2021, principal amount of loans amounting to USD48,447 thousand and EUR22,909 thousand (hedging instruments), were matched to the amount of future highly probable sales transactions (hedged items) to apply cash flow hedge accounting (31 December 2020: USD67,101 thousand and EUR29,455 thousand). As a result of the effectiveness test performed within this scope, the Group has determined that the entire transaction is effective. As of the reporting period, amounting to TRY386,351 (31 December 2020: TRY(3,445)) before tax is recognized under "Other Comprehensive Income". The ineffective portion arises when sales and credit payments are not realized on the same date and as of the reporting period, the ineffective portion is insignificant

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

## NOTE 29 - FINANCIAL RISK MANAGEMENT (Continued)

As of 31 December 2021 and 31 December 2020, the foreign currency positions are as follows:

| | 31 December 2021 | | | |
|---|---|---|---|---|
| | **TRY equivalent** | **USD position** | **EUR position** | **Other** |
| 1. Trade Receivables | 1,005,093 | 70,324 | (2,033) | 98,405 |
| 2a. Monetary Financial Assets) (including cash and bank accounts) | 2,424,176 | 146,187 | 30,917 | 9,209 |
| 2b. Non-monetary Financial Assets | - | - | - | - |
| 3. Other | - | - | - | - |
| **4. Current Assets (1+2+3)** | **3,429,269** | **216,511** | **28,884** | **107,614** |
| 5. Trade Receivables | 141,460 | 10,613 | - | - |
| 6a. Monetary Financial Assets | - | - | - | - |
| 6b. Non-monetary Financial Assets | - | - | - | - |
| 7. Other | - | - | - | - |
| **8. Non-Current Assets (5+6+7)** | **141,460** | **10,613** | **-** | **-** |
| **9. Total Assets (4+8)** | **3,570,729** | **227,124** | **28,884** | **107,614** |
| 10. Trade Payables | 3,069,790 | 217,996 | 10,806 | 1,092 |
| 11. Financial Liabilities | 2,368,267 | 169,622 | 7,116 | - |
| 12a. Other Monetary Liabilities | - | - | - | - |
| 12b. Other Non-monetary Liabilities | - | - | - | - |
| **13. Short-Term Liabilities (10+11+12)** | **5,438,057** | **387,618** | **17,922** | **1,092** |
| 14. Trade Payables | - | - | - | - |
| 15. Financial Liabilities | 593,733 | 23,891 | 18,248 | - |
| 16 a. Other Monetary Liabilities | 30,173 | - | 2,000 | - |
| 16 b. Other Non-monetary Liabilities | - | - | - | - |
| **17. Long-Term Liabilities (14+15+16)** | **623,906** | **23,891** | **20,248** | **-** |
| **18. Total Liabilities (13+17)** | **6,061,963** | **411,509** | **38,170** | **1,092** |
| **19. Off Balance Sheet Derivative Items' Net Asset/(Liability) Position (19a-19b)** | **119,961** | **9,000** | **-** | **-** |
| 19a. Off balance sheet derivative asset amount | 119,961 | 9,000 | - | - |
| 19b. Off balance sheet derivative liability amount | - | - | - | - |
| **20. Net Foreign Currency Asset/(Liability) Position (9-18+19)** | **(2,371,273)** | **(175,385)** | **(9,286)** | **106,522** |
| **21. Monetary Net Foreign Currency Assets/(Liabilities) Position (=1+2a+5+6a-10-11-12a-14-15-16a)** | **(2,491,234)** | **(184,385)** | **(9,286)** | **106,522** |
| 22. Fair Value of Financial Instruments Used for Foreign Hedge | 3,022 | 227 | - | - |
| 23. Amount of Hedged Foreign Currency Assets | 1,503,552 | 112,803 | - | - |
| 24. Amount of Hedged Foreign Currency Liabilities | 991,376 | 48,447 | 22,909 | - |

As of 31 December 2021, the Company has TRY123,655 (31 December 2020: TRY 644,536 foreign currency deficit, net) foreign currency surplus, net after natural hedge (page 61).

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

## NOTE 29 - FINANCIAL RISK MANAGEMENT (Continued)

| | 31 December 2020 | | | |
|---|---|---|---|---|
| | **TRY equivalent** | **USD position** | **EUR position** | **Other** |
| 1. Trade Receivables | 773,082 | 86,495 | 11,757 | 32,261 |
| 2a. Monetary Financial Assets) (including cash and bank accounts) | 818,284 | 72,910 | 30,858 | 5,122 |
| 2b. Non-monetary Financial Assets | - | - | - | - |
| 3. Other | - | - | - | - |
| **4. Current Assets (1+2+3)** | **1,591,366** | **159,405** | **42,615** | **37,383** |
| 5. Trade Receivables | 101,637 | 13,846 | - | - |
| 6a. Monetary Financial Assets | - | - | - | - |
| 6b. Non-monetary Financial Assets | - | - | - | - |
| 7. Other | - | - | - | - |
| **8. Non-Current Assets (5+6+7)** | **101,637** | **13,846** | **-** | **-** |
| **9. Total Assets (4+8)** | **1,693,003** | **173,251** | **42,615** | **37,383** |
| 10. Trade Payables | 717,585 | 93,701 | 3,297 | 73 |
| 11. Financial Liabilities | 202,685 | 18,784 | 7,194 | - |
| 12a. Other Monetary Liabilities | - | - | - | - |
| 12b. Other Non-monetary Liabilities | - | - | - | - |
| **13. Short-Term Liabilities (10+11+12)** | **920,270** | **112,485** | **10,491** | **73** |
| 14. Trade Payables | - | - | - | - |
| 15. Financial Liabilities | 1,170,966 | 128,447 | 25,322 | - |
| 16 a. Other Monetary Liabilities | 18,016 | - | 2,000 | - |
| 16 b. Other Non-monetary Liabilities | - | - | - | - |
| **17. Long-Term Liabilities (14+15+16)** | **1,188,982** | **128,447** | **27,322** | **-** |
| **18. Total Liabilities (13+17)** | **2,109,252** | **240,932** | **37,813** | **73** |
| **19. Off Balance Sheet Derivative Items' Net Asset/(Liability) Position (19a-19b)** | **(287,155)** | **(20,582)** | **(15,106)** | **-** |
| 19a. Off balance sheet derivative asset amount | 22,022 | 3,000 | - | - |
| 19b. Off balance sheet derivative liability amount | 309,177 | 23,582 | 15,106 | - |
| **20. Net Foreign Currency Asset/(Liability) Position (9-18+19)** | **(703,404)** | **(88,263)** | **(10,304)** | **37,310** |
| **21. Monetary Net Foreign Currency Assets/(Liabilities) Position (=1+2a+5+6a-10-11-12a-14-15-16a)** | **(416,249)** | **(67,681)** | **4,802** | **37,310** |
| 22. Fair Value of Financial Instruments Used for Foreign Hedge | (2,222) | (303) | - | - |
| 23. Amount of Hedged Foreign Currency Assets | 590,061 | 80,384 | - | - |
| 24. Amount of Hedged Foreign Currency Liabilities | 757,879 | 67,101 | 29,455 | - |

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

## NOTE 29 - FINANCIAL RISK MANAGEMENT (Continued)

As of 31 December 2021 and 2020, the situations to reach of net foreign position in the Group's balance sheet with the changes in exchange rates are summarized in the table below:

| **31 December 2021** | **Profit/(Loss)** | | **Equity** | |
|---|---|---|---|---|
| | **Appreciation of foreign currency** | **Depreciation of foreign currency** | **Appreciation of foreign currency** | **Depreciation of foreign currency** |
| In case of 10% appreciation of USD against TRY | | | | |
| USD net asset/(liability) | (245,767) | 245,767 | 77,818 | (77,818) |
| Amount hedged for USD risk | 76,571 | (76,571) | 64,575 | (64,575) |
| **USD net effect** | **(169,196)** | **169,196** | **142,393** | **(142,393)** |
| In case of 10% appreciation of EUR against TRY | | | | |
| EUR net asset/(liability) | (14,008) | 14,008 | - | - |
| Amount hedged for EUR risk | 34,562 | (34,562) | 34,562 | (34,562) |
| **EUR net effect** | **20,554** | **(20,554)** | **34,562** | **(34,562)** |

| **31 December 2020** | **Profit/(Loss)** | | **Equity** | |
|---|---|---|---|---|
| | **Appreciation of foreign currency** | **Depreciation of foreign currency** | **Appreciation of foreign currency** | **Depreciation of foreign currency** |
| In case of 10% appreciation of USD against TRY | | | | |
| USD net asset/(liability) | (49,681) | 49,681 | 38,853 | (38,853) |
| Amount hedged for USD risk | 34,147 | (34,147) | 49,256 | (49,256) |
| **USD net effect** | **(15,534)** | **15,534** | **88,109** | **(88,109)** |
| In case of 10% appreciation of EUR against TRY | | | | |
| EUR net asset/(liability) | 4,326 | (4,326) | - | - |
| Amount hedged for EUR risk | 12,925 | (12,925) | 26,532 | (26,532) |
| **EUR net effect** | **17,251** | **(17,251)** | **26,532** | **(26,532)** |

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

## NOTE 29 - FINANCIAL RISK MANAGEMENT (Continued)

***Interest Risk***

The Group is exposed to interest risk arising from the borrowings interest rate changes. According to balance sheet position of the floating interest rate financial liabilities as of 31 December 2021, other things being constant, if the interest rate depreciate/appreciate by 1%, profit before tax would TRY50 (31 December 2020: TRY8), capitalized financial cost on construction in progress would TRY146 (31 December 2020: TRY134).

| | **31 December 2021** | **31 December 2020** |
|---|---|---|
| Fixed interest rate financial instruments | | |
| Financial assets | | |
| *Cash and cash equivalents (*)* | *2,811,696* | *884,033* |
| Financial liabilities | | |
| Lease liabilities | 55,989 | 41,983 |
| USD borrowings (fixed due to interest rate swaps) | 2,579,338 | 1,080,749 |
| TRY borrowings | - | 527,616 |
| **Floating interest rate financial instruments** | | |
| Financial assets | | |
| Financial investments held to maturity (Note 5) | - | *37,261* |
| Financial liabilities | | |
| EUR borrowings | 346,257 | 265,811 |

(*) Cash and cash equivalents consist of bank deposits with maturity less than three months

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

## NOTE 29 - FINANCIAL RISK MANAGEMENT (Continued)

***Liquidity risk***

Liquidity risk comprises the risks arising from the inability to fund the increase in the assets, the inability to cover the liabilities due and the operations performed in illiquid. In the framework of liquidity risk management, funding sources are being diversified, and sufficient cash and cash equivalents are held.

The breakdown of financial assets and liabilities according to their maturities is disclosed considering from balance sheet date to due date period. Financial assets and liabilities that have no certain due dates are classified in over one-year column.

**31 December 2021:**

| Expected or maturities per agreement | Book value | Contractual cash outflows | Up to 3 months | 3-12 months | 1-5 years | Over than 5 years |
|---|---|---|---|---|---|---|
| **Non-derivative financial liabilities** | | | | | | |
| Financial liabilities | 2,918,907 | 2,970,895 | 399,777 | 1,977,131 | 593,987 | - |
| Trade payables | 3,068,942 | 3,071,418 | 2,605,429 | 465,989 | - | - |
| Lease liabilities | 55,989 | 178,177 | 3,284 | 9,385 | 36,859 | 128,649 |
| Due to related parties | 97,593 | 97,593 | 94,764 | 2,829 | - | - |
| | **6,141,431** | **6,318,083** | **3,103,254** | **2,455,334** | **630,846** | **128,649** |

**31 December 2020:**

| Expected or maturities per agreement | Book value | Contractual cash outflows | Up to 3 months | 3-12 months | 1-5 years | Over than 5 years |
|---|---|---|---|---|---|---|
| **Non-derivative financial liabilities** | | | | | | |
| Financial liabilities | 1,858,114 | 1,919,036 | 347,601 | 391,718 | 1,114,077 | 65,640 |
| Trade payables | 707,133 | 709,959 | 517,622 | 192,337 | - | - |
| Lease liabilities | 41,983 | 147,468 | 2,970 | 8,288 | 35,845 | 100,365 |
| Due to related parties | 56,681 | 56,681 | 54,431 | 2,250 | - | - |
| | **2,663,911** | **2,833,144** | **922,624** | **594,593** | **1,149,922** | **166,005** |

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

## NOTE 29 - FINANCIAL RISK MANAGEMENT (Continued)

### Import and export information:

Import and export in TRY according to their original currency for the years ended at 31 December 2021 and 2020 are as follows:

| **Export** | **31 December 2021** | **31 December 2020** |
|---|---|---|
| Euro | 1,322,206 | 643,682 |
| US Dollar | 1,370,696 | 768,454 |
| Other | - | 3,364 |
| **Total** | **2,692,902** | **1,415,500** |

| **Import** | **31 December 2021** | **31 December 2020** |
|---|---|---|
| US Dollar | 4,144,572 | 1,541,037 |
| Euro | 946,830 | 178,147 |
| Other | 7,892 | 1,187 |
| **Total** | **5,099,294** | **1,720,371** |

***Capital risk management***

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

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

The Group monitors capital based on the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including financial liabilities, trade payables and due to related parties, as shown in the consolidated balance sheet) less cash and cash equivalents. Total capital is calculated as equity, as shown in the consolidated balance sheet, plus net debt.

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

**NOTE 29 - FINANCIAL RISK MANAGEMENT (Continued)**

The ratio of net debt to equity is as follows:

| | 31 December 2021 | 31 December 2020 |
|---|---|---|
| Total monetary liabilities (*) | 6,141,431 | 2,663,911 |
| Less: Cash and cash equivalents (Note 4) | (2,835,689) | (906,204) |
| **Net debt** | **3,305,742** | **1,757,707** |
| Total shareholders' equity | 2,834,279 | 1,866,160 |
| **Total capital** | **6,140,021** | **3,623,867** |
| **Debt/equity ratio** | **%54** | **%49** |

(*) It consists of short-term and long-term borrowings, short-term and long-term lease liabilities, trade payables to related parties and trade payables to other parties.

**NOTE 30 - FINANCIAL INSTRUMENTS**

***Fair value of financial instruments***

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

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

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

***Financial assets***

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

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

The carrying values of trade receivables are assumed to approximate to their fair value.

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

## NOTE 30 - FINANCIAL INSTRUMENTS (Continued)

***Financial liabilities***

The fair values of short-term borrowings and trade payables are assumed to approximate to their carrying values due to their short-term nature.

The estimated fair values of foreign currency long-term borrowings are assumed to approximate to their carrying values due to bearing floating interest rates. The estimated fair values of long-term borrowings are calculated based on the effective market interest rates and the cash flow calculations are discounted accordingly (Note 7).

**Fair Value Estimation:**

Effective 1 January 2010, the group adopted the amendment to TFRS 7 for financial instruments that are measured in the balance sheet at fair value, this requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that are, as prices) or indirectly (that are, derived from prices);

Level 3: Inputs for the asset or liability that are not based on observable market data (that are, unobservable inputs).

| **31 December 2021** | **Level 1** | **Level 2** | **Level 3** |
|---|---|---|---|
| Derivative financial assets for hedging purposes | 3,022 | 5,827 | - |
| **Total asset/(liabilities)** | **3,022** | **5,827** | **-** |

| **31 December 2020** | **Level 1** | **Level 2** | **Level 3** |
|---|---|---|---|
| Derivative financial assets for hedging purposes | (2,222) | (63,845) | - |
| **Total asset/(liabilities)** | **(2,222)** | **(63,845)** | **-** |

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

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