

HEKTAŞ TİCARET TÜRK A.Ş.

ANNUAL REPORT

2023



**DEEP-ROOTED PAST,
STRONG FUTURE**



**(CONVENIENCE TRANSLATION OF
INDEPENDENT AUDITOR'S REPORT ON THE MANAGEMENT'S ANNUAL REPORT
ORIGINALLY ISSUED IN TURKISH)**

INDEPENDENT AUDITOR'S REPORT ON THE MANAGEMENT'S ANNUAL REPORT

To the General Assembly of
Hektaş Ticaret Türk Anonim Şirketi

1) Opinion

As we have audited the full set consolidated financial statements of Hektaş Ticaret Türk Anonim Şirketi ("the Company") and its subsidiaries ("the Group") for the period between 01/01/2023–31/12/2023, we have also audited the annual report for the same period.

In our opinion, the consolidated financial information provided in the Management's annual report and the Management's discussions on the Group's financial performance, are fairly presented in all material respects, and are consistent with the full set audited consolidated financial statements and the information obtained from our audit.

2) Basis for Opinion

We conducted our audit in accordance with the Standards on Independent Auditing ("SIA") which is a part of Turkish Auditing Standards accepted by regulations of the Capital Markets Board and published by the Public Oversight Accounting and Auditing Standards Authority ("POA"). Our responsibility is disclosed under *Responsibilities of the Independent Auditor on the Independent Audit of the Annual Report* in detail. We declare that we are independent from the Group in accordance with the *Code of Ethics for Independent Auditors* ("Code of Ethics") issued by POA, together with the ethical requirements included in the regulations of the Capital Markets Board and other regulations that are relevant to our audit. We have fulfilled other responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

3) Auditor's Opinion for the Full Set Consolidated Financial Statements

We have presented unqualified opinion for the Group's full set consolidated financial statements for the period between 01/01/2023–31/12/2023 in our Auditor's Report dated 29 March 2024.

4) Management's Responsibility for the Annual Report

The Group's Management is responsible for the following in accordance with Article 514 and 516 of the Turkish Commercial Code No. 6102 ("TCC") and "Communiqué on Principles of Financial Reporting in Capital Markets" with No.14.1 of the Capital Markets Board ("the Communiqué"):

- a) Preparing the annual report within the three months following the reporting date and presenting it to the General Assembly,
- b) Preparing the annual report with the all respects of the Group's flow of operations for that year and the Group's consolidated financial performance accurately, completely, directly and fairly. In this report, the consolidated financial position is assessed in accordance with the consolidated financial statements. The Group's development and risks that the Group may probably face are also pointed out in this report. The Board of Director's evaluation on those matters are also stated in this report.
- c) The annual report also includes the matters stated below:
 - The significant events occurred in the Group's activities subsequent to the financial year ends,
 - The Group's research and development activities,
 - The compensation paid to key management personnel and members of Board of Directors including financial benefits such as salaries, bonuses and premiums, allowances, travelling, accommodation and representation expenses, in cash and kind facilities, insurances and other similar guarantees.

The Board of Directors also considers the secondary regulations prepared by the Ministry of Trade and related institutions while preparing the annual report.

5) Responsibilities of the Independent Auditor on the Independent Audit of the Annual Report

Our aim is to express an opinion and prepare a report about whether the Management's discussions and consolidated financial information in the annual report within the scope of the provisions of the TCC and the Communiqué are fairly presented and consistent with the information obtained from our audit.

We conducted our audit in accordance with the regulations of the Capital Markets Board and the SIA. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Management's discussions on the Group's financial performance, are fairly presented in all material respects, and are consistent with the full set audited consolidated financial statements and the information obtained from our audit.

The engagement partner on the audit resulting in this independent auditor's report is Volkan Becerik.

DRT BAĞIMSIZ DENETİM VE SERBEST MUHASEBECİ MALİ MÜŞAVİRLİK A.Ş.
Member of **DELOITTE TOUCHE TOHMATSU LIMITED**



Volkan Becerik
Partner

İstanbul, 29 March 2024

Index

INTRODUCTION

HEKTAŞ Ticaret Türk Anonim Şirketi Message From The Chairman Of The Board.....	18
HEKTAŞ Ticaret Türk Anonim Şirketi Message From The General Manager.....	20

HEKTAŞ AT A GLANCE

Financial Indicators.....	21
Operation Map.....	26
Our Vision and Mission.....	28
About Us.....	30
Corporate Information.....	31
Milestones.....	32
Shareholding Structure.....	31
The Group.....	36
Affiliates & Subsidiaries.....	38
Production Facilities.....	50
HEKTAŞ F.A.R.M. (Farming, Analysis, Research & More).....	56
Products.....	60

MANAGEMENT STRUCTURE

Board of Directors Members.....	64
Senior Management.....	70
Organizational Structure.....	72
Human Resources.....	74
Committee Structure.....	78

2023 ACTIVITIES

Company Activities in 2023 by Period.....	82
New Business Relationship.....	86
R&D Studies.....	88
Sales Activities.....	96
Digital Transformation.....	100
Marketing Activities.....	102

Honors and Awards.....	104
Social Responsibility Projects.....	106
Investor Relations Unit and Its Activities.....	108
Credit Ratings.....	110
Information about the Industry Where the Enterprise is Active.....	111
Contributions Made by HEKTAŞ to Its Industry within the Year.....	114
Sustainability Activities.....	116
Investments Made and Incentives Received.....	121
Internal Control Systems.....	122
Risk Management.....	124

CORPORATE GOVERNANCE

General Assembly.....	128
Agenda of General Assembly.....	130
Principles of Operation of the Committees.....	132
Company Policies.....	138
Miscellaneous.....	146

Annex-1


Declarations of Independence of the Independent Board of Directors Members.....	148
--	-----

Annex-2

Statement of Compliance with Corporate Governance Principles.....	150
Corporate Governance Principles Compliance Report.....	151
Corporate Governance Information Form.....	158
Sustainable Principles Compliance Report.....	166

INDEPENDENT AUDIT REPORT

Independent Auditor's Opinion.....	174
Consolidated Financial Statements and Footnotes.....	180

A full-page photograph of Mustafa Kemal Atatürk standing in a field of tall, golden-brown grain. He is wearing a dark grey three-piece suit, a white shirt, a dark bow tie, and a grey flat cap. The background is a bright, hazy sky with soft clouds. The overall color palette is warm, dominated by yellows and greens.

“Our homeland is the homeland of two essential pillars: the farmer and the soldier. We are a nation that excels in cultivating both. We have cultivated excellent farmers because our lands are abundant. We have nurtured exceptional soldiers because there are numerous eyeing these lands.”

Mustafa Kemal Atatürk



F.A.R.M.

FARMING, ANALYSIS, RESEARCH & MORE

ORHANGAZI

F.A.R.M. KONGRE
MERKEZİ
Congress Center



BİTKİSEL ÜRETİM
ALANLARI
Plant Production
Areas



F.A.R.M. KONUKEVİ
Guesthouse



 **hektas**



We have a long-standing history

Our adventure started 67 years ago in Adana, one of the most fertile lands of Turkey. We started on this path with a group of Country-loving, idealistic physicians, pharmacists and chemists. When we looked back, we saw that we were a huge family of hundreds of people and we turned our faces to a bright future.



We are in change and transformation

With our renewed staff, our agriculture-focused growth targets, and the synergy brought to us by change and transformation; We continue to be in every corner of Turkey, meeting with our farmers and adding value to agriculture, by renewing and renewing ourselves.





We have a successful future waiting for us

We are ready to be the lifeblood of Turkish agriculture, to blossom the investments we have sown, and to walk confidently into the future with our dynamic structure that believes in us by carrying our long-standing history into our future.





HEKTAS's central focus is agriculture

With the change and transformation process we entered in 2023, we continue to be the heart of the sector with innovative approaches by focusing only on the agricultural sector.

Our seeds will be all over Turkey and the world

In the agricultural sector, with our companies Areo and Agriventis, we focused on taking our place both in Turkey and in the world by incorporating our R&D-oriented approaches and adding value to this sector with our quality. These companies derive their economic value from the intellectual property they contain. With our motto of Local Seed, Local R&D, we always aim to offer better for independent Turkish agriculture and economy.

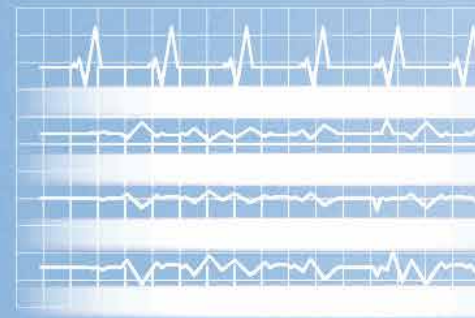
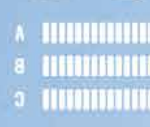
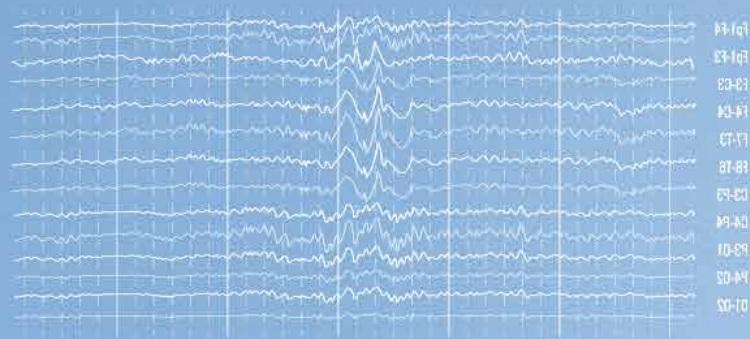




We continue to be the R&D of agriculture with the activities we carry out in the light of science.

We will carry out activities in the light of science with our Ankara High Technology, HEKTAŞ F.A.R.M and Gebze R&D centers, our biotechnology and tissue culture laboratories equipped with the latest advanced technologies in Antalya, our phytopathology test greenhouse and speed breeding rooms. This year, we have and will continue to keep up with the times and combine science with agriculture with the innovative solutions we bring to agriculture.





HEKTAŞ Ticaret Türk A.Ş.

Message From the Chairman of the Board

HEKTAŞ will be competitive by focusing on world agriculture.

We will continue to focus on new markets in order to reach a larger target audience than the domestic market and to utilise its growth potential.

Distinguished Shareholders, Valued Employees, Esteemed Business Partners;

The Turkish economy grew by 4.5 per cent in 2023, a year in which export markets contracted due to the earthquake disasters that deeply affected us all. Growth in industry was 0.8 per cent and 1.6 per cent in the manufacturing industry. The construction sector grew by 7.8 per cent, services by 6.4 per cent and the financial sector by 9.0 per cent. The agricultural sector contracted by 0.2 per cent. In addition to the earthquake and climatic effects, sales in the agricultural sector decreased compared to other years due to reasons such as the sudden decline in urea prices and the Russia-Ukraine war.

In the shadow of geopolitical risks, supply concerns and global food access challenges, **demand for Turkey's agricultural products continued to rise rapidly.** According to the Turkish Exporters Assembly (TIM), Turkey's agricultural exports in 2023 reached a record high of USD 35 billion 164 million, up 2.8 per cent year-on-year. **Agricultural exports accounted for 15.9 per cent of total country exports in 2023.**

The developments in 2023 have once again shown us that **market diversity and export are essential key element for growing independently from economic cycles.** The investments realised by HEKTAŞ with the vision and support of OYAK prove how accurate steps have been taken towards this goal.

In addition to capacity increases in recent years, the incorporation of Agriventis Company, which develops drought tolerant seeds, and Sunset Kimya, which focuses on international sales in the plant protection market, into HEKTAŞ are just a few of these steps.

We are also working to open a new HEKTAŞ-sized production facility in Uzbekistan through our company HEKTAŞ Asia LLC, which we established in Uzbekistan due to its strategic location in the centre of our target markets.

HEKTAŞ will be competitive by focusing on world agriculture. Because we know that competition in international markets encourages companies to grow more innovative, efficient and high quality products. We will continue to focus on new markets in order to reach a larger target audience than the domestic market and to utilise its growth potential.

I would like to express my gratitude to our employees who work hard in line with our targets, our producers who trust us and enable us to be the leader of our sector, our valuable business partners and suppliers for their support.

Eren Ziya Dik
Chairman of the Board of Directors

For growing independently from economic cycles, market diversity and export are essential key element.



AGRICULTURAL EXPORTS

15.9%

Agricultural exports accounted for 15.9 per cent of total country exports in 2023.

Demand for Turkey's agricultural products continued to rise rapidly.



HEKTAŞ Ticaret Türk A.Ş. Message From the General Manager

In 2024, we will build on the foundations we laid in 2023 for our 2025 vision.

As a result, 2023 was a year of change, transformation and strategic decisions. 2024 will be a year in which the decisions we made in 2023 will be implemented.

Dear Business Partners, My Beloved HEKTAŞ Family;

We welcomed the year 2024, taking pride in having taken over the mission of leading the journey, which was launched 67 years ago by a group of idealists consisting of physicians, pharmacists, and chemists. Just like in human life, companies experience milestones. The year 2023 was one for our company. These milestones bring dynamism and new visions to companies. Here we are, standing on a milestone.

The year 2023 will be marked as the year of change and transformation in HEKTAŞ history. We took radical decisions that will shape our future vision. While we were implementing these radical decisions in this term, we had OYAK, which believed in us, trusted us, supported us, and under whose roof we have always been proud to be. We rolled up our sleeves with the aim to achieve new successes, empowered by our stakeholders, employees, customers, and suppliers.

In 2024, we will build on the foundations we laid in 2023 for our 2025 vision. Our sole focus will be agriculture.

We are very excited about this. From top management to lower ranks, we are justifiably proud of working in Türkiye's most established, largest agricultural company with its subsidiaries and affiliates, and in guiding Turkish agriculture industry with our vision.

We are a well-established company that has been traded on Borsa İstanbul since 1986, on BIST 30 at home, and on MSCI and FTSE abroad.

Being one of the first companies to be traded on the Turkish Stock Exchange shows our vision and that we are a pioneer company in Borsa İstanbul as well as being a pioneer in agriculture.

I would like to touch upon the fields of activity of our company, which include plant protection, plant nutrition, and seeds, and mention its activities in 2023.

As you know, seed is the first step of life. It is the basis of being able to exist and continuing to exist. It is the first link of the food chain. Agriculture, and therefore seed, has been played a key role throughout human history and one of the most determining factors at a hugest area in shaping today's societies, from production to trade relations. By acquiring Areo Seed in 2019 and Agriventis Technologies in 2021, we emphasized our presence in the field of seed production. The successful results of the work we have initiated in the field of seed growing in our facilities equipped with high technologies motivates us and justifies our decision in this regard. During the year, our seeds were tested in the Mediterranean basin, the Middle East, the Caucasus region, and Azerbaijan and we have got very successful results.

Nowadays, seed growing has become a genetic science. We started to practice this genetic science in our own facilities and produce our local seeds with our companies Areo Tohum and Agriventis. Our company has undertaken studies that will contribute to the field of research on seed and to the sector with its experienced staff, and has started sales late 2023 following its successful results. We foresee an increase in our sales in 2024 and their contribution to turnover will be significant in 2025.

**Our sole
focus will be
agriculture.**

Continuing its plant protection and plant nutrition activities with the Ferbis company, Hektaş continues to be the market leader in this field and reaches 95% of farmers in Türkiye.

By making a strategic move in 2020, we acquired Sunset and started our export-oriented growth. With the HEKTAŞ Asia company we established in Uzbekistan, we are closer to the CIS countries and focused on strengthening trade with these countries in the field of plant protection and plant nutrition. I would like to give a brief summary of 2023 for HEKTAŞ for our plant protection and plant nutrition business lines.

In the first months of the year, we all woke up with a tragic earthquake disaster whose epicenter was

in Pazarcık District of Kahramanmaraş. It was a day of solidarity. We, like everyone else, tried to support those who were injured in the disaster and lost their loved ones by coming together to heal the wounds. In addition to earthquake and climatic effects, there were decreases in sales compared to other years due to reasons such as sudden drops in urea prices and the Russia-Ukraine war. We think that this situation which is occurred from periodical reason, repeat is very low possibly.

As a result, 2023 was a year of change, transformation and strategic decisions. 2024 will be a year in which the decisions we made in 2023 will be implemented. We will begin to see the results of these decisions in the coming period. In this sense, we will continue to lead Turkish agriculture with all our employees and continue on our way with our vision and innovative structure.

Enis Emre Terzi
General Manager



HEKTAŞ

at a Glance

Financial Indicators.....	21
Operation Map.....	26
Our Vision and Mission.....	28
About Us.....	30
Corporate Information.....	31
Milestones.....	32
Shareholding Structure.....	34
The Group.....	36
Affiliates & Subsidiaries.....	38
Production Facilities.....	50
HEKTAŞ F.A.R.M.....	50
Products.....	60



Our Only Focus is Agriculture

Financial Ratios	31.12.2023	31.12.2022	%Change (2023-2022)
Asset Size	25,455,336,516	23,213,481,243	9,66%
Equity	7,539,775,642	8,330,870,818	-9,50%
Revenue	6,038,995,409	10,001,274,789	-39,62%
EBITDA (Operating Profit + Depreciation)	-913,813,822	1,998,864,227	-145,72%
EBITDA Margin	-15.13%	19.99%	
Net Profit	-894,457,832	1,144,705,464	-178,14%
Net Profit Margin	-14.81%	11.45%	
Gross Profit	815,592,841	3,027,380,639	-73.06%
Gross Profit Margin	13.51%	30.27%	

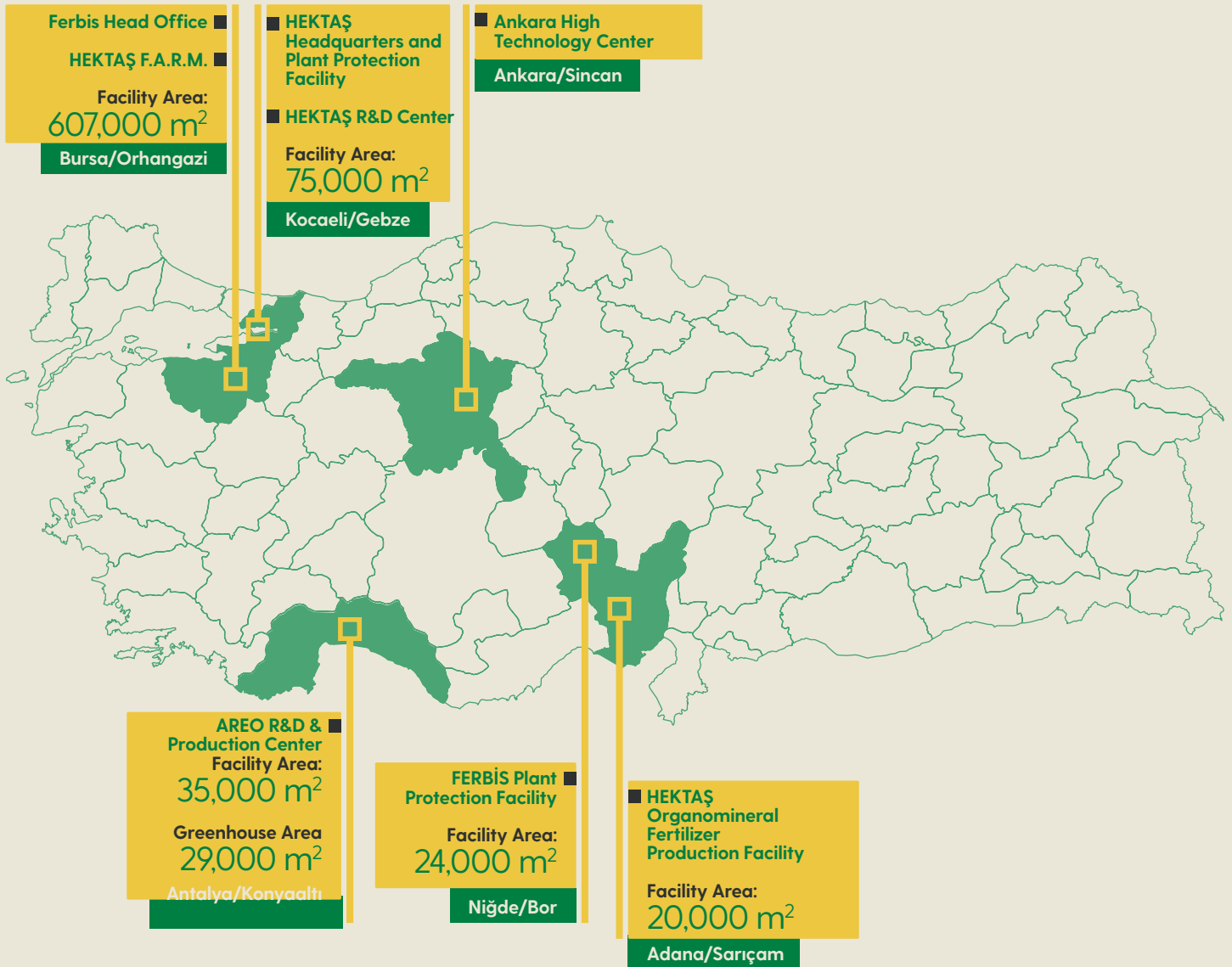


Summary Income Statement (TRY)	31.12.2023	31.12.2022	%Change (2023-2022)
Revenue	6,038,995,409	10,001,274,789	-39.62%
Cost of Sales (-)	-5,223,402,568	-6,973,894,150	-25.10%
GROSS PROFIT / LOSS	815,592,841	3,027,380,639	-73.06%
Operating Expenses (Marketing, Distribution, General Management, R&D)	-1,615,105,840	-1,029,158,185	56.93%
Other Activities (Incomes / Expenses)	-657,938,887	-334,509,749	96.69%
MAIN OPERATING PROFIT/(LOSS)	-1,457,451,886	1,663,712,705	-187.60%
Incomes/Expenses from Investment activities	1,268,095,140	10,688,737	11,763.84%
OPERATING PROFIT (LOSS) BEFORE FINANCING EXPENSES	(189,356,746)	1,674,401,442	-111.31%
Financing Incomes / Expenses	-1,325,497,120	-495,346,374	167.59%
PROFIT/LOSS FROM CONTINUING OPERATIONS BEFORE TAX	-1,514,853,866	1,179,055,068	-228.48%
Tax Income/Expense from Continuing Operations	620,396,034	-34,349,604	-1,906.12%
PROFIT/LOSS OF THE PERIOD	-894,457,832	1,144,705,464	-178.14

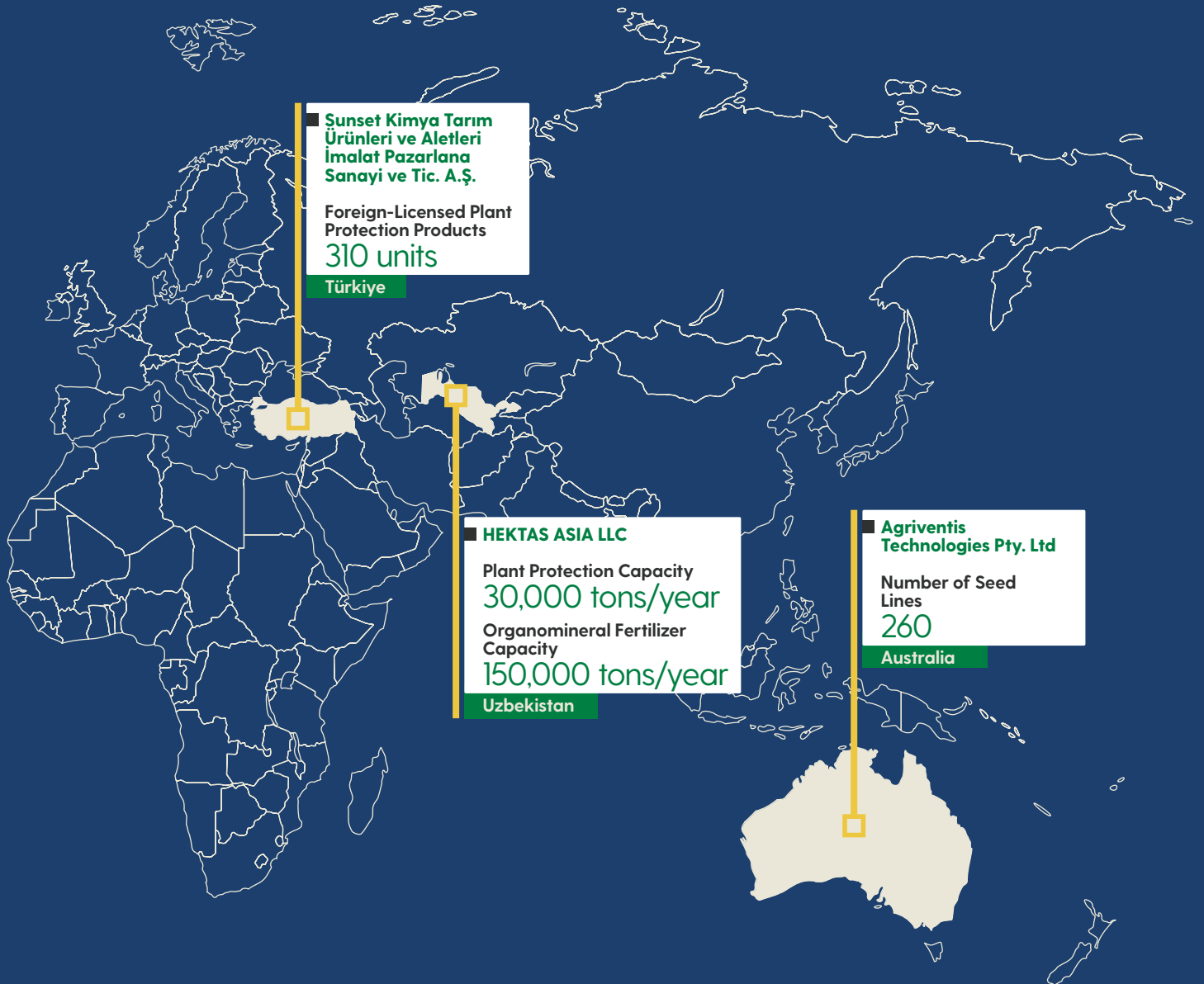
Summarized Balance Sheet (TRY)	31.12.2023	31.12.2022	%Change (2021-2022)
Assets			
Current Assets	15,129,705,656	15,444,424,164	-2.04%
Non-current Assets	10,325,630,860	7,769,057,079	32.91%
Total Assets	25,455,336,516	23,213,481,243	9.66%
Liabilities			
Short-term Liabilities	15,798,265,820	13,781,668,875	14.63%
Long-term Liabilities	2,117,295,054	1,100,941,550	92.32%
Equity	7,539,775,642	8,330,870,818	-9.50%
Total Liabilities	25,455,336,516	23,213,481,243	9.66%

We continue to be a pioneer in Turkish agriculture

by contributing to employment with our production facilities in many regions of Turkey...



HEKTAŞ, along with its strategic acquisitions, continues to grow both at home and abroad.



Our Vision and Mission

Our vision

is to be a dynamic company that is preferred in line with customer needs by playing a role in all areas that create added value for the agriculture sector.

Our mission

is to provide the highest benefit to the agricultural sector with sustainable growth, and to create added value for our partners, society and producers.



About Us

Pioneering steps to prosper the national agriculture

HEKTAŞ offers products and services aligned with the expectations of producers, adhering to human, environmental, and nature-friendly sustainable farming practices.

With a 67-year legacy in the agricultural sector, HEKTAŞ stands as one of the most established companies, elevating its journey from Adana to the global arena with a vision to become a world-renowned brand. Embracing the motto "Pioneer of Smart Agriculture," HEKTAŞ distinguishes itself each year through impactful initiatives, positioning itself as one of the foremost partners in the agricultural production sector. The company engages in the production, sale, and marketing of plant protection, plant nutrition, and seed products.

Dedicated to strengthening national agriculture through extensive research and development efforts, HEKTAŞ operates with full force. The company shapes the future of Turkish agriculture with internationally recognized certificates and standards, modern production facilities, production capacity, capabilities, robust infrastructure, and a comprehensive logistics and technical service.

OYAK, one of Turkey's largest and most powerful industrial groups, entered among the partners of HEKTAŞ in 1963 and became the largest shareholder with a 53.82% share in 1981. **As of 2023, OYAK holds a 55.37% share in HEKTAŞ.** Following OYAK's partnership, HEKTAŞ went public in 1981, and its shares started trading on Borsa Istanbul in 1986.

The company's product portfolio includes over 400 plant protection and plant nutrition products, as well as seed varieties tailored to our country's ecological structure and product diversity. HEKTAŞ, while expanding its current product range, offers products aligned with the needs and expectations of producers, adhering to human, environmental,

and nature-friendly sustainable farming practices. Consequently, it stands as the leading organization with the broadest product range in its sector.

HEKTAŞ markets its products through 6 regional directorates and approximately 1,500 distribution points, including affiliated subsidiaries.

HEKTAŞ also establishes strategic partnerships with global companies. **Continuing to shape the country's agriculture with a global project, HEKTAŞ F.A.R.M., located in the Orhangazi district of Bursa province, is Turkey's first and one of the world's prominent agricultural R&D centers.** Spanning 607 hectares, F.A.R.M. is one of the most comprehensive facilities in its field, focusing on increasing agricultural productivity and sustainability through digitized processes and next-generation techniques. One of the significant missions adopted by HEKTAŞ F.A.R.M. is to contribute more to people and the planet through agriculture. This is achieved by adopting a production approach based on closed soilless farming. The aim is to provide all-year-round, environmentally unaffected, chemical residue-free, ecological, high-quality, and flavorful products. The production process is characterized by an automation-based, sustainable, reliable, and meticulous approach.

In addition to 370 hectares of crop production areas within the facility, there is a congress center featuring a guesthouse with 137 rooms, a 900-person auditorium, and 6 different meeting rooms ranging from 50 to 900 people in capacity. The facility also houses research and development laboratories dedicated to agriculture and science experiences (museum) and plant protection/nutrition/breeding areas.



Corporate Information

TRADE NAME	HEKTAŞ TİCARET TÜRK ANONİM ŞİRKETİ
INCORPORATION DATE	1956
FIELD OF ACTIVITY	Production, import and marketing of agricultural and veterinary medicines
HEADQUARTERS ADDRESS	GOİZ 700. Sokak No:711 41480 Gebze/Kocaeli
WEB ADDRESS	www.hektas.com.tr
E-MAIL	info@hektas.com.tr
TELEPHONE	+90 262 751 1412
FAX	+90 262 751 3717
ADDRESSES OF PRODUCTION FACILITIES	
-HEKTAŞ/ Gebze Plant Protection Facility	GOİZ 700. Sokak No:711 41480 Gebze/Kocaeli
-HEKTAŞ/ Adana Organomineral Fertilizer Production Facility	Acıdere Osb Mahallesi Atatürk Blv. No: 19 Sarıçam/ADANA
-FERBİS / Niğde Plant Protection Facility	Organize Sanayi Bölgesi Mah. 2 B No'lu Yol Cad. No.6 Bor / Niğde
-AREO / Seed Breeding and Production Facility	Pınarbaşı Mahallesi Dumlupınar Bulvarı No:812 Konyaaltı / Antalya
AGRİVENTİS	Level 36, Gateway, 1 Macquarie Place, Sydney NSW Australia 2000
ANKARA HIGH TECHNOLOGY CENTER	Alcı OSB Mah. 2024 Cad. No: 25 Sincan / Ankara
TAX OFFICE – TAX ID NO.	İlyasbey / 4610015898
TRADE REGISTRY DIRECTORATE / NO.	Gebze Trade Registry Directorate / 6535-10921
MERSIS NO.	461001589800013
PAID-IN CAPITAL	TRY 2,530,000,000
AUTHORIZED CAPITAL CAP	TRY 8,500,000,000
INDEPENDENT AUDITOR	DRT Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.

Innovative steps taken with an established tradition of 67 years

Founded in Adana in 1956, HEKTAŞ continues its investments at home and abroad while achieving growth in line with its strategic goals.

1956

Established in Adana

1963

Turkey's largest professional pension fund OYAK became one of the shareholders of HEKTAŞ.

1981

HEKTAŞ's initial public offering date. (As of the year end, the share of OYAK was 55.37%)

1986

IPO date

2005

Animal health department was opened.

2017

Plant nutrition and seed departments were opened.

Organomineral fertilizer production started in Adana.

Ferbis was acquired.

2018

The company entered BIST 100 Index.

The company entered the pet food and care products sector.

2019

Areo Tohumculuk was acquired.

The company entered BIST 50 Index.

2020

Sunset Kimya Tarım Ürünleri was acquired.

2021

The Arma pharmaceutical company, which produced veterinary medicine productions, was acquired.

The company started to work on establishing a factory in Balıkesir for domestic pet food production.

It ranked in the BIST 30 backup list

2022

51% of Agriventis Technologies was acquired.

The company entered BIST 30 Index.

The company titled HEKTAŞ Asia LLC was founded in Uzbekistan / Tashkent.

2023

Ferbis' public offering process has been initiated.

We entered into a process of change and transformation.

Exited from animal health business line.

Shareholding Structure

Company steps taken with a solid shareholding structure

OYAK, with its companies operating in the mining metallurgy, cement concrete paper, automotive logistics, chemical agriculture, energy, finance and food sectors, with more than 38 thousand employees across seven regions of Türkiye and on six continents around the world, is the largest partner of HEKTAŞ having 55.37% shares of its shares.

Shareholders	Share Amount (TRY)	Share (%)
Turkish Armed Forces Pension Fund (OYAK)*	1,400,773,362.20	55.37
Other	1,129,226,637.80	44.63
Grand Total	2,530,000,000	100.00

* With reference to the statement made by OYAK (Turkish Armed Forces Pension Fund) on August 22, 2023 through CRA, OYAK sold 87,346,278 common shares among the shares it holds in HEKTAŞ Ticaret T.A.Ş., which correspond approximately to 3.45% of the paid-up capital of HEKTAŞ, to the current international corporate shareholder, and the sale was completed on August 23, 2023. As a result of the sale, Oyak's shareholding ratio in HEKTAŞ became 55.37%.

Capital Distribution

The Company adopts the authorized capital system under the provisions of the Capital Market Law (CML). The authorized capital cap of the Company is TRY 8,500,000,000 and is divided into 850,000,000,000 shares, each with a nominal value of 1 (one) Kurus. The authorized capital cap permission granted by the Capital Market Board is valid for the years 2023- 2027 (5 years).

The company's issued capital is in the amount of 2,530,000,000 (two billion five hundred thirty million) Turkish Liras which is wholly paid, comprised of 253,000,000,000 (two hundred fifty-three billion) shares, each with a nominal value of 1 (one) Kurus.

Each share grants 1 voting right. Owners of Founding Redemption Shares have 5% dividend rights arising from the company's articles of association.

Turkish Armed Forces Pension Fund (OYAK)*

1,400,773,362,20 TL

55.37%

Grand Total

2,530,000,000

Other

1,129,226,637,80

44.63%

Right to Vote

There is no voting privilege. Each share grants 1 voting right.

The shares representing the capital are recognized in dematerialized form, within the framework of the principles on dematerialization.

Nature and Amount of Capital Market Instruments Issued

There are no capital market instruments issued by the Company within the period.

The company issued debt instruments worth TRY 6,370,000,000 within 1 year.

ISIN CODE	NOMINAL VALUE	MATURITY	ISSUANCE DATE	REDEMPTION DATE
TRFHEKT42319	100,000,000,00 TL	98	04.01.2023	12.04.2023
TRFHEKT72316	1,100,000,000,00 TL	184	04.01.2023	07.07.2023
TRFHEKT52318	120,000,000,00 TL	90	22.02.2023	23.05.2023
TRFHEKT82315	1,250,000,000,00 TL	177	22.02.2023	18.08.2023
TRFHEKT92314	255,000,000,00 TL	161	10.04.2023	18.09.2023
TRFHEKT72324	305,000,000,00 TL	98	10.04.2023	17.07.2023
TRFHEKT82323	640,000,000,00 TL	92	09.05.2023	09.08.2023
TRFHEKTE2312	250,000,000,00 TL	90	07.07.2023	05.10.2023
TRFHEKT12411	850,000,000,00 TL	182	07.07.2023	05.01.2024
TRFHEKT82414	500,000,000,00 TL	364	09.08.2023	07.08.2024
TRFHEKT22410	1,000,000,000,00 TL	177	09.08.2023	02.02.2024
Toplam	6,370,000,000,00 TL			

The company's debt instruments worth TRY 5,345,000,000 were redeemed within 1 year.

ISIN CODE	NOMINAL VALUE	MATURITY	ISSUANCE DATE	REDEMPTION DATE
TRFHEKT12320	514,000,000,00 TL	98	28.09.2022	04.01.2023
TRFHEKT12312	450,000,000,00 TL	135	05.09.2022	18.01.2023
TRFHEKT22311	100,000,000,00 TL	178	16.08.2022	10.02.2023
TRFHEKT32310	261,000,000,00 TL	177	28.09.2022	24.03.2023
TRFHEKT42319	100,000,000,00 TL	98	04.01.2023	12.04.2023
TRFHEKT52318	120,000,000,00 TL	90	22.02.2023	23.05.2023
TRFHEKT72316	1,100,000,000,00 TL	184	04.01.2023	07.07.2023
TRFHEKT72324	305,000,000,00 TL	98	10.04.2023	17.07.2023
TRFHEKT82323	640,000,000,00 TL	92	09.05.2023	09.08.2023
TRFHEKT82315	1,250,000,000,00 TL	177	22.02.2023	18.08.2023
TRFHEKT92314	255,000,000,00 TL	161	10.04.2023	18.09.2023
TRFHEKTE2312	250,000,000,00 TL	90	07.07.2023	05.10.2023
Toplam	5,345,000,000,00 TL			

The Group

The Company's Board of Directors prepared a report which explains Relations with Governing Shareholders and Subsidiaries within the scope of the Article 199 of TCL. The conclusion part of the report approved by the Board of Directors is as follows;

In the operating year 2022, there are no legal proceedings applied for the benefit of OYAK or one of its affiliates with the Company's governing shareholder the Turkish Armed Forces Pension Fund (OYAK) and/or OYAK's affiliates or with OYAK's guidance, and no measures that were taken or avoided to be taken for the benefit of OYAK or one of its affiliates. In the operating year 2023, all commercial activities carried out between our Company and our governing shareholder as well as our affiliates were carried out under terms in line with market conditions.

Affiliates & Subsidiaries

Title of the Company	Share Ratio (%)
Ferbis Tarım Ticaret ve Sanayi Anonim Şirketi	100.00
Areo Tohumculuk Ar-Ge Sanayi ve Dış Ticaret Anonim Şirketi	100.00
Sunset Kimya Tarım Ürünleri Ve Aletleri İmalat Pazarlana Sanayi Ve Ticaret Anonim Şirketi	100.00
Agriventis Technologies Pty.Ltd	51.00
Hektas Asia LLC	100.00
Takimsan Tarım Kimya Sanayi ve Ticaret Anonim Şirketi	99.78
Çantaş Çankırı Tuz Ürünleri Üretim ve Dağıtım Anonim Şirketi	0.37

With its strong infrastructure and experienced work force, it has taken a large share of the market in a short time.

FERBİS is a company operating in the field of agriculture and certified with Ecocert.

Ferbis Tarım Ticaret ve Sanayi Anonim Şirketi

In the last quarter of 2017, HEKTAŞ entirely (100%) acquired Ferbis Tarım Ticaret ve Sanayi Anonim Şirketi, which operated in the field of plant protection production and marketing in Niğde, **in order to turn towards domestic and foreign markets with a price-oriented approach and to diversify its current product and customer portfolio with lower and middle segment products.**

The most important factor in the acquisition of a plant protection production facility in Niğde province is that this facility is particularly close to Çukurova and the GAP region and is located in the "Bor Organized Industry 5th Tier Incentive Zone". The state of the Republic of Turkey provides many advantages, primarily tax-related, to companies investing in the province of Niğde and Niğde OIZ and Niğde Bor OIZ, which are included in the regional and industrial incentive programs as the 5th and 6th regions.

The advantages of Ferbis due to its production facilities located in Niğde Bor OIZ can be summarized as follows:

- + **In terms of convenience of transportation;** Being close to highways, railways, ports and airports,
- + **In terms of land incentives;** 90% discount on industrial parcels for investors in Niğde Bor Mixed and Leather Specialized Organized Industrial Zone in Bor District,
- + **In terms of investment incentive;** Being entitled to VAT exemption, Customs Duty exemption, tax reduction, social security premium

employer's share support and investment incentive certificate excluding interest support as investment incentives, Ferbis is able to benefit from tax reduction at 90% + 10%, investment contribution rate at 50% + 15% and many similar advantages, based on its investment incentive certificate within the scope of 6th region incentives.

- + **In terms of regional advantages;** Lower construction costs and investment risk as Niğde one of the provinces with the lowest earthquake risk in our country due to its location in the 4th earthquake zone.

The company's **production facility in Niğde is aimed to become one of the most qualified production facilities in the pesticide market by also supporting the production of plant protection products under development, together with the 4 major advantages listed above and ongoing investments.**

Operating in the field of plant protection, Ferbis continues enhance its market position day by day with its cost and quality-oriented service approach, and continues to receive a significant share from the market. Companies producing generic products account for the majority of the market, while the remaining part is comprised of foreign companies producing specific products. Ferbis aims to lead the lower and middle segment market with its experienced staff and strong infrastructure by producing and selling generic products licensed by the Ministry of Agriculture in this market.

Ferbis produces and sells plant protection, herbicides (for weeds), insecticides (pesticides), fungicides and plant growth regulators. In the future, particularly products related to mineral oils will be produced,

FERBİS LICENCES



The production facility in Niğde is aimed to be one of the most qualified production facilities in the agricultural pesticide market.



and product diversification will be ensured by adding new formulations to herbicide and insecticide products.

As value-oriented market leader growing with a focus on biological products, HEKTAŞ will penetrate the regions that it has not penetrated due to this policy through Ferbis. Ferbis, which made a rapid entry into the market with locomotive pioneering products; It has increased its market share visibly in the last 5 years with its widespread working network, fast licensing process, and service approach that does not compromise on quality such as after-sales technical service.

Although the Company has been active since 2017, it continues to make new investments and grow rapidly by receiving a huge share from the market in a short time with its strong infrastructure and experienced staff.

The number of licenses relating to its produces increased from 30 in 2020 to 85 in 2021. This figure reached 109 at the end of 2022 and 111 in 2023, with licenses developed through the recommendation method. It aims to increase the number of licenses to over 143 in 2024.

In terms of quantitative sales, while approximately 2,500 tons of sales were performed in 2020, this figure was increased to approximately 6,300 tons in 2021 as a result of a planned study. **At the end of 2022, the company closed the year with approximately 7,100 tons, having achieved an increase of 184% in two years.** Turkey went through a period with very little rainfall in 2023 until the end of March. In the first 3 months, which were very mild with no rain, farmers had to use very little fungicides and herbicides, which are plant protection products. For these reasons, by the end

of 2023, it closed the year with approximately 4,700 tons, a 34% decrease compared to 2022. Ferbis is expanding its product portfolio for foreign markets and focusing on exports, and continued to export to the Turkic Republics in 2023.

Focusing on expanding its product portfolio and making a difference in the market with its R&D studies, Ferbis provides effective solutions to the changing expectations and needs of the market that arise primarily due to climatic conditions, and provides technical support to the producers in the field with its expert staff of agricultural engineers. The construction of the third parcel building, which was started in October 2021, is still ongoing and is expected to be completed in the second quarter of 2023. The installation of production machinery and equipment continues. Ferbis continues its activities with the motto: "Ideal Solution in Plant Protection".

Since being traded on Borsa Istanbul is one of the future goals of the rapidly growing company, efforts were started regarding the public offering of its shares in Borsa Istanbul in the last quarter of 2022, and these studies continued in 2023. In addition to the value it creates in the market in which it operates, it will continue to create added value for both domestic and foreign investors, hence our country, by being traded on Borsa Istanbul.

The Company also seizes opportunities in different business lines that contribute to agricultural production, in addition to plant protection and works for efficient production, easy access to food and a sustainable future with its efficiency oriented solutions. Aiming to enter other business lines, as one of its future goals, the company continues to create value for our country and HEKTAŞ every day by delivering its quality and experience to other markets as well.

**2023
PRODUCTION
(TONS)**

4,700

Areo Tohumculuk Ar-Ge Sanayi ve Dış Ticaret Anonim Şirketi

Operating in many areas of the agricultural sector, HEKTAŞ took an important step in the field of seeds, which is strategically important, by acquiring all (100%) of **Areo Tohumculuk engaged in R&D studies within this field.** Thanks to this important step, it aims to engage in seed production while continuing the R&D activities for vegetable and field crop seeds. At the production facility, which currently continues its R&D activities, sales of the developed hybrid seeds started in 2023, and **sales will continue in 17 registered product groups (tomato, pepper, cucumber, cotton) in 2024.**

Continuing its activities in Teknokent at Akdeniz University, Areo Tohumculuk has a greenhouse area of 27.000 m² in its R&D and trial facility built on an area of 29.000 m². Horticultural crops (tomato, pepper and cucumber varieties) and field crops (cotton, barley, wheat, chickpea, pea, corn and sunflower) varieties are developed in Areo Tohumculuk.

Together with HEKTAŞ, Areo Tohumculuk is the first company to apply blockchain technology in agriculture, which enables all stakeholders in the agricultural sector to monitor all stages of the journey of each product in the supply chain from soil to table, within the scope of the "Traceable Safe Food Platform".

AREO Tohumculuk continues its breeding studies for high quality vegetables and field crops by using the latest technologies with its motto "Domestic R&D, Domestic Seed". **At the production facility, which currently continues its R&D activities, sales of the developed hybrid seeds started in 2023 will continue under 17 registered product groups (tomato, pepper, cucumber, cotton) in 2024.**

Areo Tohumculuk, which operates in Antalya, enjoys the advantages of its geographical location. It offers the opportunity to develop varieties that can adapt to both high altitude regions and regions at sea level.

Hybrid varieties with high adaptability, whose R&D activities are completed and which are prepared for sale in Antalya, are suitable for production and cultivation both in Turkey and in important production regions in the MENA region (Middle East and North Africa), Spain, Italy, Mexico, China and the world. In addition, R&D centers of the world's leading seed companies are located in Antalya.

PRODUCT GROUP

17

Areo Tohumculuk has a greenhouse area of 27.000 m² in its R&D and trial facility built on an area of 29.000 m².



The temperate Mediterranean climate where the production facility is located ensures much lower heating and natural gas costs. Known as the capital of agriculture, the province of Antalya has very fertile lands, natural water resources, cheap and qualified agricultural workers. Widespread greenhouse cultivation, high farmer population, and the ability to grow products twice or three times in Antalya Province, whereas products are grown only once in other regions in a year, are some of the important advantages of the city.

Antalya's proximity to ports and advanced air transportation facilities reduces the logistics cost. For example, for 1 decares of land, planting can be made with an average of 4 kilograms of cotton and corn seeds, 18 kilograms of wheat seeds, 500 grams of sunflower seeds, 2,500 seeds of tomatoes (8.75 gr) and cucumbers (45.7 grams), 1,600 pepper seeds (13.5 gr), eggplant (7 gr) seeds, 1,600 (53 gr) melon seeds and 350 seeds of watermelons (12 gr). Particularly vegetable seeds are in very small packages with a very high economic return.

In terms of greenhouse vegetable cultivation, Antalya has more than 60% of production and exports, and has a structure that covers the links of the whole chain, starting from R&D and production until delivery to consumers. Antalya is very prominent in this matter due to its advanced knowledge and technological infrastructure.

The investment constitutes a very significant and big strategic step for HEKTAŞ, which decided to invest particularly in the Province of Antalya in this field, having considered the aforementioned advantages. Thanks to Areo Tohumculuk, Turkey's foreign-dependency in the field of seeds will be prevented.

Thus, Areo Tohumculuk will contribute greatly to Turkey becoming a self-sufficient country in the field of seeds and therefore food, with domestic capital.

Positioned among the pioneering companies creating added value in seed production in Turkey, Areo Tohumculuk is more effective in utilizing technology compared to other companies. It possesses state-of-the-art biotechnology and tissue culture laboratories, as well as a phytopathology test greenhouse and rapid breeding (speed breeding) rooms. In addition to the R&D studies carried out in these laboratories, it is planned to contribute to healthy nutrition of people by consuming a high amount of nutrients despite consuming less food, by producing products that are beneficial for human health and have high nutritional value and by maximizing the nutritional value to be obtained from a unit product.

Although the wheat seed market in Turkey is mainly comprised of domestic seeds, they have low resistance to diseases. Potential yield losses are reduced by 40% by increasing the resistance of wheat seeds produced by Areo Tohumculuk to diseases.

It is aimed to reduce foreign dependency from 80% to 50% by developing seeds that are resistant to diseases, have high nutritional value and high yield in the sunflower and corn seed markets.

In 2022, production and sales rights were obtained from Nazilli Pamuk Research Institute in return for 2 types of royalty, namely Volkan and Selçuk Bey. Drought-tolerant cultivars are being developed in the field of wheat breeding and international trials are carried out for resistance to diseases.

**2003
COMPLETED
PROJECTS**

5



**FEMALE
EMPLOYEES (%)**

60%

Arco Tohumculuk is a company that uses human resources at every stage of its activities. It pays particular attention to women's employment.

**The Company
creates business
development
projects and
cooperates with
universities and
the Ministry of
Industry.**

The period between the cultivation of donor plants and the creation of a pure hybrid line is 6 years, and Areo Tohumculuk has reduced this period to 6 months through its R&D studies and patented modern breeding methods.

Areo Tohumculuk benefits from many incentives since it operates in the Technocity. It particularly benefits from R&D incentives and will be exempted from Corporate Tax 25% for 2024 in the sale of products developed after the R&D incentives. Consequently, the company's costs will decline and the year-end profitability will be positively affected. Areo Tohumculuk has a Global Gap certificate; in addition, it also has a seed production, processing and packaging certificate, authorized seed establishment certificate and research institution certificate issued by the Ministry of Agriculture.

It will expand its export network by working in coordination with "HEKTAŞ Asia LLC", which was established by HEKTAŞ in Uzbekistan. The Company had previously sent cotton seeds to Uzbekistan and wheat seeds to Saudi Arabia, proving the quality of Turkish seeds in these markets.

By commissioning contracted cotton seed production in line with the demands of the farmers, 71,787 tons of Selçuk Bey and 119,169 tons of Volkan delinte cotton seeds were obtained in an area of 2250 decares from the seeds that met the soil in Urfa and Aydın provinces in April 2023. It is planned to obtain approximately 2000 tons of delinted cotton seeds from an area of 16,000 decares in 2024.

Areo Tohumculuk has an organization that keeps up with current developments and follows all the changes and innovations in its field in the world and in Turkey. Accordingly, it creates business development projects and cooperates with universities and the Ministry of Industry.

In this context, an application was made to the Turkish Patent Institute in the field of "Determination of Resistance to Tomato Tswv (Tomato Spotted Wilt Virus) Disease with Fluorescent Marked Sequence Specific Probes in Rt-Pcr (Real Time Pcr)" in order to develop new methods and analyzes in R&D research. Thus, analysis results obtained within 3 days will be able to be received in 2 hours, thanks to the relevant patent to be obtained.

Also in this context, the patent application numbered 2021/022138 and titled "Multiplex for the Identification of Tomato Spotted Wilt Virus (TSWV) Resistance Gene Tsw and Pepper Mild Mottle Virus (PMMoV) Resistance Gene L4 in Pepper (Capsicum annuum)", made within the framework of cooperation with Akdeniz University, was filed by the Turkish Patent and Trademark Office on 09.08.2023. accepted.

Areo Tohumculuk is a company that uses human resources at every stage of its activities. **It pays particular attention to women's employment. 60% of the employees are women.** In addition, it also has a well-trained and experienced staff. It provides great support to the training and development of its employees. **It is prominent in terms of its graduate level employee profile.**

Affiliates & Subsidiaries

Sunset Kimya Tarım Ürünleri ve Aletleri İmalat Pazarlama Sanayi ve Ticaret Anonim Şirketi

Taking steps to become a world-class agricultural company in addition to its activities in the domestic market, HEKTAŞ acquired Sunset Kimya Tarım Ürünleri, one of the leading players in the market in the field of plant protection, in line with its long-term growth targets. Sunset Kimya Tarım Ürünleri, which offers important solutions in the field of agriculture in the domestic market with 95 licensed plant protection products in its portfolio; There are 310 licensed plant protection products abroad. The acquisition is an important step for HEKTAŞ to increase its market share by entering new markets, primarily the Middle East and Caucasus, both domestically and abroad.

Products are exported to 7 countries through foreign distributorship, these countries are Azerbaijan, Iraq, Kazakhstan, Cyprus, Kyrgyzstan, Uzbekistan, Tajikistan.

EXPORT COUNTRIES

7

Azerbaijan
Iraq
Kazakhstan
Cyprus
Kyrgyzstan
Uzbekistan
Tajikistan



B2 B

2000 2

Grim

Affiliates & Subsidiaries



Agriventis Technologies Pty. Ltd.

Based on the understanding of developing smart solutions and directing the market in order to ensure that the supply-demand balance in food is sustainable, HEKTAŞ; It made a strategic move by acquiring 51% of Australian-based Agriventis Technologies, which develops drought-tolerant seeds, and positioned itself on a global scale.

Agriventis Technologies; It continues its production and sales activities in different regions of Australia in the field of agricultural seed technology development, seed breeding and production Agriventis Technologies focuses on breeding and growing seeds that are **highly productive, disease-resistant and consume little water**. It continues its research and development activities in strategic cooperation with many universities, especially Central Queensland University (CQUniversity). It is among the important partners of different seed development projects initiated by the Australian government.

Agriventis has over **260 seed lines, including pulses, oilseeds, different grain and spice lines**. The seed varieties it has started to sell are nominated for the best varieties in Australia and are preferred by farmers. It creates a demand for its seeds not only from Australia but also from different regions, including America and Asia.

Trials continue in different parts of the world, especially in Australia, and on this occasion, it aims to take seed research and development activities to the next level every day.

HEKTAŞ's long-term goal in this field is; to strengthen foreign R&D collaborations in the field of seeds, as well as to carry out R&D studies that are not very common in Turkey, such as developing efficient and diverse seeds that can be grown in arid-semi-arid areas, thus having a mission that guides the sector in the name of combating climate change, sustainable agriculture and food security, and becoming a global player.

In the world order that is changing day by day, climates are changing like all living things. Our world is now becoming an old planet, especially water resources are being depleted at an alarming rate, and this situation causes people to resort to different ways to survive.

The most important of the many techniques developed to ensure that the life chain continues in a healthy way, that the living standards of all living things do not change even if the conditions change, and that the food supply remains to meet the needs of all living things, is to keep agricultural productivity at the maximum level by adopting the understanding of waterless agriculture.

Activities in 2023

The real value of Agriventis Technologies lies in the intellectual property developed and hosted internally over time.

The company will commercialize many lines in the future, and the first of these, **mung bean, was commercialized in 2023.**

Mung bean varieties produced by Agriventis Technologies are now recognized as the most improved varieties in Australia. Despite having a very difficult year in terms of climate or weather, Agriventis Technologies sold all its products in 2023, leaving its biggest competitors behind.

**SEED
LINES**

260+

Agriventis has over 260 seed lines, including pulses, oilseeds, different grain and spice lines.



The real value of Agriventis Technologies lies in the intellectual property developed and hosted internally over time.

The company intends to continue to produce and sell certified mung bean seed as well as bring online new seed varieties that are finalising their R&D programmes.

- + Mung Bean Development and Commercialization
- + CRCNA & Agrifutures: By contributing to the northern project in collaboration with CQU and Australian Government agencies, Agriventis began developing spice seed lines to create a spice industry in Australia. (currently 99% imported)
- + It will be perfectly positioned to supply the feed stock industry, currently valued at \$100 billion by 2026, through the development of forage varieties for the grazing and grain markets, including: These feed types:
 - Cow peas
 - Field peas
 - Horse Gram
 - Adzuki Beans
- + Sorghum flour with high fiber content is planned to be developed and commercialized in 2026. It is thought that it will compete with the best varieties in the country.
- + Agriventis become the only seed supplier of Sesame seed both white and black in Australia. It has reached the final stage of development and is planned to be commercialized in 2026.
- + All seed lines regenerated and secured for all IP. Completion will be in 2024.

+ PBR lines in 2023 were;

- Rice
- Adzuki grain
- Chickpeas
- Mustard

Note: All lines in development will have undergone DNA certification to protect the IP.

2024 Focuses

- + Development Forage,
- + Expansion and development of sesame,
- + Development of Protein markets for both Forage and protein extraction for the health food industry,
- + Commercialization of mung beans with the 3rd variety (desert variety) planned to be released next year,
- + Bulking Desi Chickpea, Sesame and forage lines all for commercialisation
- + Field Pea growth supply for commercialisation opportunities in Turkey,
- + Soy bean growth supply for commercialisation opportunities in Turkey.

Agriventis plans to increase its market share in 2026 with its current activities. Although it does not yet contribute to the turnover at the desired level, as a result of the work completed in the last few years, it will contribute to the turnover in 2026 and beyond.

Affiliates & Subsidiaries

Hektas Asia LLC

Having entered a rapid liberalization process, Uzbekistan has taken important steps in carrying out large-scale modernization studies in the agricultural sector, especially in recent years. Thanks to scientific research and new technological methods, the country has begun to achieve significant success in the agricultural sector. It has become a country that applies the best technologies in the world to increase agricultural production and its efficiency. In this context, thanks to various reforms including supports provided to the private sector in recent years, arable land in Uzbekistan has started to be used more efficiently than before.

Taking advantage of its knowledge and experience in the field of agriculture in the development process in Uzbekistan, HEKTAŞ established the company titled "HEKTAS ASIA LLC" in Tashkent, Uzbekistan in November 2022 to operate in the fields of plant protection and plant nutrition, in order to gain support for export oriented growth due to its proximity to other Turkic Republics in the region in addition to the Uzbekistan Market. Feasibility studies started in 2023 and are still ongoing.

Application of plant protection products in right

dosages improves plant health and increases yield. Since it was determined that very little of the required dosage was applied in Uzbekistan, it was decided to enter the Uzbekistan market in the field of plant protection by establishing **a plant protection production facility with an annual capacity of approximately 30,000 tons.**

Considering the salty nature of Uzbek soils, the use of organomineral fertilizers is important for the sustainability of agriculture. Therefore, it is aimed to expand the use of organomineral fertilizers in the country by establishing an **organomineral fertilizer production facility with a production capacity of approximately 150,000 tons.**

Uzbekistan is the most populous one among the Central Asian countries. About 50% of the population lives in rural areas. Considering the circumstances in Uzbekistan and surrounding countries, as well as the potential pricing and cost structure, the investment is anticipated to generate high profitability. It is believed that there may be significant export opportunities, especially in the markets of the Turkic Republics, in addition to the Uzbekistan market.

In conclusion, the investments made by HEKTAŞ are believed to primarily create agricultural productivity and employment in Uzbekistan and contribute significantly to both the economy of the country (Uzbekistan) and the turnover and profitability of HEKTAŞ.

30,000

**tons of plant
protection
production
capacity**

Takimsan Tarım Kimya Sanayi ve Ticaret Anonim Şirketi

HEKTAŞ has a company named Takimsan Tarım Kimya San. Ve Tic. A.Ş., whose agricultural pesticide licenses are used.

Çantaş Çankırı Tuz Ürünleri Üretim ve Dağıtım Anonim Şirketi

Upon examining the financial statements of Çantaş individually and collectively, they have not been included within the scope of consolidation since they are immaterial compared to the financial statements of the Company in terms of amount and quality and activities of Çantaş are very limited.

150,000

tons of
organomineral
fertilizer
production
capacity



Production Facilities

Our production facility is the first in its field to produce with Industry 4.0 standards.

HEKTAŞ continues to create value in the markets it operates thanks to its approach of always ensuring quality with the products it produces.

HEKTAŞ General Directorate and Plant Protection Production Facility

(GEBZE)

HEKTAŞ, the company continues its activities with its modern high-capacity facility, the construction of which was completed at the address Gebze OSB Mahallesi 700. sok. No: 711/1 Gebze / Kocaeli in 1991. **The facility continues its activities in the field of plant protection, plant nutrition, disinfectants and biocidal products.** With its modern infrastructure and automation systems, the facility, built on a total area of around 75.000 m², approximately 31.000 m² which is closed, continues to drive Turkish agriculture and represent our country abroad in the field of agriculture.

In 2023, approximately 3,436 tons of technical substances and approximately 13,777 tons of finished products were produced at the facility, totaling approximately **17,213 tons**. The product portfolio created is capable of meeting all the needs of agricultural production. It contributes to the reduction of foreign dependency in the plant protection product market.

Industry 4.0, which is synonymous with smart production, is a collective system that includes many contemporary automation systems, data exchanges and production technologies. **Our production facility is the first facility in its field to produce in accordance with Industry 4.0 standards.**

The modernization and automation investments that were commenced as of 2020 are now in their final stage. During this process, all production and filling machines and equipment were renewed and the automation system began to be implemented in filling processes.

The modernization and automation investments commissioned in 2022 in line with the Industry 4.0 ensure that the process from production to packaging is monitored and ensures standardization in production. The process, which is traceable in the system room equipped with the latest system technologies and software, is carried out with expert engineers and R&D team, ensuring the production of products of the same standard without compromising on quality, through instant and rapid analyses.

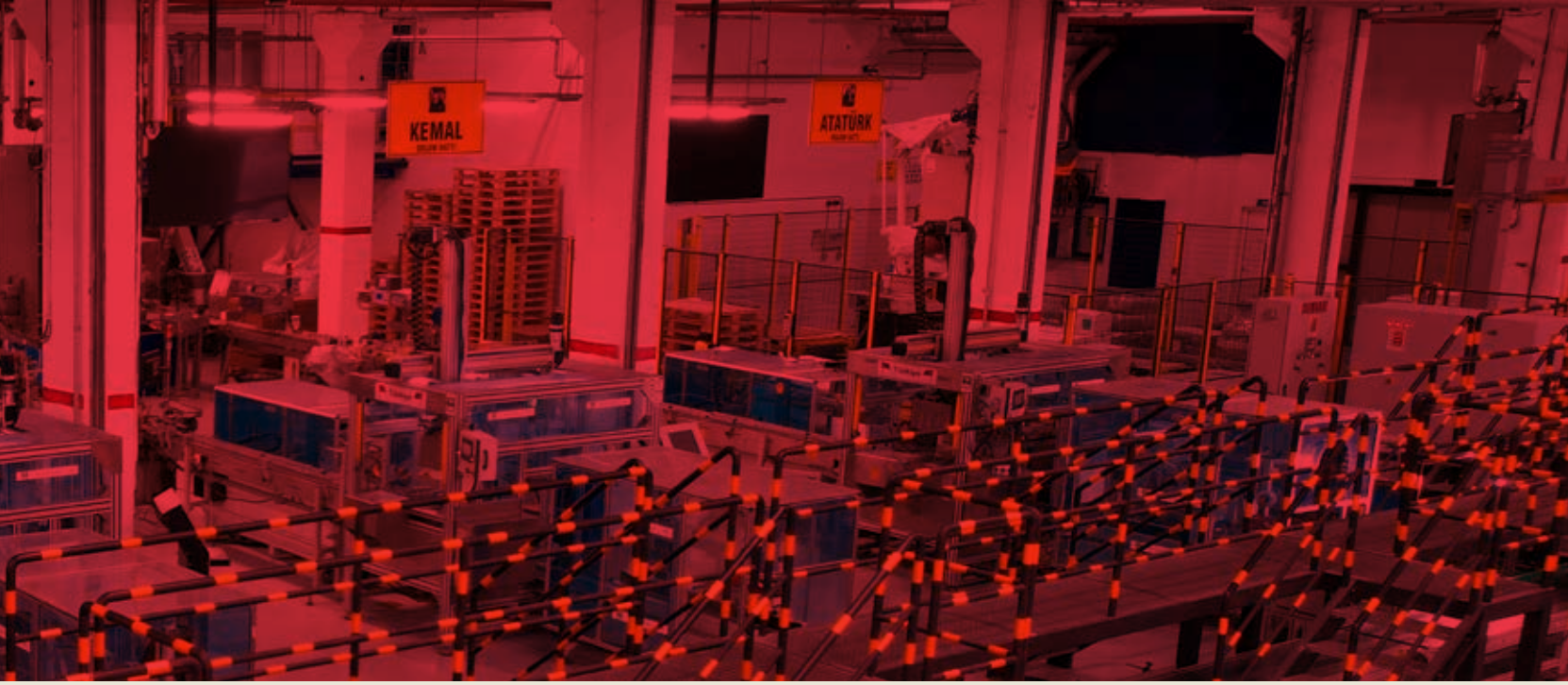
Production activities will continue with current capacity in 2024. HEKTAŞ is the **first company to adopt the QR code application** created within the scope of the Plant Protection Products Stock Tracking System (BKTS) introduced by the Ministry of Agriculture and Forestry. BKTS is a portal established to ensure that plant protection products defined by QR codes are tracked with notifications at every stage starting from production or importation. Thus, HEKTAŞ supported the removal of companies that negatively affect market dynamics from the market, by combating under-the-counter production in our country, and made every contribution to the infrastructure of legal traceability.

In the production facility designed in accordance with Industry 4.0, there are four different production areas for liquid herbicide, other liquid, powder and granular products in total. All filling lines operate under a robotic system.

TOTAL AREA
(M²)

75,000

Company continues to drive Turkish agriculture with its modern infrastructure and automation systems.



**TOTAL
PRODUCTION
(TONS)**

17,213

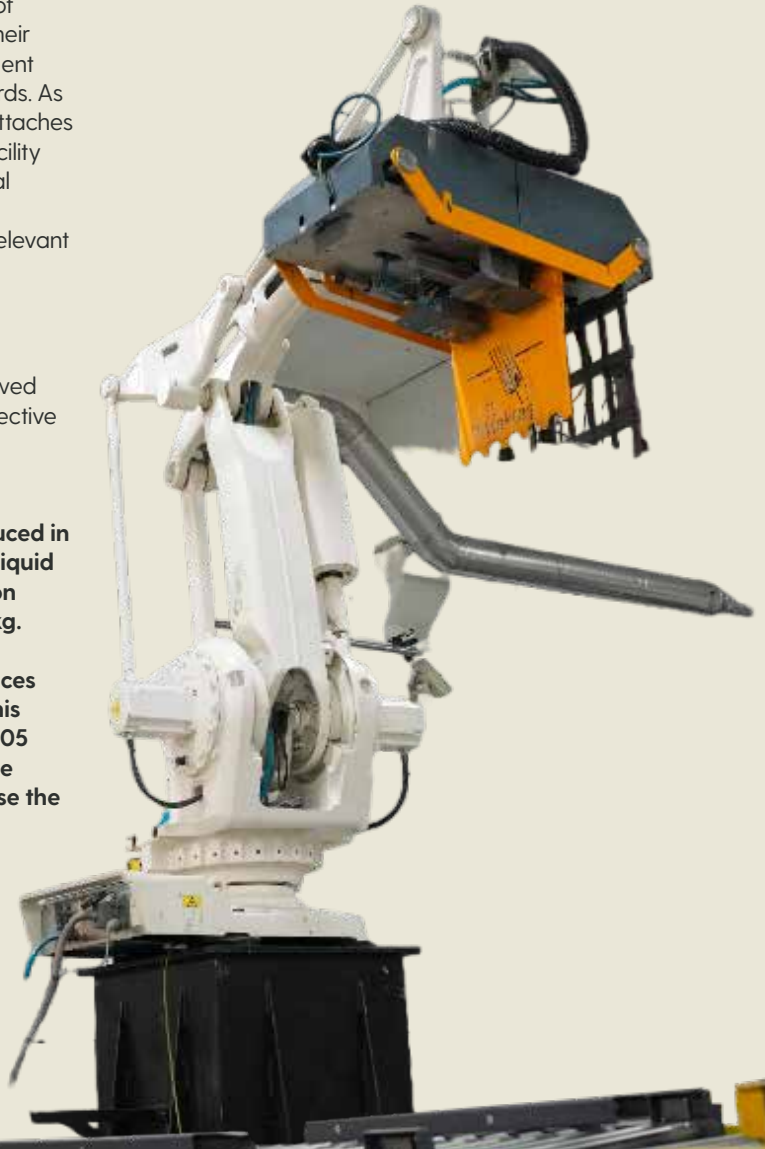
**tons of finished
products were
produced at the
facility.**

Due to the focus on occupational health and safety in the production facility and to comply with OYAK's sustainability development goals, Prevention of Major Industrial Accidents and Mitigation of their Effects (BEKRA) and Environmental Management Systems (EMS) are maintained at high standards. As a natural consequence of the importance it attaches to all living things and the environment, the facility fulfills all the requirements of the Occupational Health and Safety and Environmental Impact Assessment (EIA) regulation as well as other relevant legislation.

The production facility has ISO 9001:2015, ISO 14001:2015, ISO 45001:2018 and ISO 27001:2013 certificates, and all legal regulations are followed and accredited within the framework of respective standards.

In the Gebze (Plant Protection) production facility, plant protection products are produced in technical substance, liquid form, herbicide liquid form and powder form. The total production amount as of the end of 2023 is 17,213,034 kg.

The number of licenses relating to its produces increased from 155 in 2020 to 173 in 2021. This figure reached 179 at the end of 2022 and 205 in 2023, with licenses developed through the recommendation method. It aims to increase the number of licenses to over 220 in 2024.



Production Facilities



Ferbis Plant Protection Protection Products Production Facility

(NİĞDE)

The production facility, which HEKTAŞ acquired in 2017 in line with its strategic goals, is located in Organize Sanayi Bölgesi Mah. 2 B No' lu Yol Cad. No:6 Bor / Niğde and operates in the field of **plant protection and plant nutrition products production**. In the facility, which has a total area of 24,000 m², including approximately 11,000 m² of enclosed space, there is a second building whose construction phase has been completed, and a third building where construction is ongoing, and the management of the facilities to be established within it will be carried out with an automation system. The aim is for the investments made in the facility to make it one of the most qualified production facilities in the agricultural pesticide market in Turkey.

Within the facility, there are warehouses for storing finished products and raw materials. Currently, there are 2 finished product warehouses, and with the construction of 2 additional warehouses that started in 2023, the number of finished product warehouses will be increased to 4. While the storage area is currently 1,400 pallets as of 2022, it will reach 4,000 pallets with the new warehouses.

Similarly, there are currently 4 raw material warehouses, and with the construction of 1 additional warehouse that started in 2023, the number of raw material warehouses will be increased to 5. The storage capacity, which is approximately 2,000 m² as of 2022, will be increased by 1,000 m² with the new warehouse, reaching a total of 3,000 m².

Numerous efforts are underway at the facility to increase production, including the construction of a new facility, increasing storage capacity, acquiring new machinery, transitioning to automation in production, and consequently increasing workforce. This facility, which stands out with its robust infrastructure, houses 2 different laboratories. Physical and chemical laboratory studies are conducted in these laboratories to ensure the production of the highest quality products, considering factors such as PH density, emission pool, and instrumental analysis.

Operating according to a zero-waste policy, the production facility manages all waste generated by separating it according to types and temporarily storing it in a waste storage area in compliance with regulations. These wastes are then sent to licensed companies for recycling or disposal.

The production facility serves both the domestic and international markets. Particularly, this facility contributes to reducing Turkey's dependence on foreign sources with the production of plant

TOTAL AREA
(M²)

24,000

The aim is for the facility to become as one of the most qualified production facilities in the agricultural pesticide market in Turkey.



**TOTAL
PRODUCTION
(TONS)**

6,657

**The total
production
quantities
realized by the
end of 2023
amount to
6,656,872 kg.**

protection products. With a product portfolio created to meet all the needs of agricultural production, Ferbis continues to strengthen its position in both domestic and international markets.

Additionally, Ferbis holds the **Ecocert Certificate**, a document that guarantees the evaluation of all processes and substances in the product, the use of the highest quality ecological content, and sensitivity to environmental issues from consumer to production chain.

Ecocert, established in France in 1991, is an internationally recognized organization providing "Organic Certifications" and certifying institutions by overseeing the entire production process at every stage.

Ferbis, having passed the aforementioned audit stage and possessing this certificate, operates as an environmentally friendly company in accordance with these standards.

Due to the emphasis on occupational health and safety in the production facility and in line with OYAK's sustainability development goals,

Environmental Management Systems are provided at high standards. Meeting all the requirements of Occupational Health and Safety and Environmental Impact Assessment regulations and other legislation is a natural outcome of its commitment to all living beings and the environment.

The production facility holds ISO 9001:2015, ISO 14001:2015, and ISO 45001:2018 certificates, accrediting according to standards by following all legal regulations.

In the Niğde (Plant Protection) production facility, plant protection products are produced in technical, liquid form, herbicide liquid form, and powder form varieties. The total production quantities realized by the end of 2023 amount to 6,656,872 kg.



Production Facilities



HEKTAŞ Organomineral Fertilizer Production Facility

(ADANA)

In the field of HEKTAŞ organomineral fertilizer production, the facility located at Acidere OSB Mahallesi Hacı Sabancı OSB Atatürk Boulevard No:19 Sarıçam/Adana, which was initially leased as a warehouse in 2019 and later purchased in 2022, has approximately 12,400 m² of enclosed space within a total area of 20,000 m². Equipped with state-of-the-art laboratories, the facility continues its activities in the production of organomineral fertilizers.

These production facilities are strategically located in Adana due to its geopolitical structure, providing proximity to both ports and the Central Anatolia and Southeastern Anatolia regions. Granular fertilizers, referred to as underground and above-ground fertilizers, are produced in these facilities, involving processes such as vaporization, drying-cooling, sieving, and filling during production. Known as the next generation of fertilizers, organomineral fertilizers aim to enrich agricultural lands whose yield has decreased due to unsustainable farming practices and restore the minerals needed by the cultivated crops. The soil-improving property of organic materials and the benefits of minerals combined in a single fertilizer result in enhanced soil quality.

The low quantity of organic matter limits soil fertility and hinders the development of soil organisms. The use of organomineral fertilizer increases

bacterial activities in the soil with organic materials. Additionally, it increases the soil's oxygen levels, water and nutrient retention capacity, prevents nitrogen losses, and promotes rapid soil warming, allowing for better aeration and moisture retention, leading to reduced water needs for plants. This helps to use water resources more effectively and efficiently. The most significant impact is the reduction of chemical fertilizer usage, detoxification of the soil from heavy metals, and contributing to increased soil fertility.

The foundation of sustainable agricultural practices relies on practices that preserve and enhance soil organic matter and soil organisms. The prolonged retention of organic matter in the soil through biocoalition is a crucial agricultural strategy for sustainability.

The production of this type of fertilizer, which regulates soil structure, reduces chemical fertilizer consumption, and increases efficiency, is particularly crucial for Turkish agriculture. Due to its contribution to next-generation farming practices, it stands out as a rational solution for agriculture. In a significant portion of Turkey's soil, the pH level and lime content are at elevated levels. Approximately 70% of agricultural land in our country has an organic matter content of around 0.6%. To nourish plants, the organic matter in the soil should be around 3%. Chemical fertilizers, excessively used for 50 years, reduce soil organic matter while elevating pH. In 1990, the proportion of soils with insufficient organic matter was 92%, increasing to 99% in 2014. Due to the prevalent use of indiscriminate farming practices in Turkey and the method of stubble burning, which causes the disappearance of soil elements, the organic matter

TOTAL AREA
(M²)

20,000

Equipped with state-of-the-art laboratories, the facility continues its activities in the production of organomineral fertilizers.



TOTAL PRODUCTION (TONS)

24,758

The total production quantities realized by the end of 2023 amount to 24,758,000 kg.

content in the soil has dropped to approximately 0.6%. Organomineral fertilizer, which helps to increase the organic matter from 0.6% to 3%, helps to repair the broken chain in this vital cycle, with the leonardite it contains.

Ending all forms of hunger and malnutrition by 2030 and ensuring that all people, especially children, have sufficient food are part of the United Nations' Sustainable Development Goals. The United Nations anticipates that these goals can be achieved by supporting small farmers and promoting sustainable agricultural practices that ensure equal access to land, technology, and markets. It also supports international collaborations in infrastructure and technology investments to increase productivity in agriculture. In alignment with the United Nations' Sustainable Development Goals, HEKTAŞ reaffirms its commitment to all living beings and the environment. With the organomineral fertilizer produced in this facility, HEKTAŞ contributes to the sustainable and efficient agricultural production, aiding in the revival of diminishing yields in agricultural lands due to chemical fertilization and the protection of underground water resources contaminated by chemical fertilizers.

HEKTAŞ is a market maker and market leader in the Organomineral fertilizer market. The Organomineral fertilizer market has a history of around 10 years in Turkey, and HEKTAŞ has been actively involved in this market for approximately 6 years. Contributing to a reduction of almost 50% in the usage of chemical fertilizers imported from abroad, Organomineral fertilizers play a crucial role in diminishing Turkey's dependency on external sources in the fertilizer sector.

Particularly with the facility established in Adana, the Company firmly maintains its position among the leading firms in this market in Turkey. HEKTAŞ, which does not compromise on quality in this market, while producing fertilizers to the standards desired by farmers, **has become the most preferred brand with its TRADITE PREMIUM brand.** The TRADITE PREMIUM brand has become the most preferred brand, offering carefully selected raw materials in its Organomineral fertilizer varieties. Through meticulous analysis at every stage of production, products are prepared in the desired quality, hardness, and moisture content for farmers. Premium plays a significant role in elevating granules' coating solution and reaching a higher level in product coating.

Due to the emphasis on occupational health and safety in the production facility and in line with OYAK's sustainability development goals, Environmental Management Systems are provided at high standards. Meeting all the requirements of Occupational Health and Safety and Environmental Impact Assessment regulations and other legislation is a natural outcome of its commitment to all living beings and the environment.

The production facility holds ISO 9001:2015, ISO 14001:2015, and ISO 45001:2018 certificates, accrediting according to standards by following all legal regulations.

The Adana (Organomineral Fertilizer) production facility produces organomineral fertilizers, with the total production quantity reaching 24,758,000 kg by the end of 2023.

Production Facilities



HEKTAŞ F.A.R.M. (Farming, Analysis, Research & More)

(ORHANGAZI)

While supporting domestic production and producers by carrying out projects that contribute to the Turkish agricultural industry since 1956, HEKTAŞ continues to shape the country's agriculture with a global project.

Given the high risk and uncertainty in production due to natural conditions affecting agricultural production, access to safe food has gained strategic importance for countries, especially considering factors such as changing climate conditions and international crises. To minimize these risks and uncertainties and enhance productivity, the use of rational approaches in agriculture is becoming increasingly important. In this challenging period of intense competition, HEKTAŞ F.A.R.M. offers innovative solutions to farmers, enabling them to stay ahead in the market, gain more market share, benefit from smart farming practices, increase their yields, and contribute to export-oriented growth while reducing costs.

Located in the Orhangazi district of Bursa province, **HEKTAŞ F.A.R.M. stands as Turkey's first and one of the world's prominent agricultural R&D centers since its establishment in a 607-decare area in 1956.** The F.A.R.M., focused on increasing agricultural productivity and sustainability through digitized processes and cutting-edge techniques, is one of

the most comprehensive facilities in its field.

One of the key reasons for the location of HEKTAŞ F.A.R.M. in Orhangazi is its geopolitical location, providing easy and fast transportation and allowing for the cultivation of various product groups due to its proximity to Lake Iznik and the micro-climate structure.

Within the facility's 370-decare area:

- + **Hard and Soft Kernel Trees** (Peach, Nectarine, Olive, Plum, Apricot, Apple, Pear, Quince, Cherry, Pomegranate, Persimmon, Fig)
- + **Hard Shell Fruit Trees** (Ceviz, Badem)
- + **Field Crops** (Wheat, Sunflower, Corn)
- + **Berry Groups** (Blueberry, Blackberry)
- + **Grape Vineyards** (Stable, Drying, and Fragrant Grape Varieties)
- + **Seasonal Vegetables** (Tomato, Pepper, Bean, Lettuce, Cauliflower, Broccoli, Artichoke, Pea)
- + **Smart Soiless Greenhouses** (Tomato, Pepper, Cucumber, and Seed Production Studies)

are cultivated following sustainable and innovative principles of modern agriculture.

In response to the decrease in agricultural land and climate change, plant production and seed production are carried out in soiless farming greenhouses controlled by smart automation systems.

TOTAL AREA
(Acres)

607

The F.A.R.M., focused on increasing agricultural productivity and sustainability through digitized processes and cutting-edge techniques, is one of the most comprehensive facilities in its field.



In addition to 370 hectares of crop production areas within the facility, there is a congress center featuring a guesthouse with 137 rooms, a 900-person auditorium, and 6 different meeting rooms ranging from 50 to 900 people in capacity. The facility also houses research and development laboratories dedicated to agriculture and science experiences (museum) and plant protection/nutrition/breeding areas.

This center, which will create added value for the country's agriculture and set the direction, will develop solutions, particularly focusing on increasing product efficiency and developing waterless farming techniques to cope with the growing climate change issues worldwide. With this center, which is unique in Turkey and Europe, through studies planned to indirectly contribute to the Turkish economy, the center aims to achieve yield-focused production, allowing farmers to obtain maximum products with minimum resources by increasing the crop yield per acre.

Open Field Plant Production

HEKTAŞ F.A.R.M., owing to its location, accommodates a diverse range of plant species. **Cultivation of 163 different varieties across 20 types is carried out in open-field production parcels. The cultivated species generally consist of plants grown in our country, possessing high added value and export potential.** Sustainable production is maintained in the field through smart farming techniques, including cultural practices (pruning, training, plant protection, and fertilization), and digital technologies.

Berries

Berries, particularly due to the suitability of the growing environment and economic reasons, have captured the attention of producers in recent years. F.A.R.M. includes parcels for blueberries, blackberries, fragrant grapes, and vineyards. There are over 25 different varieties of blueberry plants, and the demonstration of the adaptability of these varieties to different climates is intended for the benefit of producers.

Additionally, unconventional pruning and training techniques are employed to target increased productivity.

Stone fruits

apricots, sour cherries, nectarines, and peaches. The cultivation of these fruits, generally grown in warm and temperate climates, depends on factors such as suitable soil selection, proper care, correct fertilization, irrigation, and the control of diseases and pests. At HEKTAŞ F.A.R.M., various types of stone fruits are cultivated, aiming to achieve maximum yield through different technological devices, biological product trials, and various pruning techniques.

PRODUCT LINE

300+

Crop and seed production are carried out in soilless agricultural greenhouses that can be controlled with smart automation systems.

Production Facilities

Pome fruits

At the F.A.R.M. facility, pome fruit trees such as apple, pear, quince, Japanese persimmon (also known as "Trabzon hurması" in Turkey), fig, pomegranate, and kiwi are cultivated, which are grown in our country. Early ripening is achieved with various pruning and training techniques applied in our production areas, and the results surpass the national averages in terms of quality and productivity with the use of our plant protection/nutrition products.

One of the significant missions adopted by HEKTAŞ F.A.R.M. is to contribute more to people and the planet through agriculture. This is achieved by adopting a production approach based on closed soilless farming. The aim is to provide all-year-round, environmentally unaffected, chemical residue-free, ecological, high-quality, and flavorful products. The production process is characterized by an automation-based, sustainable, reliable, and meticulous approach. Pollination in soilless greenhouses is entirely conducted through natural methods using pollinator bumblebees. The center focuses on increasing agricultural productivity through fully digitalized processes. The product variety changes periodically and thousands of different tomato and pepper varieties are produced in addition to the well-known varieties.

In addition to plant production, seed breeding and seed production activities of AREO Tohum, HEKTAŞ's subsidiary in the seed field, are also carried out at F.A.R.M.

One of the primary functions of the facility is to offer different applications to Turkey's agricultural producers and HEKTAŞ customers with innovative practices in agriculture through education and experience .

The center, entirely dedicated to enhancing agricultural productivity through digitalized processes, shares all its activities, including the latest technologies and modern production techniques, through practical applications with numerous producers, dealers, academics, and students.

In the facility, which hosted the first groups of producers, dealers, and engineers in 2022, **more than 7 thousand producers were accommodated by the end of 2023. This allowed for the organization of informational meetings and training sessions on innovative agricultural practices and technologies.**

The newest technologies and modern production techniques in agricultural production are shared practically with many producers, dealers, academicians and students.



High Technology Center

(ANKARA)

In the last quarter of 2019, HEKTAŞ initiated R&D activities for the production of protein-based plant nutrients, beneficial microorganisms, and organic acids. With the aim of reducing external dependency, lowering imports, and supporting food and environmental health by reducing conventional chemical and animal-based fertilizer use, the 'High Technology Center' was established in Sincan district

of Ankara province. The facility, established with the benefits of regional incentives, is the most equipped and high-capacity center for biological products in Turkey. The center, with an annual production capacity of 21,000,000 liters, aims to ensure the production of strategically developed products in the short term through R&D and UR-GE activities, focusing on imported, high-value-added products with a supply chain at risk. Within this scope, **3 new products have been registered, and continuous development of new products is planned for the long term.**

Efforts are being made to provide formulations with slow release, controlled release and properties that increase the mineral uptake level of plants in order to make organomineral fertilizers added value and differentiate them at the center. Development of biofungicides, biopesticides, biostimulants, and liquid foliar fertilizers is underway, and field trials are conducted at HEKTAŞ Orhangazi facilities. The plant nutrition product portfolio is continually expanding. At the 'High Technology Center' implemented in Sincan district of Ankara, production **has commenced for organomineral fertilizers containing protein, microorganisms, metabolites, and enzymes.**



Solutions creating difference in the industry with products that always deliver quality

HEKTAŞ continues to create value in the markets it operates thanks to its approach of always ensuring quality with the products it produces.

Products

HEKTAŞ, a market leader since its establishment, continues to create value in various sectors with its quality-oriented approach to the products it produces.

Engaged in activities in numerous fields, from seed production to plant protection and plant nutrition products, fertilizers, and seed production, HEKTAŞ embraces serving public health through good agricultural practices as its most important mission. The company's product portfolio includes over 400 plant protection and plant nutrition products tailored to the ecological structure and product diversity of our country, as well as seed product.

For fertilizer production activities, organomineral fertilizer production is carried out at the production/processing facility located at Acidere Osb Mahallesi Atatürk Blv. No: 19 Sarıçam/ADANA.

In Antalya, Areo Tohumculuk company focuses on seed breeding and production. Additionally, in 2021, the "Seed Technologies Center" was launched within Areo Tohumculuk.

Ferbis, based in Niğde, produces plant protection products. Furthermore, within the Orhangazi facility, vegetable production is conducted in a smart greenhouse and open fields as part of the "Traceable Safe Food Platform" project.

Plant Protection Products

- + Fungicides
- + Herbicides
- + Insecticides
- + Acaricides
- + Biological Insecticides
- + Fumigants and Nematicides
- + Plant Growth Regulators
- + Winter Dormant Oils and Summer Oils
- + Molluscicides and Others

Plant Nutrition Products

- + Foliar Fertilizers
- + Organominerals
- + Drip Irrigation
- + Pure Fertilizers

Seed

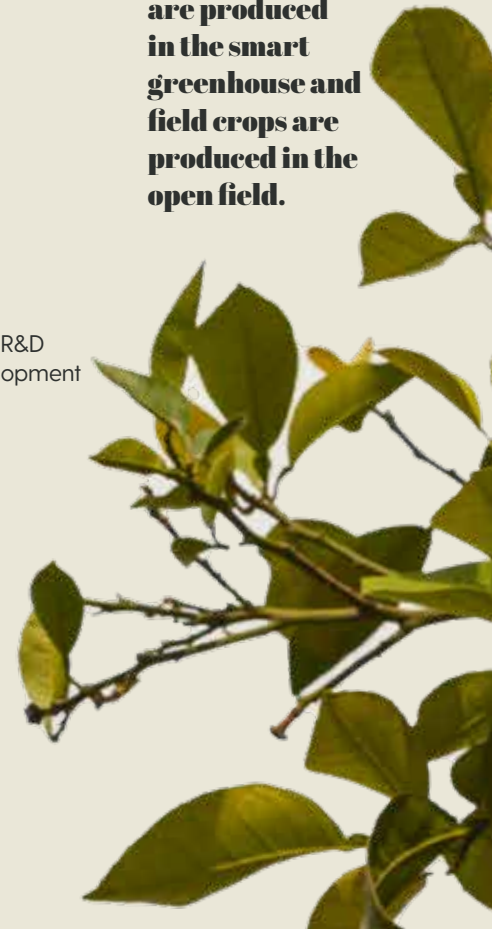
- + Tomato Seed
- + Cotton Seed
- + Wheat Seed

Information about our other products in the R&D stage is available in the Research and Development Studies section of this report.

PRODUCT LINE

400+

Vegetables are produced in the smart greenhouse and field crops are produced in the open field.





Management Structure

Board of Directors Members.....	64
Senior Management.....	70
Organizational Structure.....	72
Human Resources.....	74
Committee Structure.....	78



Members of the Board of Directors

The affairs and administration of the company are carried out by the Board of Directors. The Board of Directors consists of at least 5 and at most 9 members to be elected by the General Assembly within the framework of the provisions of the Turkish Commercial Code (TCC) and the CMB. Independent Members of the Board of Directors are elected for one year, other Members of the Board of Directors are elected for three years, and Members of the Board of Directors whose office has expired can

be re-elected. Declarations of Independent Board Members Regarding their Independence are included in ANNEX-1.

The Chairperson and Members of the Board of Directors have the duties and powers specified in the relevant articles of the Turkish Commercial Code and Article 15 of the Company's Articles of Association.



Eren Ziya Dik

Chairperson of the Board of Directors

Natural Person Acting on Behalf of OMSAN LOJİSTİK A.Ş.

First Election Date of the Representative to the Board of Directors | 21/07/2023

Duties Performed by the Representative Outside the Partnership | OYAK Chemistry Agriculture Group President

Mr. Eren Ziya DİK, who has been serving as the Chairperson of the Board of Directors as the Legal Entity representative of Omsan Lojistik A.Ş. in our Company since July 21, 2023, was born in 1980 and completed his undergraduate degree at Istanbul University, Department of Business Administration in 2002.

In the last 10 years, Mr. DİK served as Senior Manager at PRICEWATERHOUSECOOPERS between 2002-2010, Financial Affairs Director at AKSA AKRİLİK between 2010-2017, General Manager at AKDENİZ CHEMSON KİMYA between 2017-2021, and OYAK Chemical Industry Group President between 2021-2023. Mr. DİK has been acting as the Group President of OYAK Chemistry and Agriculture Industry since 2023.

Can Örüng

Vice Chairperson of the Board of Directors

Natural Person Acting on Behalf of OYTAŞ İÇ VE DIŞ TİCARET A.Ş.

First Election Date of the Representative to the Board of Directors | 28/12/2023

Duties Performed by the Representative Outside the Partnership | Group President of OYAK Human Resources

Mr. Can ÖRÜNG, who has been serving as the Vice Chairperson of the Board of Directors as the Legal Entity representative of OYTAŞ İÇ Ve Dış Ticaret A.Ş. in our Company since December 28, 2023, was born in 1978 and completed his bachelor's degree in Management Engineering at Istanbul Technical University in 2001 and the Executive Graduate Program (MBA) at KOÇ University in 2011.

In the last 10 years, Mr. ÖRÜNG served as Technology, Affiliates, and Retail Banking Group President at ZİRAAT Bank between 2012-2016, Human Resources Group Vice President at ERDEMİR between 2017-2020, Information Technologies Group Vice President at ERDEMİR between 2021-2023. He has been serving as Human Resources Group President at OYAK since 2023.

Independent Members of the Board of Directors are elected for one year, other Members of the Board of Directors are elected for three years, and Members of the Board of Directors whose office has expired can be re-elected. If a membership becomes vacant for any reason, the Board of Directors temporarily elects a person who meets the conditions specified in the TCC, Capital Markets Legislation, and the Articles of Association and submits it for approval at the first General Assembly. Thus, the elected

member completes the ex-member's term. The Board of Directors convened 62 times in 2023. Members of the Board of Directors attended the meetings largely on a regular basis.



Gözde ERKOÇ

Member of the Board of Directors

Natural Person Acting on Behalf of AKDENİZ CHEMSON KİMYA SANAYİ VE TİCARET A.Ş.

First Election Date of the Representative to the Board of Directors | 27/03/2024

Duties Performed by the Representative Outside the Partnership | Group Legal Director

Ms. Gözde ERKOÇ, who has been serving as a Board Member in our Company as the natural person representative of Akdeniz Chemson Kimya Sanayi ve Ticaret A.Ş. since March 27, 2024, was born in 1985 and completed her undergraduate education at Bilgi University Faculty of Law in 2007 and completed her master's degree in B.A. Management at Sabancı University in 2018.

In the last 10 years, Ms. ERKOÇ worked as a lawyer at ESİN Attorney Partnership between 2007 and 2014, as a legal advisor at SABANCI HOLDİNG between 2014 and 2021, and has been working as the Group Legal Director at OYAK since 2021.



Şansel Yılmaz

Member of the Board of Directors

Natural Person Acting on Behalf of OYAK DENİZCİLİK VE LIMAN İŞLETMELERİ A.Ş.

First Election Date of the Representative to the Board of Directors | 01/06/2023

Duties Performed by the Representative Outside the Partnership |

Mr. Şansel YILMAZ, who has been serving as a Member of the Board of Directors as the Legal Entity representative of Oyak Denizcilik Ve Liman İşletmeleri A.Ş. in our Company since June 01, 2023, was born in 1970, and obtained his bachelor's degree from the Management and Organization Department of the Military Academy in 1992, and completed his master's degree in Economic Policy at Van 100. Yıl University in 2007 and in Sociology at Konya Selçuk University in 2009.

In the last 10 years, Mr. YILMAZ served as Press Public Relations Branch Director at the 3rd Corps (NRDC-T) Command Istanbul between 2009-2015, as Manager at BURSA Officer's Club between 2015-2019, and General Coordinator at KAYAPA Organized Industrial Zone Directorate between 2021-2022.

Members of the Board of Directors



Arif Çetinkaya

Member of the Board of Directors

**Natural Person Acting on Behalf of OYAK
PAZARLAMA HİZMET VE TURİZM A.Ş.**

**First Election Date of the Representative to the
Board of Directors | 06/04/2022**

**Duties Performed by the Representative Outside
the Partnership |**

Mr. Arif ÇETİNKAYA, who has been serving as a Member of the Board of Directors as the Legal Entity representative of Oyak Pazarlama Hizmetleri Ve Turizm A.Ş. in our Company since April 1, 2022 was born in 1961 and obtained his bachelor's degree in Business Administration at the Military Academy in 1992, his master's degree in War History at the International Relations Management Organization Academy operating under the Armed Forces Academy in 1997, and his civilian associate degree in the Securities and Capital Markets Department at Anadolu University in 2021.

In the last 10 years, Mr. ÇETİNKAYA worked at the 23rd Internal Security Brigade Command in Silopi between 2003-2005, at the General Staff Armed Forces Command Operations Center and Cyprus Desk between 2005-2012, and as Head of Administrative Assistantship of Training and Doctrine Command in Ankara between 2012-2013.



Bülent Şamil Yetiş

Independent Member of the Board of Directors

**First Election Date of the Independent Member to
the Board of Directors | 31/03/2020**

**Duties Performed by the Independent Member
Outside the Partnership | Consultant**

Mr. Bülent Şamil YETİŞ, who has been serving as an Independent Member of the Board of Directors of the Company since March 31, 2020, was born in 1973 and completed his undergraduate studies at the Department of Business Administration in English at Eastern Mediterranean University in 1997 and his master's degree in Business Administration in English at the University of Essex in 1998.

In the last 10 years, Mr. YETİŞ served as a Certified Public Accountant between 2004 and 2015, as a Sworn-in Certified Public Accountant in 2016, and as an Independent Member of the Board of Directors at ÜNYE Çimento between 2017 and 2020. At HEKTAŞ, Mr. Yetiş, who was elected as an Independent Member of the Board of Directors at the General Assembly for 1 year, in accordance with the company's articles of association, has been elected at the General Assembly for 4 consecutive terms, starting in 2020.



Kadri Özgüneş

Independent Member of the Board of Directors

First Election Date of the Independent Member to the Board of Directors | 06/04/2022

Duties Performed by the Independent Member Outside the Partnership | Faculty Member

Mr. Kadri ÖZGÜNEŞ, who has been serving as an Independent Board Member of the Company since April 1, 2022, was born in 1973 and completed his undergraduate studies at Istanbul Technical University, Department of Management Engineering in 1993 and his postgraduate studies at Boğaziçi University, Department of Finance in 2006. In the last 10 years, Mr. ÖZGÜNEŞ served as Strategy and Business Development Manager at H.Ö SABANCI HOLDİNG between 2009-2013, Business Development and Performance Director at H.Ö SABANCI HOLDİNG between 2013-2016, Deputy General Manager of Foreign Sales and Marketing at TEMSA Transportation Vehicles between 2016-2018. He assumed the role of Deputy General Manager of Business Development in the same company in 2018 and became a faculty member (with PhD) at İstinye University. He has been serving as an Independent Member of the Board of Directors at OYAK Investment since 2021. At HEKTAŞ, Mr. Özgüneş, who was elected as an Independent Member of the Board of Directors at the General Assembly for 1 year, in accordance with the company's articles of association, has been elected at the General Assembly for 2 consecutive terms, starting in 2022.

Kurtuluş Bedri Varoğlu

Independent Member of the Board of Directors

First Election Date of the Independent Member to the Board of Directors | 03/04/2023

Duties Performed by the Independent Member Outside the Partnership | Lawyer

Mr. Kurtuluş Bedri VAROĞLU, who has been serving as an Independent Member of the Board of Directors of the Company since March 30, 2023, was born in 1960 and completed his undergraduate studies at Ankara University Faculty of Law in 1982 and obtained his graduate degree at Ankara University Social Sciences Institute in 1985.

In the last 10 years Mr. VAROĞLU, who has been working as a Legal Consultant and Lawyer at VAROĞLU Law Firm since 1988, took on the duties of Independent Member of the Board of Directors at ERDEMİR in 2017 and has been serving as an Independent Member of the Board of Directors at İSDEMİR since 2019. At HEKTAŞ, he was elected as an Independent Member of the Board of Directors at the General Assembly for 1 year in 2023 in accordance with the company's articles of association.

Board of Directors



Changes Made in the Board of Directors During the Period

At our company's Board of Directors meeting which took place on 07.02.2023; Mr. Volkan ÜNLÜEL was appointed as of 07.02.2023, replacing Mr. Baran ÇELİK, the real person acting on behalf of OYTAŞ İÇ VE DIŞ TİCARET ANONİM ŞİRKETİ, who is who is a Legal Entity Vice Chairperson of the Board of Directors in our company. The statement on the subject was made on Public Procurement Platform (KAP).

At our company's Board of Directors meeting which took place on 07.02.2023; Mrs. İrem ATALAY was appointed as of 07.02.2023, replacing Mrs. Aslıhan DÖĞER, a real person acting on behalf of AKDENİZ CHEMSON KİMYA SANAYİ VE TİCARET ANONİM ŞİRKETİ, who is a Legal Entity Member of the Board of Directors in our company. The statement on the subject was made on Public Procurement Platform (KAP).

At the 2022 Ordinary General Assembly meeting held on 30.03.2023, Mr. Kurtuluş Bedri VAROĞLU, Mr. Kadri ÖZGÜNEŞ and Mr. Bülent Şamil YETİŞ were elected as Independent Members of Board of Directors for a period of 1 (one) year to serve until the next ordinary general assembly meeting. The statement on the subject was made on KAP through general assembly statements.

At our Company's Board of Directors meeting which took place on 01.06.2023, Mr. Şansel YILMAZ was appointed as of 01.06.2023, replacing Mr. Okan SİVRİ, a real person acting on behalf of OYAK Maritime

and Port Management Joint Stock Company, who is a Legal Entity Member of the Board of Directors in our Company. The statement on the subject was made on Public Procurement Platform (KAP).

Due to the appointment of Mr. Musa Levent ORTAKÇIER as OYAK Food Sector President as of 21.07.2023, who was previously serving as OYAK Food, Agriculture and Livestock Sector President and serves as the Legal Entity Chairperson of the Board of Directors of our Company's Board of Directors and the representative of Omsan Lojistik A.Ş., he resigned from his duties at HEKTAŞ and its subsidiaries. Mr. Eren Ziya DİK, acting as OYAK Chemistry Agriculture Sector President, was appointed as the Legal Entity Chairperson of the Board of Directors of our company and the representative of Omsan Lojistik A.Ş. as of 21.07.2023. The statement on the subject was made on Public Procurement Platform (KAP).

At our company's Board of Directors meeting which took place on 28.12.2023; Mr. Can ÖRÜNG was appointed, replacing Mr. Volkan ÜNLÜEL, the real person acting on behalf of OYTAŞ İÇ ve Dış Ticaret Anonim Şirketi, who is a Legal Entity Vice Chairperson of the Board of Directors in our company. The statement on the subject was made on Public Procurement Platform (KAP).

At our company's Board of Directors meeting which took place on 28.12.2023; Mr. Sebahattin KARAKOÇ was appointed, replacing Mrs. İrem ATALAY, a real person acting on behalf of Akdeniz Chemson Kimya Sanayi ve Ticaret Anonim Şirketi as Legal Entity Member of the Board of Directors. The statement on the subject was made on Public Procurement Platform (KAP).



Duties and Powers of Members of the Board of Directors

The Chairperson and Members of the Board of Directors have the duties and powers specified in the relevant articles of the Turkish Commercial Code and Articles 14 and 15 of the Company's Articles of Association.

Mr. Levent ORTAKÇIER*, a real person acting on behalf of OMSAN Lojistik A.Ş. and the Member of the Board of Directors at OMSAN Lojistik A.Ş. was appointed as the Chairperson of the Board of Directors; and Mr. Volkan ÜNLÜEL**, a real person acting on behalf of OYTAŞ İç ve Dış Ticaret AŞ as the Legal Person Member of the Board of Directors was appointed as the Vice Chairman of the Board of Directors for 1 year. The statement on the subject was made on Public Procurement Platform (KAP).

Activities within the Scope of Non-Competition

At the Ordinary General Assembly Meeting held on March 30, 2023 regarding the Company's activities in 2022, Members of the Board of Directors were given permission to take action within the scope of the relevant articles of the Turkish Commercial Code (TCC) for 2023, as in the previous period.

No transaction of this scope took place in 2023.

Financial Rights Provided to Members of the Board of Directors and Senior Managers

At the Ordinary General Assembly Meeting held on March 30, 2023, it was agreed to pay a net monthly fee of TRY16,000 to the Independent Members of the Board of Directors, effective from the beginning of the month following the month in which the General Assembly was held, and to pay no fee to the other Members of the Board of Directors. Personal accident and life insurance is provided to Members of the Board of Directors. The total of wages and similar benefits paid to key managers and personnel for their services is TRY 52.219.031. No payments were made to the Members of the Board of Directors in the form of performance-based rewards.

No loans were given to any Member of the Board of Directors or manager during the period, no loans were extended under the name of personal loans directly or through a third party, or guarantees such as suretyship were given in their favor.

The monthly salaries of the company's senior managers are determined by the Company's Board of Directors. Additional performance-based payments are made within the Company to out-of-scope personnel, including the Company's senior managers.

*At our Company's Board of Directors meeting which took place on 21.07.2023, Mr. Eren DİK was appointed as of 21.07.2023, replacing Mr. Musa Levent ORTAKÇIER, a real person acting on behalf of OMSAN Lojistik Anonim Şirket as the Legal Person Member of the Board of Directors in our company. The statement on the subject was made on Public Procurement Platform (KAP).

**At our company's Board of Directors meeting which took place on 28.12.2023, Mr. Can ÖRÜNG was appointed, replacing Mr. Volkan ÜNLÜEL, the real person acting on behalf of OYTAŞ İç ve Dış Ticaret Anonim Şirketi, who is a Legal Entity Member of the Board of Directors in our company. The statement on the subject was made on Public Procurement Platform (KAP).

Senior Management



Enis Emre Terzi

General Manager

Mr. Enis Emre TERZİ, who has been serving as the General Manager of the Company since January 26, 2024, was born in 1984 and completed his undergraduate studies at Istanbul University, Department of Business Administration in 2008.

Mr. TERZİ, who started his professional career as an audit assistant at ERNST&YOUNG in 2008, left ERNST&YOUNG in 2013 while serving as a senior auditor. In 2013 he started working as Financial Analysis and Investor Relations Specialist at SABANCI HOLDİNG, served as Internal Audit Manager and Financial Analysis Manager at YILDIZ HOLDİNG between 2014 and 2016, and finally as Financial Affairs Group Manager at ÜLKER Romania. In 2016, he joined AK GIDA, the Turkish subsidiary of GROUP LACTALIS, serving the Financial Affairs Group Manager responsible for the sales and marketing company at and later worked in areas such as Risk Management, Internal Control, Treasury and Finance Group Directorates, and finally he promoted to LACTALIS TÜRKİYE CFO before joining HEKTAŞ. Mr. TERZİ started to serve as HEKTAŞ Financial Affairs Director as of September 2022 and continued his duties at the company as General Manager as of January 26, 2024. He also serves as General Manager in HEKTAŞ group companies.



Mehmet Derin

R&D and PN Dir.

Mr. Mehmet DERİN, who has been working as R&D and PN Dir. of the Company since November 17, 2021, was born in 1973 and completed his undergraduate studies at Çukurova University, Department of Agricultural Engineering in 1997.

Kicking off his career in 1997, Mr. DERİN worked as Director at "S" ÇİÇEKÇİLİK VE SEBZECİLİK between 1997-2000, Founder and Technical Manager at PILARQUIM MEDITERRENEAN (TAR-SAN) between 2000-2002, Sales Manager at FORM GIDA between 2002-2003, Technical Manager at BİONTİS between 2003-2008, Sales Manager at GÖKER Tarım LTD between 2010-2016, Agronomist at AGROKİMYA Azerbaijan MMC Gilan Holding between 2017-2018, General Manager at TARIM Bitki Koruma San. ve Tic. A.Ş. between 2018-2020. He joined HEKTAŞ Ticaret T.A.Ş. in 2020 as Strategy and Marketing Consultant. He has been serving as R&D and PN Dir. as of November 2021.



Ayhan Gökbağ

Technical Affairs Director

Mr. Ayhan GÖKBAĞ, who has been serving as the Company's Technical Affairs Director since January 23, 2024, was born in 1970 and obtained his bachelor's degree from Istanbul Technical University, Department of Mechanical Engineering in 1991, and his master's degree from Boğaziçi University, Department of Mechanical Engineering in 1995.

Kicking off his career in 1993, Mr. GÖKBAĞ served as Area Manager at BSH PROFİLO between 1993-2001, Production Manager at TERMAL ELEKTRONİK between 2002-2003, Technical Director at ODE YALITIM between 2003-2014, Technical Director at ISIDEM YALITIM between 2014-2019, and Executive Manager at AKKAR SİLAH between 2019-2020. Mr. Ayhan GÖKBAĞ, who started as a Technical Consultant at HEKTAŞ on March 23, 2020, served as Plant Director at FERBİS Tarım Ticaret ve Sanayi A.Ş., a 100% subsidiary of HEKTAŞ, as of July 2020. As of January 2024, he assumed the duty of Technical Affairs Director.



Tendü Arsan

Human Resources Senior Manager

Mr. Tendü ARSAN, who has been working in the Human Resources Directorate of the Company since October 26, 2023, was born in 1981 and completed his undergraduate studies in the Department of Labor Economics and Industrial Relations at Marmara University in 2003 and obtained his master's degree in Management and Labor Psychology at Marmara University in 2008.

Kicking off his career in 2002, Mr. ARSAN served as Oyak Teknoloji Human Resources Manager at OYAK Pazarlama between 2002-2014, Human Resources Manager at OYAK Pazarlama between 2014-2015, Payroll and Personnel Affairs Manager at OMSAN Logistics Company between 2015-2019, Human Resources Manager at OYAK Erdemir Engineering Company between 2019-2023, Human Resources Manager at OYAK Ataer Mining Company in 2023. He has been serving as Human Resources Director as of October 2023.

Emrah Özdemir

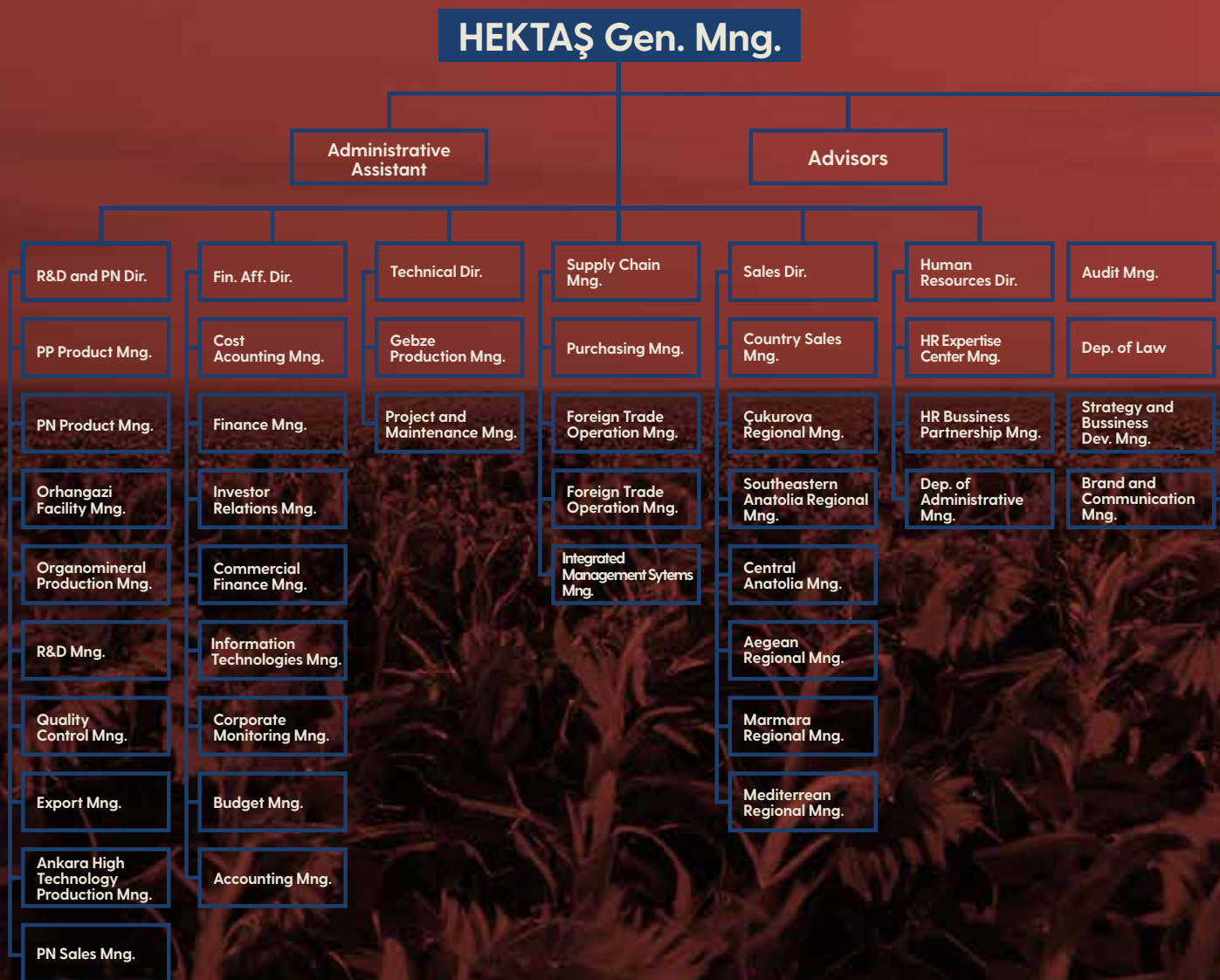
Supply Chain Director

Mr. Emrah ÖZDEMİR, who has been working as the Supply Chain Director of the Company since October 11, 2023, was born in 1978 and completed his undergraduate studies in Chemical Engineering at Istanbul University in 2002 and his master's degree in Business Administration at Gebze Technology University in 2010.

Mr. ÖZDEMİR, who kicked off his career as Production Engineer at PLAS PLASTİK and PACKAGING Company between 2005-2006, he joined YORİM CAM Company as Production Control Officer in 2006, and HEKTAŞ in 2007 where he assumed the duties of Production Engineer, Deputy Production Manager, Logistics Manager and finally Integrated Management System Manager. He has been serving as Supply Chain Director as of October 2023.

Organizational Chart

As a result of changes made during the period, the final version of the organizational chart is as follows.





Projects aiming to promote gender equality and women employment

During the recruitment processes, equal opportunities are provided to candidates who possess the competencies required for the relevant position, embrace and promote the company culture, and contribute value to the company, thereby enhancing sustainable success.

With the slogan "PIONEERING SMART AGRICULTURE," HEKTAŞ, which is the solution partner of the Turkish agricultural sector in sustainable agricultural production with its knowledge and existing products in the fields of plant protection, plant nutrition, and seeds, continues to provide services with a human resources policy that values employees. This policy is characterized by valuing employees, drawing strength from their creativity, deriving excitement from their enthusiasm, being open to change and development, creating career opportunities, showing respect for people, the environment, and nature, complying with quality standards, and prioritizing innovation and sustainability.

Recruitment

In the company, with a focus on equal opportunities and diversity in all human resources processes, including the recruitment process, discrimination based on gender, language, race, ethnic origin, political opinion, belief, religion, sect, age, physical disability, and similar reasons is not practiced.

During the recruitment processes, equal opportunities are provided to candidates who possess the competencies required for the relevant position, embrace and promote the company culture, and contribute value to the company, thereby enhancing sustainable success. Competency and technically based interviews are conducted with candidates either online or face-to-face. Assessment center applications tailored to managerial roles, personality inventories for all white-collar roles, and general aptitude and foreign language tests are used as measurement tools.

Objective evaluations are made based on the results of these assessments.

With a focus on gender equality, projects aimed at increasing the employment of women, both in white-collar and blue-collar positions, are undertaken. In this context, location-specific initiatives are implemented to contribute to female employment in the sector. Equal opportunities are provided to contribute to female employment in the sector.

Digitalized Performance Management

In 2023, the performance management system continued to be carried out through the Digital HR system. White-collar employees performing routine tasks and blue-collar employees are evaluated based on competencies, while other white-collar employees are assessed based on targets once a year.

During the goal-setting period, individual goals entered into the system by employees are subject to managerial approval. In the goal evaluation period, individual assessments are conducted first, followed by managerial evaluations, and progress is made through consensus.

Compensation and Benefits

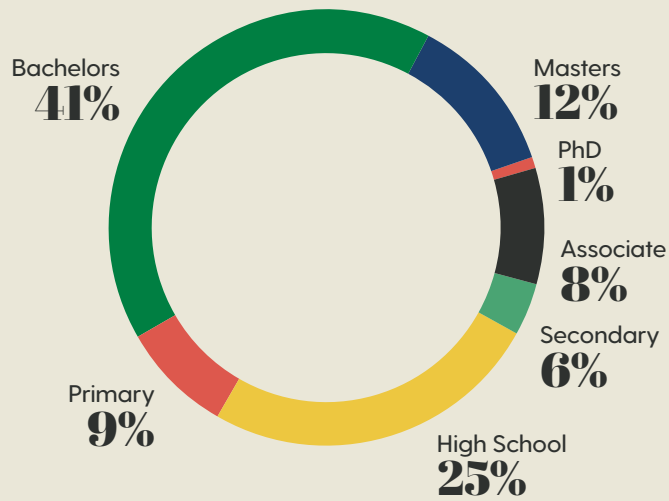
At HEKTAŞ, a methodology based on internationally recognized and defined principles is used to conduct processes according to the job levels determined for positions.

TOTAL
EMPLOYEES

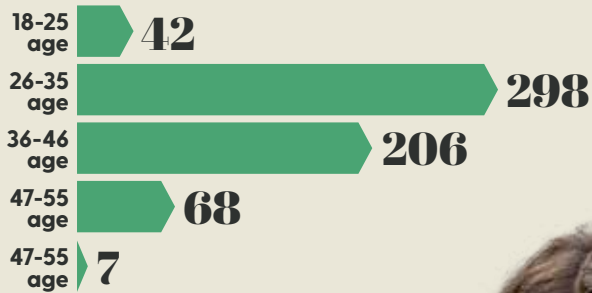
621

Equal opportunity and diversity are two principles that are given importance in all human resources processes, especially in the recruitment process.

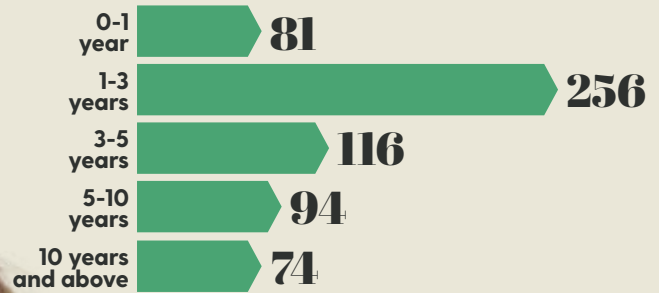
EDUCATIONAL STATUS



AGE DISTRIBUTION



SENIORITY DISTRIBUTION





There is no hourly wage in the company, and all employees work based on net amounts determined on a monthly basis. Employees are entitled to benefits such as private health insurance, performance-based variable pay (bonus), and employer-contributed individual retirement plans and life insurance.

Employees are provided with their legal social rights monthly and regularly within the scope of the legislation. The company does not have a Collective Bargaining Agreement.

- + Evaluation of the relative sizes of jobs objectively within certain criteria with a job evaluation methodology that has international validity,
- + Establishment of an infrastructure that can easily compare the existing salary structure with global, local, and sectoral market salary research results,
- + Creating a common infrastructure that facilitates the integration and holistic management of human resources processes (recruitment, training and development, talent management and organizational development, payroll, performance management).

The salary policy is reviewed annually based on salary research results and detailed salary analyses conducted according to the current sector. Employees receive 12 monthly salaries per year.

Services such as shuttle service for employees' arrivals and departures, meal allowance for field employees, and meal service in the company's facilities are provided.

Talent Management

Having a sufficient level of talent to achieve the company's strategic goals is one of the most prioritized issues in the journey of growth.

Within this framework, the stages of Employee Self-Assessment, Managerial Assessment, Company Calibration, and OYAK Calibration are completed within the schedule determined by OYAK each year.

Through the Digital HR system, employees can share their short, medium, and long-term career goal requests with top executives. A process is implemented where employees and managers come together to determine action plans for development goals, reach an agreement on the process, and the employee has a say.

Talents identified by managers as potential or high potential are subjected to assessment and development center applications. This process creates awareness of their strong and developmental competencies, and individual development plans with personalized development roadmaps are created for individuals. Additionally, these individuals are included in the "Our Future Path" Training Program organized by OYAK, participating in various training programs to enhance their competencies over the course of a year. Function-specific additional training programs are also organized.

During this process, talents are supported for career and development plans by shedding light on their competencies for the sustainability of the organization. This support is provided through projects, training, job enrichments beyond their current duties, or coaching and mentoring assistance.



Internship Program

As part of talent management, 56 university students completed their compulsory internships within the company in 2023 based on the established internship selection criteria. This program aims to bring young talents to the company, support students in their development, prepare them for professional life, and contribute to the potential workforce.

Training

In 2023, training sessions were organized to impart competencies that allow HEKTAŞ's valuable human capital to adapt to the digitizing and changing world while increasing their existing skills.

Annual plans for individual development, classroom training, technical, and mandatory training are planned based on the results of the training needs analysis. In the learning experience journey, training assignments are made monthly via Digital HR, considering individual needs and/or following current trends. In-class training includes managerial programs such as "Manager Development Program" and "Financial Perspective Training" for managerial positions, while non-managerial positions receive training such as "Effective Presentation Techniques," "Effective and Fluent Speaking (Diction) Training," "Corporate Image and Protocol Training," and "Accelerated English Training Program."

Technical training includes courses such as "CCNA Network Training," "Forklift Operator Training," "Working at Heights Training," "Electric Pallet Truck Operator Training," "First Aid Update Training," "Chemical Assessment Specialist Training," "LOTO

(Lockout/Tagout) Training," "Machine Safety Training," "Industrial Boiler Operator Training," "Manlift Operator Training," and "ISO 14001, 45001, 9001, 27001 Information and Internal Auditor" training.

Online Training Support Platforms

Employee development is also supported through external online platforms, contributing to their learning experiences.

Through the Digital HR platform, all employees are provided with training on topics such as work-life balance, functional development, competency development, foreign language skills, and managerial skills.

Employee Training Hours

Company	Employee/Hours
HEKTAŞ	28,24
FERBİS	33,51
AREO	11,51
TAKİMSAN	22,48
SUNSET	1,6

Total Training Hours

Company	In-class Hours	Online Hours
HEKTAŞ	10,886.20	5,983.19
FERBİS	2,848.19	751.33
AREO	256.50	296.44
TAKİMSAN	45	67.42
SUNSET	8	0

Committee Structure

In accordance with Article 20 of the Company Articles of Association, the formation, duties, and working principles of the committees that the Board of Directors is obliged to establish within the scope of the Capital Markets Legislation and Article 378 of the Turkish Commercial Code, including the Early Detection of Risk Committee, are governed by

relevant legislation, along with their relations with the Board of Directors.

The Audit Committee, Early Detection of Risk Committee, and Corporate Governance Committee, along with their members, are as follows:

COMMITTEE	TITLE	NAME – SURNAME	POSITION	MEETING FREQUENCY
Audit Committee	Chairman	Kurtuluş Bedri VAROĞLU	Independent Member	At least four times a year in quarterly periods.
	Member	Kadri ÖZGÜNEŞ	Independent Member	
Corporate Governance Committee	Chairman	Bülent Şamil YETİŞ	Independent Member	At least four times a year in quarterly periods.
	Member	Kurtuluş Bedri VAROĞLU	Independent Member	
	Member	Tuba BEKTAŞ	Investor Relations Director	
Early Detection of Risk Committee	Chairman	Kadri ÖZGÜNEŞ	Independent Member	At least six times a year in two-month periods.
	Member	Bülent Şamil YETİŞ	Independent Member	

In accordance with Article 20 of the Company Articles of Association, the formation, duties, and working principles of the committees that the Board of Directors is obliged to establish within the scope of the Capital Markets Legislation and Article 378 of the Turkish Commercial Code, including the Early Detection of Risk Committee, are governed by

relevant legislation, along with their relations with the Board of Directors.

The Audit Committee, Early Detection of Risk Committee, and Corporate Governance Committee, along with their members, are as follows:





2023 Activities

Company Activities in 2023 by Period.....	82
New Business Relationship	86
R&D Studies.....	88
Sales Activities.....	96
Digital Transformation	100
Marketing Activities	102
Honors and Awards	104
Social Responsibility Projects	106
Investor Relations Unit and Its Activities.....	108
Credit Ratings.....	110
Information about the Industry Where the Enterprise is Active	111
Contributions Made by HEKTAŞ to Its Industry within the Year.....	114
Sustainability Activities.....	116
Investments Made and Incentives Received.....	121
Internal Control Systems.....	122
Risk Management	124



Company Activities in 2023 on a Periodic Basis

We have succeed future which are waiting for us

We are set to walk the path to the future with our dynamic structure.

First Quarter

Ferbis' public offering process was initiated.

Work for the issuance of convertible bonds was started.

The 2022 Ordinary General Assembly meeting was held.



In the first 3 months,

1
of the
60

60 R&D projects transferred from 2022 was completed.



2

new projects were started.



Licenses were obtained for

5 new formulations

for which R&D studies were completed in the field of plant protection.



in the first quarter

3 products

products were commercialized and included in the portfolio as project outputs.



In the first 3 months,

2,570,000,000 TL
bonds were issued

In the first 3 months,

519,185,822 TL
bonds were redeemed

In the first 3 months,

1,970,669,486 TL
investment was made





Second Quarter

The registered capital ceiling was increased from **3,000,000,000 TL** to **8,500,000,000 TL**.

The registered capital ceiling period was extended to **2027**.



In the first 6 months,

4
of
61

transferred from the first quarter of 2023 were completed.



In the first 6 months,

8

Licenses were obtained on behalf of HEKTAŞ.



In the first 6 months,

5

products were commercialized and added in the portfolio.



In the first 6 months,

1,250,845,780 TL
investment was made.

In the first 6 months,

3,770,000,000 TL
bonds were issued.

In the first 6 months,

1,545,000,000 TL
bonds were redeemed.



Animal Care

New investments were made for animal care (veterinary medicines) and pet food activities.

F.A.R.M

The 2nd International Molecular Plant Protection Congress was hosted at the R&D center F.A.R.M in Bursa Orhangazi on 15-18 May 2023.

Ferbis

The application for amendment to the articles of association for the purpose of going public in order for Ferbis to be traded at Borsa Istanbul A.Ş. was made to the Capital Markets Board (CMB).

Our Only Focus is Agriculture

With the change and transformation process, we continue to be the heart of the sector with innovative approaches by focusing only on the agricultural sector.

Third Quarter

HEKTAS

entered into a process of change and transformation, and organizational changes began to be made accordingly.

The land where our company's plant protection production facility and administrative center is located in Gebze District of Kocaeli Province

was sold to Army Solidarity Institution (OYAK).



In the third quarter,

1
of
57

transferred from the second quarter of 2023 were completed.



Licenses were obtained

4

new formulations, for which R&D studies in the field of plant protection were completed.

4

products were commercialized and added in the portfolio.



In the first 9 months, a total of

17

licenses were obtained and

14

products were commercialized and added to the portfolio.



3 new cultivars of wheat were registered.



In the first 9 months,

5,095,000,000 TL
bonds were redeemed

In the first 9 months,

6,370,000,000 TL
bonds were issued

In the first 9 months,

1,970,669,486 TL
investment was made.



It was awarded the Stars of Export award organized by the Istanbul Chemicals and Chemical Products Exporters Association (IKMIB) for 5 consecutive years.

It ranked **243rd** on the **Fortune 500** list, rising 51 places.

It ranked **303rd** rising 127 places in the "Turkey's 500 Largest Companies" research organized by **Capital** magazine.

It ranked **270th** on the **ISO 500** list, rising 71 places.

It ranked 57th in the list of "Turkey's Top R&D Spending Companies" prepared by Turkishtime magazine, rising 15 places compared to last year.



Fourth Quarter

Compared to 2022, its revenue decreased
by **39.62%**.

Compared to 2022, its net profit decreased
by **178.14%**.

Compared to 2022, its EBITDA decreased
by **145.72%**.



20
of
56
projects transferred from
the third quarter of 2023
were completed and
1
new project
was added.

As of the end of 2023,
a total of
18
licenses were obtained
and
16
products were
commercialized and
added to the portfolio.

**A total of
37 R&D
projects
were
transferred
to 2024.**

Licenses were obtained
on behalf of HEKTAŞ for
**2 new
formulations**
for which R&D studies
in the field of plant
protection were
completed.

As of the end of 2023,
2,730,447,421 TL
investment was made.

As of the end of 2023,
6,370,000,000 TL
bonds were issued.

As of the end of 2023,
5,345,000,000 TL
bonds were redeemed.



Ferbis

The application for amendment to the articles of association for the purpose of going public in order for Ferbis to be traded at Borsa İstanbul A.Ş. was made to the Capital Markets Board (CMB), and the application was approved by the Ministry of Trade.

HEKTAŞ Asia LLC

The capital of
HEKTAS ASIA LLC was
increased.

Pet Mama

"Pet Mama" was
transferred to Arma
İlaç A.Ş.

Arma İlaç A.Ş.

was sold to Oyak Gıda ve Tarım
Holding A.Ş.

New Business Relationship

Supporting the national economy with international investments

HEKTAŞ has carried its quality, experience, and business ethics beyond the border with two new strategic business relationships.

2022 yılı içerisinde HEKTAŞ kurduğu iki yeni stratejik iş ilişkisi ile kalitesini, deneyimini ve iş ahlakını sınır ötesine taşıyarak, globalleşme yolunda emin adımlarla ilerleyip, Türkiye’de tarıma yön veren kimliğini dünya çapında da sürdürmeye devam etti. 2022 yılında biri Malezya’da diğeri de Pakistan’da faaliyet gösteren iki şirket ile mutabakat metni imzaladı.

Memorandum of Understanding Between HEKTAŞ and Boustead Holdings Berhad

Malaysia, the 3rd largest economy in Southeast Asia and the 35th largest in the world, is also the 45th most populous country globally.

With a tropical climate characterized by year-round rainfall and an average temperature of 28 degrees Celsius, the country’s agricultural diversity is limited due to the dominance of tropical conditions. Approximately 30% of Malaysia’s land is dedicated to agriculture, primarily located in the southern regions.

As of 2021 World Bank data, the country’s GDP composition includes a 10% share for the agricultural sector, 38% for industry, and 52% for the services sector. Malaysia’s economy is economically self-sufficient and it characterized by low inflation and robust capital investment, continues to thrive, ranking 12th in the World Bank’s “Ease of Doing Business” index, making it an attractive destination for investments.

In 2021, Turkey’s exports to Malaysia amounted to \$445 million, with imports reaching around \$3

billion, resulting in a bilateral trade volume of \$3.5 billion. Turkey’s exports to Malaysia increased by approximately 17%, while imports surged by around 56% in 2021.

Turkey primarily exports iron and steel, petroleum and gas, defense industry products, fruits and vegetables, textile fibers and products, as well as clothing and accessories to Malaysia.

Operating under the aim of “Safe Food,” HEKTAŞ extended its commitment beyond borders by signing a memorandum of understanding in July 2022 with BOUSTEAD HOLDINGS BERHAD, based in Malaysia, to collaborate in commodity trading, particularly focusing on food safety.

Founded in the early 19th century under the Malaysian army, BOUSTEAD HOLDINGS BERHAD is one of the country’s oldest conglomerates, listed on the Malaysian Stock Exchange since 1961. The company owns 45 palm oil estates and 10 palm oil mills, covering an approximate area of 98,200 hectares, with 73,500 hectares devoted to cultivation.

Engaged in plantation cultivation, property and industry, pharmaceuticals, heavy industry, trade-finance, and investment, the company predominantly serves the country in the “Plantation Cultivation” sector.

As of the end of 2021, its market capitalization stands at 1.1 billion RM (271 million USD), with total assets of 16.4 billion RM (404 million USD) and total equity of 5.5 RM (1,355 million USD).



Memorandum of Understanding Signed Between HEKTAŞ and Fauji Foundation

Pakistan, the 44th largest economy globally, is also the 5th most populous country in the world. Situated in a monsoon climate characterized by continuous rainfall and strong winds, Pakistan experiences four distinct seasons throughout the year.

Approximately 20% of the country's population is engaged in agriculture, contributing to a labor force participation rate of 53%. The major sectors in Pakistan include 58% in services, 23% in agriculture, and 19% in industry.

Agriculture serves as a primary livelihood for a significant portion of the population. However, due to traditional farming methods and inadequate irrigation infrastructure, agricultural yields are relatively low. Key agricultural products include cotton, wheat, rice, sugarcane, and corn. As of 2021, Turkey's export potential to Pakistan ranks agriculture and livestock 11th and chemicals 1st among the highest product groups.

In an effort to introduce modern agricultural technologies to Pakistan and enhance agricultural productivity, a memorandum of understanding was signed between HEKTAŞ and FAUJI FOUNDATION in September 2022.

This memorandum of understanding aims to foster collaboration in the areas of food security, corporate

farming, agricultural technologies, plant protection, plant nutrition, seed production, and the import and marketing of agricultural chemicals, contributing to the agricultural development of Pakistan.

Established in 1945 to serve British Indian War Veterans during World War II, FAUJI FOUNDATION transferred its shares to Pakistan after the establishment of the Pakistani state in 1947.

The foundation's main activities include shipping, fertilizers, cement, banking, agriculture and food, energy, and petro-gas. Additionally, it operates in digital infrastructure and services, healthcare, mining, petrochemicals, pharmaceuticals, coal gasification, and energy.

The foundation currently meets the needs of approximately 9 million people, representing 5% of the country's population. Over 80% of its income is utilized annually for social aid activities. With 27,000 employees, it is the highest revenue and profitability group company in Pakistan.

The newly established business relationship through the memorandum of understanding in 2022 will contribute to a closer collaboration in the agricultural sector between the two countries, strengthening HEKTAŞ and assisting in achieving new goals. Representatives from FAUJI FOUNDATION were hosted in our country in 2023 to explore potential collaboration models.

Innovative steps for a sustainable growth

To keep pace with the era, maintain competitiveness internationally, make a difference in the market, and stay one step ahead, HEKTAŞ places significant emphasis on Research and Development (R&D) investments.

To keep pace with the era, maintain competitiveness internationally, make a difference in the market, and stay one step ahead, HEKTAŞ places significant emphasis on Research and Development (R&D) investments.

The company considers R&D investments as one of the key building blocks for sustainable growth. Operating with this awareness, the company completed **26 out of the 60 projects carried over to the year 2023, developed 3 new projects, and entered the year 2024 with a total of 37 projects.** The completion of these projects facilitated the production of new products, improvement of product quality and standards, and the implementation of cost-effective and standard-raising techniques.

HEKTAŞ continued to lead the industry and create commercial value in 2023 with R&D projects in Plant Protection, Safe Food, Seed, and Plant Nutrition. **In the field of Plant Protection, the completion of R&D studies resulted in obtaining licenses for 18 new formulations, and throughout the year, 10 new products were introduced to the market as project outputs. In the realm of environmental health, three products were commercialized, and in seed breeding, three products were registered, expanding the portfolio to a total of 16 new products .**

As a company emphasizing education and science, HEKTAŞ continues to collaborate with research academics at TUBITAK, TAGEM, and universities in the fields of Plant Protection, Seed Breeding, and Plant Nutrition, aiming to remain a pioneer in its areas of operation.

HEKTAŞ hosted the II. International Molecular

Plant Protection Congress at the F.A.R.M (Farming, Analysis, Research & More) R&D center in Bursa Orhangazi from May 15 to May 18, 2023 . The congress, organized in collaboration with the Ministry of Agriculture and Forestry, Ankara University, and HEKTAŞ, featured 81 foreign scientists as speakers.

Initiated in 2020 and implemented in 2021, the "HEKTAŞ Traceable Safe Food Platform" project continued to shape the market and lead smart farming applications in 2022 and 2023.

The initial results of the application study developed in this context were obtained in 2021. Through this application, consumers can access personalized mobile applications and command centers based on their needs (Consumer, Expert, Producer) to obtain production details of the fruits and vegetables offered to them. The traceability of products produced within the scope of the Traceable Safe Food Platform project was ensured with blockchain technology. The project facilitated the participation of all stakeholders in the HEKTAŞ Safe Food Platform throughout the production chain, allowing stakeholders' information to be monitored and followed in real-time by other platform partners at every step of the process. In addition, systems were developed for artificial intelligence-supported smart farming technologies to enable producers to achieve more efficient production, drawing attention to food safety.

Food-related issues not only affect human health but also extend to the economic and social structures of individuals, families, communities, sectors, and ultimately, countries. Hereby, the Company, once again proving itself as the Pioneer of Smart Agriculture with the "Traceable Safe Food

NUMBER OF PROJECTS

37

The Company developed 3 new projects, and entered the year 2024 with a total of 37 projects.



Platform' project, developed the 'Traceable Safe Food Application' as a result of this project. Through the QR code on vegetable products in stores, consumers can instantly access information about the producer, location, time, and all residue analyses accredited by institutions related to the cultivation conditions of that product.

To enhance and differentiate organomineral fertilizers, referred to as the next generation of fertilizers in Plant Nutrition products; ongoing efforts involve formulating slow-release formulations and imparting features that elevate the mineral

uptake levels in plants. Simultaneously, product development studies for Biostimulants and liquid foliar fertilizers aim to expand the Plant Nutrition product portfolio.

Investments made in the laboratories of the R&D Center within HEKTAŞ F.A.R.M (Farming, Analysis, Research & More) in Orhangazi will be expanded with the goal of a sustainable future. The company aims to contribute to competitiveness by adapting to the new era with innovative ideas such as Biological Products.

PROJECTS COMPLETED

26

The company has completed 26 of the 60 projects transferred to 2023.



At HEKTAŞ Gebze R&D Center;

- + 20 of 56 projects transferred from the third quarter of 2023 were completed and 1 new project was added.
- + A total of 37 R&D projects were transferred to 2024.
- + Licenses were obtained on behalf of HEKTAŞ for 2 new formulations, for which R&D studies in the field of plant protection were completed.
- + As of the end of 2023, a total of 18 licenses were obtained and 13 products were commercialized and added to the portfolio.

At Areo Seed Technologies R&D Center;

Areo Tohumculuk contributes to reducing Turkey's **dependence on seed imports and increasing export** volume through its R&D efforts in seed breeding . HEKTAŞ began to increase its competitiveness with international brands by developing varieties that are suitable for market conditions and meet the needs of producers with Areo Tohumculuk.

- + Areo Tohumculuk contributes to reducing Turkey's dependence on seed imports and increasing export volume through its R&D efforts in seed breeding . HEKTAŞ began to increase its competitiveness with international brands by developing varieties that are suitable for market conditions and meet the needs of producers with Areo Tohumculuk.

- + The "Speed Breeding" system, developed through R&D efforts to meet the food needs of astronauts for NASA's Mars mission, has been established. For instance, the variety development period, which typically takes 6 years for wheat, has been reduced to 600 days.

- + **Areo Seed Technologies Center includes biotechnology, tissue culture laboratories, and a phytopathology test greenhouse.** Molecular marker analyses are efficiently conducted using the Real-Time PCR device, optimized with cost-effective, capacity-enhancing methods that are subject to patents. The biotechnology laboratory, testing genetic resistance to pathogens in breeding materials, operates at 100% capacity, making a significant contribution to breeding studies. The tissue culture laboratory successfully develops pure parental lines of hybrid varieties using "double haploid" methods and conducts micropropagation activities in various plant species. These laboratories play a crucial role in plant breeding and genetic research.

- + Our laboratory, playing a pioneering role in the CRISPR-Cas9 technology, one of the most exciting and effective gene-editing tools today, carries out projects involving genetic edits compatible with goals such as increasing cotton plant productivity and strengthening resistance to pests and diseases. Additionally, our laboratories' extensive infrastructure and expert team provide an ideal environment to explore the potential of genetic editing in various plant species. By paving the way for genetic editing in field and vegetable crops, the projects undertaken by our laboratory hold the potential to create a more efficient, resilient, and environmentally sustainable agricultural model in the future.

NEW LICENCES

18

As of the end of 2023, a total of 18 licenses were obtained and 13 products were commercialized and added to the portfolio at HEKTAŞ Gebze R&D Center.



**In 2023,
variety yield
trials were
established in
Aydın, Denizli,
Şanlıurfa, and
Diyarbakır
provinces.**

- + In 2022, cotton in Aydın, Denizli, Diyarbakır, Şanlıurfa; einkorn wheat, barley, chickpea, peas in Ankara; corn in Sakarya; sunflower in Edirne were under research. With the establishment of a 4,500-decare facility in Aydın/Köşk district in 2023, all field crop product groups were centralized at this location. Trials for tomato, pepper, and cucumber vegetable groups are conducted in Orhangazi and Antalya using modern technologies.
- + In cotton, more than 2,000 genetic lines, 1389 individual plant field observations and generation advancement processes, 32 variety micro-yield trials, and field observations, 15 varieties of large-area field observations, and yield performance studies continue in Aydın, Nazilli, and Şanlıurfa in 2021. Additionally, 8 varieties of large-area observations and yield performance studies are ongoing in Şanlıurfa.
- + In 2022, in Aydın Söke, 2 variety yield trials, and 1 drought trial were conducted on 60 acres of R&D land. Crossbreeding studies were carried out in 13 combinations to develop high-fiber varieties. Furthermore, 5000 individual plant selections were made from over 2000 advanced lines at the F4 stage, and analysis processes were performed. In Şanlıurfa, 20 varieties were used for variety yield trials. The materials obtained were processed, analyzed, and seeds were prepared for sowing promising lines.
- + In 2023, variety yield trials were established in Aydın, Denizli, Şanlıurfa, and Diyarbakır provinces. Our cotton station in Aydın Söke R&D Station continued hybridization studies with 6 varieties in 15 different combinations. From the previous year's promising varieties, 2500 individual plant selections were made. Based on the results of trials in 4 locations, production permission was obtained for 2 varieties and 2 new cotton varieties were introduced to our company.
- + The double haploid method is used for selected pepper, cucumber, and eggplant.
- + In the vegetable group, hybrid trials were established to meet market demands such as disease resistance, different fruit types, and quality, focusing on increasing the genetic material numbers in the Middle East, South America, Mexico, Europe (Italy, Spain), and Morocco.
- + Analysis and breeding studies for disease resistance in 11 different types of tomatoes are ongoing.
- + Registration stages for varieties with adaptation to different regions and high genetic resistance are in progress.
- + Breeding, adaptation, regional disease resistance, and registration studies are ongoing for 16 types of peppers.
- + Breeding, adaptation, regional disease resistance, and registration studies are ongoing for 5 types of cucumbers.
- + Optimization studies are ongoing for the implementation of wheat breeding using the Double Haploid technology at the facility.

R&D Studies

- + In the Vegetable Breeding Program, preliminary yield trials with numerous plant seeds at various stages, extensive farmer trials for variety candidates (second screen), pre-commercialization (registration) extensive farmer demonstration trials have been initiated according to the plan. Large-scale farmer trials for variety candidates before commercialization continue in the vegetable breeding program. Additionally, thousands of hybrid variety candidates were obtained using newly developed lines (Parental) with completed genetic analyses in different vegetable groups.
- + Prominent varieties were determined based on extensive farmer trials of hybrid variety candidates from the previous period, and registration applications were made. As of the end of 2023, the registration processes of 2 cocktail tomatoes, 2 cluster tomatoes, 3 sweet peppers, 3 bell peppers, 1 red California pepper, and 1 cucumber variety have been completed, and seed production and sales are planned.
- + The royalty rights for the production and sales of 2 cotton varieties, Volkan and Selçuk, were obtained from Nazilli Cotton Research Institute. The commercial seed production of the 2 registered cotton varieties, developed as a result of R&D projects, was carried out on 218 acres in two different regions, yielding 26,556 kilograms of seeds.
- + Aydın's Söke district was determined as the central location, and equipment acquisition efforts for product storage and R&D activities were initiated, and the leasing process for the warehouse has begun.
- + In wheat, observations, analyses, and evaluations of over 2000 different genetic materials in terms of yield, disease, and quality continue on 100 acres of land at Ankara University Faculty of Agriculture, Haymana Research Farm. The genetic materials selected in the 2023 season for yield and preliminary yield trials are sown for observation in the 2024 season, and their development processes are monitored.
- + In the 2023-2024 season, planting trials for drought-tolerant varieties and disease resistance, using genetic materials obtained from international organizations, are ongoing in wheat breeding areas.
- + Adaptation trials for drought-tolerant varieties and disease resistance are being planned in international trials in wheat breeding areas.
- + In sunflower, within the scope of the development of oil sunflower commercial seed varieties within the framework of cooperation with the Trakya Research Institute Sunflower Branch, 5 variety candidates from 2022, 7 variety candidates from 2023, and new F1 candidates created in 2024 will be retested. Breeding studies, including IML herbicide-resistant line development studies, Orobanche-resistant (OR) line development studies, and SU group herbicide-resistant line development studies, continue using generation advancement greenhouses. Breeding studies are supported by molecular research.
- + In chickpeas, 72 yield trials at the yield testing stage and 70 yield trials at the F4 stage were concluded. Three genetic materials were selected as potential variety candidates from the yield trial and will be sown again for observation in the spring of 2024. New genetic materials from the international breeding organization ICARDA have arrived, and yield trials and observation gardens will be planted in the spring of 2024.
- + In corn, haploid seed selections using the In vivo Maternal Haploid technique continue, and 26 DH lines have been developed. Selections for selfing in 192 plants and cob selections in 293 corn lines are ongoing. Evaluation of yield trial results for early corn (74 candidate varieties), mid-season corn (77 candidate varieties), late-season corn (46 candidate varieties), and silage corn (44 candidate varieties) was conducted in Sakarya, Aydın, Konya, and Şanlıurfa locations, resulting in the selection of 59 candidate varieties.
- + The process continues in the 2023-2024 season through selfing, seed multiplication, and hybridization methods

At Ankara High Technology Center;

Microbiology and Genetics

- + Obtaining, purifying and activity measurement of microbiologically based enzymes for use in industrial areas;
- + Obtaining herbal amino acids;
- + Isolation and testing of microorganisms to be used to obtain microbial protective agents for use in products produced in industrial areas such as food and agriculture;
- + Optimization studies in obtaining and purifying secondary metabolites (antibiotics, insecticides, growth hormones) to be obtained from microbial species;
- + Selection, development and optimization studies of necessary microorganisms for starter cultures commonly used in food technology;
- + Renewal and control of stocks of existing bacterial species in stock;
- + Isolating and purifying bacteria from different sample sources;
- + Genetic characterization studies of isolated bacteria; and
- + Isolation and purification of toxic proteins with microbiology-based insecticide properties were carried out.

R&D Studies

Fermentation

- + Activities relating to the improvement of the fermentation conditions of the *Bacillus amyloliquefaciens*, *Bacillus subtilis*, *Bacillus thuringiensis*, *Bacillus megaterium*, and *Bacillus pumilis* bacteria;
- + Obtaining biomass in an industrial scale fermenter;
- + Offering multiple strains for industrial use;
- + Development of the downstream process of industrially produced bacteria; and
- + Final formulation and development of metabolites were carried out.

Chemistry

- + Design of necessary equipment for industrial production planning of formula development of Agrifor, Tradite, and Natsu Series; Accordingly, the development of 6 different liquid fertilizer formulations (Nitrogen-containing, Zinc-Phosphorus-containing, Potassium-containing, Zinc-Boron containing, Calcium-Boron-Nitrogen-containing, Rooting Agent) and their trials for industrial production;
- + Conducting trials for the industrial production of Natsu Ca with existing $\text{Ca}(\text{NO}_3)_2 \cdot 4\text{H}_2\text{O}$;
- + Studying the formulations required for Fe-EDDHA synthesis and initiating pilot trials;
- + Conducting studies on biostimulant formula development and recycling of waste generated during its production;
- + Conducting laboratory studies to produce nanosize plant micronutrients; and
- + Developing and operating analytical, spectrometric, chromatographic, gravimetric, and volumetric analysis methods for all studies carried out in the laboratory were carried out.



Growing market share both at home and abroad

Turkey is among the important agricultural countries in the global agricultural economy with its biodiversity, rich climate structure, geographical conditions, production capacity, and product quality. **Agricultural activities are carried out in a wide variety of areas due to the diversity of climate in Turkey. Agricultural lands in Turkey correspond to 30% of the total surface area of the country. Operating in the fields of plant protection, plant nutrition, and seeds in the agricultural sector, HEKTAŞ provides services in every region of Turkey with its widespread sales network.**

Due to the soil structure in Turkey, it is observed that especially the use of nitrogenous chemical fertilizers is intense, and there is a rapid increase in consumption over the years. It is thought that the effective use of fertilizer can be achieved by preserving the minerals of the soil with correct irrigation methods and subsequent soil analysis.

Agricultural pesticide use is shaped by climatic conditions and product types before and after planting the field, and is independent of seed and fertilizer consumption trends.

When the use of pesticides is examined by years and regions, it is observed that a different pesticide control method is preferred for each year because the factors that harm the soil and the product (pests, fungal factors, disease elements, weeds or parasitic plants, etc.) vary by year and region.

It is observed that the most preferred method in Turkey and the world in the fight against diseases,

pests, and weeds in agricultural production is chemical control, and accordingly, the use of PPP (plant protection product) is on an increasing trend in Turkey and the world.


Agricultural product prices are sensitive to changes in chemical raw material prices, logistics costs, fertilizer prices, and natural gas prices, as well as climatic conditions and production quantities.

When the company's sales in the first 12 months are examined, it appears that there is a decrease in sales revenue of approximately 39,62% compared to 2022. The reasons for this decrease in sales revenue are summarized below:

Climatic Effects

In 2023, when extreme weather events caused by the climate crisis occurred in various places of the world, the hottest September, October, and November months in history were recorded. This weather change experienced in the world also occurred in Turkey. During this period, when a mild winter prevailed, it was observed that there were serious decreases in the amount of precipitation per square meter.

Turkey's average winter temperature in 1991-2020 is 3,9°C. The average winter temperature in 2022-2023 was 5,5°C, which was 1,6°C above seasonal normals, making it the 4th warmest winter in the last 53 years. Turkey's average summer temperature in 1991-2020 is 24,0°C. The average summer temperature in 2023 was 24,7°C, which was 0,7°C above seasonal normals, making it the 7th hottest summer in the last 53 years.



Turkey's average temperature in the autumn season of 1991-2020 is 15.3°C. The average autumn temperature in 2023 was 17.4°C, which was 2.1°C above the seasonal normals, making it the 2nd warmest autumn in the last 53 years. In addition, November 2023 was the hottest November in the last 53 years.

Turkey went through a period with very little rainfall in 2023 until the end of March. In the first 3 months of 2023, which was very mild with no rain, farmers used plant protection products, fungicides and herbicides, very little. Since the climatic environment required for fungicides and herbicides to be used by farmers did not exist, sales in the plant protection business line did not reach the desired levels.

In May, which is one of the periods of intensive use of fertilizer, fields got muddy due to more than normal rainfall in Turkey. Therefore, since farmers could not apply fertilizers on their fields, sales in the plant nutrition business line did not reach the desired levels. As a result, crop yield remained below desired levels.

Russia-Ukraine War

Russia-Ukraine tension caused sudden and speculative increases in natural gas and Brent oil prices, as well as increases in diesel and electricity prices on a foreign currency basis. This triggered an increase in fertilizer prices. Due to the higher fertilizer use per area in Turkey, farmers were seen to be more affected by the increase in fertilizer prices compared to the world average. This caused sales in the plant nutrition business line not to reach the desired levels.

Problems in the Supply Chain

The COVID-19 pandemic, which started in 2020, disrupted international transportation and caused the supply-demand balance to deteriorate and production costs to increase accordingly due to problems in the supply chain. The disruption of international trade and logistics suppressed access to inputs, most of which were imported, and caused an upward movement in prices. Since Turkey's fertilizer use is above the world average, the effect of the increase in fertilizer costs affects Turkish farmers more than the world average and limits the return on agricultural products more than other countries. This caused sales in the plant nutrition business line not to reach the desired levels.

Stabilization of the Exchange Rate

Since the exchange rate remained stable in 2023, our sales did not reach the desired levels due to the decreased appetite of dealers for stocking. HEKTAŞ had difficulty in dissolving the fertilizer raw material it had taken into stock due to the Russia-Ukraine war in 2023, due to the decrease in dealers' appetite for stocking.

Earthquake Disaster

One of the places where HEKTAŞ's sales activities are strongest are the regions where the earthquake occurred in February 2023.

On February 6, 2023, two earthquakes with magnitudes of 7.7 and 7.6 occurred, with the epicenter in Pazarlık and Elbistan districts of Kahramanmaraş province. On February 20, 2023, another earthquake of magnitude 6.4 occurred, with the epicenter in

Yayladağı, Hatay. These earthquakes caused great destruction in 11 provinces in total. The total population of 11 provinces affected by the earthquake was recorded as 14 million people for 2022. This population constitutes 16.4% of the total country population. The main production activities in the region are in the service, industry, and agriculture sectors, respectively.

Heavy rain and thundery showers occurred on March 14, 2023 and March 15, 2023 in Adıyaman and Şanlıurfa provinces, which were affected by the major earthquake on February 6, 2023. As a result of thundery showers, floods and landslides occurred. Record rainfall was observed in Şanlıurfa. Total daily precipitation of 119 mm exceeded the long-term daily maximum precipitation of 90.5 mm. Agricultural lands were seriously damaged by both the earthquake and the floods that occurred in March. In this region, HEKTAŞ put aside the sales targets it set at the beginning of the year and focused on supporting the farmers and dealers who were affected by the earthquake and healing their wounds as soon as possible.



As a result, the climatic conditions of 2023 and the earthquake disasters experienced in the world and in Turkey had a negative impact on the agricultural sector in Turkey in particular. These problems experienced are periodic and temporary. It is expected that sales will reach the desired levels in the future as climate conditions return to normal levels and disasters are addressed hand in hand.

Sales Channels

Together with its subsidiaries, HEKTAŞ serves farmers all over Turkey with 6 regional directorates and around 1,500 distribution points.

Quantitative Sales

As of the end of 2023, the sales amount of products belonging to the company's plant protection and plant nutrition business lines were realized as 83,567,930 kg and the sales amount of products belonging to the seed business line was realized as 2,228,633 units.

Sales Channels

Head Office	Gebze / Kocaeli
Çukurova Regional Directorate	Çukurova / Adana
Central Anatolia Regional Directorate	Çankaya / Ankara
Mediterranean Regional Directorate	Antalya
Marmara Regional Directorate	Osmangazi / Bursa
Aegean Regional Directorate	Bornova / İzmir
Southeastern Anatolia Regional Directorate	Haliliye / Şanlıurfa

HEKTAŞ;

Providing the products and services needed by producers to every point of agricultural production in Turkey with 6 regional directorates, HEKTAŞ serves with a total of 1,252 sales points, including 981 retailers, 178 private institutions, 70 wholesalers, and 23 exporters, in 2023.

Ferbis;

Providing the products and services needed by producers to every point of agricultural production in Turkey with 3 regional directorates, Ferbis serves with a total of 383 sales points, including 343 retailers, 29 private institutions, and 11 wholesalers, in 2023.

Together with its subsidiaries, HEKTAŞ serves farmers all over Turkey with 6 regional directorates and around 1,500 distribution points.



We are carrying out digital transformation in the agricultural sector.

HEKTAŞ, a company dedicated to adding value to Turkish agriculture, continues to expand its existing projects, aiming for widespread adoption among producers.

Since its establishment, HEKTAŞ has focused not only on increasing productivity and quality but also on sustainability. Aligned with the motto "Pioneer of Smart Agriculture," HEKTAŞ remains committed to supporting producers. Sensors located in the HEKTAŞ F.A.R.M. (Farming, Analysis, Research & More) facility greenhouse, high-tech agricultural drones, and the Traceable Safe Food Platform secured by blockchain technology continue to add value to Turkish agriculture, as HEKTAŞ persists in expanding its existing projects, aiming for widespread adoption among producers.

Turna

As part of the "Nationalization of Remote Sensing and Application Systems in Agriculture" project, HEKTAŞ has been conducting imaging and application activities with Turkey's first agricultural spraying drone, HEKTAŞ TURNA, registered under the UAV-2 status by the General Directorate of Civil Aviation. This year, HEKTAŞ has added the DJI Agras T40 agricultural spraying drone to its drone fleet. With three drones holding UAV-2 status, the company provides effective and rapid results-oriented solutions for agricultural pest control.

One of the leading applications of digital agriculture is drone-based spraying, allowing farmers to save both time and the plant protection products they use. **While spraying with drones, unmanned aerial vehicles flying over agricultural lands observe the health level of plants using specific infrared cameras, identifying the need for water or fertilizer.** Drones that can scan and map hundreds of acres of farmland in a short period inform producers with the photos they capture.



We make digital transformation happen in the agriculture industry

Our activities aim to increase customer loyalty and HEKTAŞ product promotions aim to promote sales.

Customer Club

Customers are one of the most crucial resources for companies. To ensure the longevity of companies beyond the lifespan of their managers and enhance sustainability, it is essential to understand the importance and value of customers.

Focused sales methods and attention to individual details contribute to increasing customer loyalty. By establishing a connection with customers, the company can identify their expectations, allowing steps to be taken towards providing excellent service.

HEKTAŞ, with a customer-centric management strategy, continues to create and maintain innovative applications that provide customers with the highest level of experience during their HEKTAŞ journeys.

Established in March 2018 as an industry-first, the Customer Club aims to enhance and strengthen the bond between HEKTAŞ and its most valuable assets – the customers. **Through this club, sensitivity to events, purchasing habits, and communication activities of customers is identified, fostering and solidifying the connection established through commerce .**

The HEKTAŞ Customer Club is a social network created exclusively for selected retail customers, offering various activities and unique opportunities within the world of HEKTAŞ.

Having celebrated its 6th year in 2023, the Customer Club has been updated with a total of 535 members, including 478 retail and 57 sub-

retail members . The club enables data analysis in various aspects, such as members' sensitivity to events, purchasing habits, and communication activities. **Members spent a total of 133,971 minutes on the platform by the end of the fourth quarter of 2023. With 7,507 participations in communication modules by the end of the fourth quarter of 2023, interaction was demonstrated. As a result of all these interactions, 3,961 gifts were given to members based on the points earned through product purchases from 2018 to the end of the fourth quarter of 2023 .**

Launches

HEKTAŞ introduced plant nutrition for sustainable agricultural production and new local seeds for the first time at the Growtech Fair. At the fair, HEKTAŞ presented the 'Premium' version of Tradite organomineral fertilizer, which has been well-received by producers for the past six years, and more than 20 new seed varieties, including cotton, corn, sunflower, and vegetables such as pepper, tomato, and cucumber, from its subsidiary in the seed business, Areo Tohum.

Press Releases

Through press releases with titles such as "Strategic investment in agriculture from OYAK," "The pulse of world agriculture will beat in Orhangazi," "The future of agriculture is not in the field but in science," "Names shaping the future of agriculture meet in Orhangazi," and "HEKTAŞ's local vegetable seeds introduced at the Growtech Fair," access was provided to over 12 million people in the print media and approximately 3 million people in the digital media.

NUMBER OF CLUB MEMBERS

535

Having celebrated its 6th year in 2023, the Customer Club has been updated with a total of 535 members, including 478 retail and 57 sub-retail members .



Fair and Congress Participations (Agriculture)

- + Growtech 2023 (Antalya)
- + DLG Potato Days (Nevşehir)
- + DLG Karaevli Agriculture and Technology Days Fair (Tekirdağ)
- + Kaş Kınık Agriculture Fair (Antalya)
- + Salkonder Farmer's Day Seminar (Balıkesir)

Field Days (Areo)

- + Tomato Field Day (Mersin)
- + Cotton Field Day (Aydın)

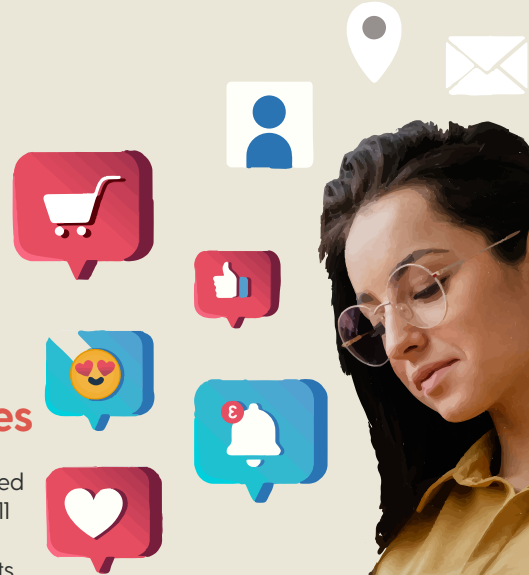
Digital Marketing Activities

Communication efforts on digital channels reached approximately 20 million people in 2023. Around 11 million of these accesses were achieved through digital advertising campaigns focusing on interests, regions, and crops.

CLUP
PARTICIPATION

7,507

With 7,507 participations in communication modules by the end of the fourth quarter of 2023, interaction was demonstrated.



Achievements and Awards

We lead in Corporate Perception and Customer Satisfaction.

According to the results of the “Corporate Perception and Customer Satisfaction Survey,” conducted every two years in collaboration with an independent and accredited research organization, HEKTAŞ surpassed global brands, maintaining a brand awareness rate of 100% among its target audience and a satisfaction rate of not less than 90%.

+ HEKTAŞ has won the İKMİB Export Stars Awards for the fifth consecutive time, organized by the Istanbul Chemicals and Chemical Products Exporters’ Association (İKMİB).

+ In the “Turkey’s Top 500 Industrial Enterprises Research,” prepared by the Istanbul Chamber of Industry (ISO), HEKTAŞ ranked 270th, maintaining its position in the top 500 for the fifth consecutive time.

+ In the “Fortune 500 Turkey Research,” it climbed 51 steps and secured the 243rd position.

+ In the list of “Turkey’s Companies with the Highest R&D Expenditure” prepared by Turkishtime, HEKTAŞ ranked 57th this year.

+ In the “Turkey’s Top 500 Companies” research conducted by Capital Magazine, HEKTAŞ rose 127 places and claimed the 303rd position.

+ According to the results of the “Corporate Perception and Customer Satisfaction Survey,” conducted every two years in collaboration with an independent and accredited research organization, HEKTAŞ surpassed global brands, maintaining a brand awareness rate of 100% among its target audience and a satisfaction rate of not less than 90%.



Activities adding value to the society

Accessible Agriculture Project

Under the coordination of the Orhangazi District Governorship, HEKTAŞ provided consultancy and seedling support for the “**Accessible Agriculture**” project implemented for students with special needs. The “Accessible Agriculture” project, including greenhouse areas, agricultural workshops, and classrooms, aimed to integrate students with special needs into agriculture and provide them with vocational training. In 2023, students harvested broccoli in the production area as part of the project.





Investor Relations Unit and Activities

Accurate, transparent, reliable information and open communication

The Investor Relations unit acts as a connection between investors and the Company, implementing a fair, accountable, and transparent management approach.

The Investor Relations Unit operates under the Company's Financial Affairs Directorate. It fulfills information requests from shareholders and investors within the framework of regulations, articles of association, Corporate Governance Principles, and the Disclosure Policy. It is also a member of the Corporate Governance Committee. The duties and powers of the Investor Relations Unit are regulated by Article 11 of the Corporate Governance Communiqué (II-17.1) published in the Official Gazette dated January 3, 2014, and numbered 28871.

Corporate information, reports, relevant period financial statements, and special disclosures that investors need can be accessed through the Investor Relations section of the Company's corporate website (www.hektas.com.tr).

The Investor Relations unit acts as a connection between investors and the Company, implementing a fair, accountable, and transparent management approach. It represents the Company before the

Capital Markets Board (SPK), Borsa İstanbul, Central Securities Depository (MKK), and other regulatory authorities.

The unit adheres to the regulations required by legislation to ensure the accurate, non-exaggerated, and timely dissemination of non-insider information to relevant individuals and institutions.

The Investor Relations unit promptly responds to individual investor inquiries that do not involve insider information, maintaining transparent communication with investors.

In 2023, the Investor Relations unit held meetings with 12 Investment firms and 2 Portfolio Management Companies in Orhangazi, facilitating the preparation of visit reports by 5 Investment Firms.

The unit actively participated in the IPO process of Ferbis in 2023 and organized the Ordinary General Assembly meeting of the Company in 2022 within the framework of relevant laws and regulations.

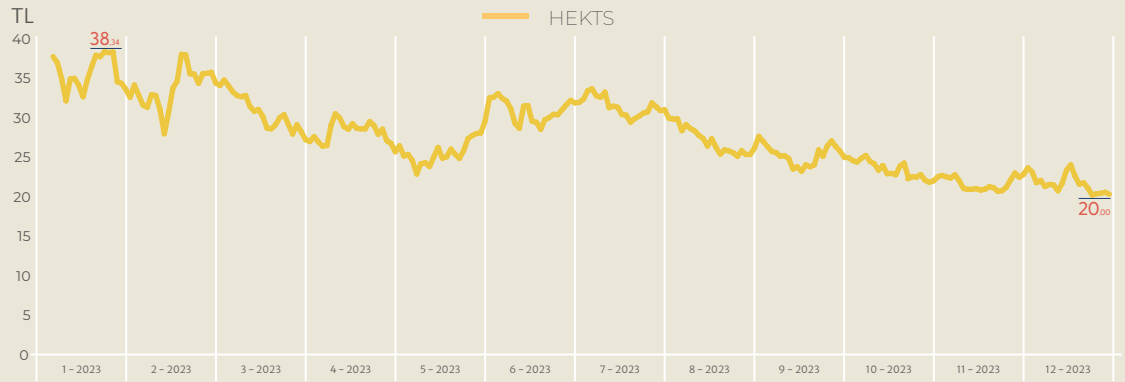
NAME-SURNAME	TITLE	LICENCE	E-MAIL	TELEPHONE
Tuba Bektaş	Investor Relations Director	CMB Level 3 License, Corporate Governance Rating License, Derivative Instruments License, Credit Rating License	investorrelations@hektas.com.tr yatirimciiliskileri@hektas.com.tr	+90 262 888 19 56
Füsün Dönertaş	Investor Relations Manager			-90 262 888 19 56



Share Information

Public Offering Date	1981
Issued Capital	2,530,000,000
Free Float Rate	44.63%
Share Code	HEKTS
ISIN Code	TRAHEKTS91E4R
Borsa Istanbul (BIST) Pazar where the Capital Market Instrument is Traded	Star Market / Spot Market - (Among Qualified Investors)
Indexes Including the Company	BIST KOCAELİ / BIST YILDIZ / BIST SINAİ / BIST 100 / BIST 50 / BIST 30 / BIST TÜM / BIST Chemical, Oil, Plastic

PERFORMANCE OF THE STOCK DURING THE YEAR



- + HEKTAŞ stock began the year 2023 at TRY 37.70, closing the year at TRY 20.10, marking a 47% decrease.
- + There was a 313% increase in the trading volume of HEKTAŞ stock during the year 2023.
- + In 2023, HEKTAŞ remained listed on the "FTSE Index" on the London Stock Exchange.
- + In 2023, HEKTAŞ continued to be included in the "MSCI Turkey Index."

Credit Rating Scores

Credit Rating Scores

2019	Short term	A-1+(Trk)	The outlook for the ratings was determined as "stable"
	Long Term	AA (Trk)	Evaluated in the investable category on the National & International scale National rating restricted by the Country rating
2020	Short term	A-1+(Trk)	The outlook for the ratings was determined as "stable"
	Long Term	AA (Trk)	Evaluated in the investable category on the National & International scale National rating restricted by the Country rating
2021	Short term	A-1+(Trk)	The outlook for the ratings was determined as "stable"
	Long Term	AA (Trk)	Evaluated in the investable category on the National & International scale National rating restricted by the Country rating
2022	Short term	J1+ (tr)	The outlook for the ratings was determined as "stable"
	Long Term	AA (tr)	Evaluated in the investable category on the National & International scale National rating restricted by the Country rating
2023	Short term	J1+ (tr)	The outlook for the ratings was determined as "stable"
	Long Term	AA (tr)	Evaluated in the investable category on the National & International scale National rating restricted by the Country rating

About the Sector in Which the Business Operates



Agricultural Production Data

The annual increase in the Producer Price Index for agricultural products (Agricultural PPI) was 52.66%, and the monthly increase was 6.34%.

In Agricultural PPI (2015=100), in December 2023, there was a 6.34% increase compared to the previous month, a 52.66% increase compared to the previous year's December, and a 72.04% increase compared to the twelve-month averages.

Compared to the previous month, there was a 1.86% increase in forestry products and related services, a 2.62% increase in fish and other fishing products, and a 6.55% increase in agricultural and hunting products and related services. In main groups, there was a 1.98% decrease in perennial plant products, a 4.96% increase in live animals and animal products, and an 11.81% increase in annual plant products compared to the previous month.

According to TURKSTAT data, the subgroups with a low annual increase were fiber plants with 25.93% and cereals (excluding rice) with 26.76%. In contrast, the subgroups with a high annual increase were oily fruits with 170.59% and live poultry and eggs with 102.77%. The only subgroup showing a decrease compared to the same month of the previous year was citrus fruits with 24.96%.

According to the Plant Production Statistics published by TURKSTAT based on data from the Ministry of Agriculture and Forestry, production increased in 2023. Production quantities increased by 10.3%

for cereals and other plant products (excluding forage crops), 0.6% for vegetables, and 2.3% for fruits, beverages, and spice plants compared to the previous year.

Accordingly, in 2023, production reached 77.7 million tons for cereals and other plant products, 31.8 million tons for vegetables, and 27.4 million tons for fruits, beverages, and spice plants.

Agricultural Growth

Gross Domestic Product (GDP) increased by 4.5% in 2023. When the GDP, obtained by the sum of four quarters by production method, is examined as the chain-linked volume index (2009=100), it increased by 4.5% compared to the previous year in 2023.

When the activities constituting the GDP are examined; in 2023, compared to the previous year as a chain-linked volume index; the total value added of finance and insurance activities increased by 9.0%, construction by 7.8%, services by 6.4%, other service activities by 4.6%, public administration, education, human health, and social services by 3.8%, real estate activities by 2.7%, information and communication activities by 1.3%, professional, administrative, and support service activities by 1.2%, and industry by 0.8%. The agricultural sector decreased by 0.2%.

The first estimate of GDP for the fourth quarter of 2023; as a chain-linked volume index, increased by 4.0% compared to the same quarter of the previous year.

About the Sector in Which the Business Operates

Agricultural Product Exports

According to the TGDF Digital Data Panel prepared based on the Foreign Trade Data of the Turkish Statistical Institute (TURKSTAT), in 2023, there was a 4.92% increase in agricultural, food, and beverage sector exports compared to the previous year, reaching 26.49 billion USD, and a 3.46% increase in imports, totaling 21.13 billion USD. Agricultural exports in 2023 increased by 2.8% compared to the previous year, reaching 35,164,253,000 USD, constituting 15.9% of the country's total exports. In December, exports amounted to 3.4 billion USD.

While the highest exports in the past year included flour, hazelnut kernels, and refined sunflower oil, the most imported products were wheat, soybeans, and raw sunflower seeds. In 2023, the top export destinations were Iraq, Germany, and Russia, while the leading sources of imports were Russia, Ukraine, and Brazil. According to the Turkey Exporters Assembly (TIM) data, Turkey's 2023 exports were announced as 255.8 billion USD in the 100th year of the Republic.

Supports

In 2023, the Ministry of Agriculture and Forestry provided TRY 63.4 billion in agricultural support, with 42.9 billion TRY allocated to plant production, TRY 14.9 billion to animal production, TRY 4.9 billion to rural development, TRY 266 million to aquaculture, and TRY 430 million to agricultural R&D. Under IPARD-II in 2023, a total of TRY 3 billion in grant support was provided for 3,375 projects, creating employment for 7,200 individuals. It was also announced that TRY 4.7 billion in grant support was provided for rural development investments in 2023.

According to the bulletin shared by the Ministry, in 2023, grant support was allocated as follows: TRY 1.05 billion for renewable energy, TRY 706 million for beekeeping, craftsmanship, and the aquaculture sector, TRY 650.7 million for plant production, TRY 245.4 million for rural tourism, TRY 127.7 million for processing and marketing of agricultural and food products, TRY 121.7 million for animal production, TRY 84.5 million for promoting local development strategies, and TRY 9 million for erosion control in agricultural areas.

Developments in Agriculture

The Presidential Decree for Support 2023 dated 14.09.2023 and numbered 7613 regarding biological and biotechnical control and quarantine support came into force after being published in the Official Gazette dated 15/09/2023 and numbered 32310.





Contributions of HEKTAŞ to the Sector Throughout the Year

Increase in agricultural production data

According to the data collected by the Ministry of Agriculture and Forestry of the Republic of Türkiye and published by the Turkish Statistical Institute (TUIK), there was an increase in grains, other plant products and fruits compared to the previous year.

Maviyemiş (*Vaccinium corymbosum* L.)



ÇEŞİT	: Bluecrop
DİKİM TARİHİ	: Ocak, 2021
OLGUNLAŞMA	: Orta
FORMA ŞEKLİ	: Çalı Free - V
ORTALAMA VERİM	: 2800 kg/da
TAHMİNİ HASAT ZAMANI	: Temmuz ayının 3.- 4.

Embracing the domestic and national agriculture ideology for 67 years, HEKTAŞ has been guiding the sector as a leader, consistently updating itself with a team attuned to the needs of the industry and target audience. In 2023, HEKTAŞ continued its innovative efforts with realistic forecasts, plans, and innovative projects, progressing steadily on the path of sustainable growth.

Leading the sector with its efforts in plant protection, plant nutrition, seed, and smart agricultural technologies, HEKTAŞ, with its 67-year deep-rooted history, continued the steps it took in 2022 towards becoming a global company into the year 2023.

With the vision and support of OYAK, HEKTAŞ's profound foresight regarding agricultural advancements came to life in the HEKTAŞ F.A.R.M. facility located in the Orhangazi district of Bursa. The facility has been completed and hosted an international congress shedding light on the future of the agricultural sector. The facility is Turkey's first and one of the world's leading agricultural R&D centers in its field. **The F.A.R.M., focused on increasing agricultural productivity and sustainability through digitized processes and cutting-edge techniques, is one of the most comprehensive facilities in its field.**

At the HEKTAŞ F.A.R.M. facility, **HEKTAŞ participated as an invited speaker in the 2nd International Molecular Plant Protection Congress (IMPPC2023) held in collaboration with the Ministry of Agriculture and Forestry and Ankara University from May 15 to 18. The congress featured 81 international scientists from 20 countries across five continents. The opening lecture of the congress, attended by a total of 600 participants,**

including 300 international guests, was delivered by American biology professor Craig Mello, who was awarded the Nobel Prize in Medicine in 2006 for his work on RNA interaction. Experts in molecular entomology, molecular plant pathology, and molecular weed science discussed their latest findings and innovative agricultural practices in sessions covering plant mycology, plant virology, plant bacteriology, and entomology over the course of four days. They engaged with colleagues and industry stakeholders during these sessions. The congress included 167 oral presentations, 53 poster presentations, and 40 local and international stakeholders with exhibition booths.

To strengthen mutually beneficial economic relations between Turkey and Uzbekistan, and to support export-oriented growth by being close not only to the Uzbekistan market but also to other Turkic Republics, a company named "HEKTAS ASIA LLC" will be established in Tashkent, Uzbekistan, to operate in the field of plant protection and nutrition. This venture stands as one of HEKTAŞ's most significant investments.

With the increase in population and the decrease in seasonal conditions and agricultural production areas, the importance of efficient agricultural practices and access to food is gradually growing. Therefore, agricultural production and food security, holding strategic significance, will continue to be the most crucial agenda item for all countries as long as the world exists.

Evaluating inorganic and organic growth opportunities, HEKTAŞ expands its portfolio in the agricultural sector with innovative and distinctive products and services. The company continues its



steady growth, particularly through investments in strategic areas such as seeds and plant nutrition. In addition to its conducted R&D studies, HEKTAŞ, always alongside producers with various field activities, maintains its position as the most trusted company in the eyes of producers and dealers, thanks to its professional engineering team. With a robust sales network and an experienced sales team, HEKTAŞ is the preferred choice in all aspects of agricultural production activities.

The company ensures high customer satisfaction by offering productivity-enhancing products for innovative and sustainable agricultural production. Implementing efficiency-focused initiatives with smart greenhouses, sensors, imaging, analysis, and artificial intelligence systems, HEKTAŞ **takes the lead in the Agricultural 4.0 transformation in Turkey, while building its future strategy based on Agriculture 5.0.**



Digital investments for a sustainable agriculture

HEKTAŞ integrates artificial intelligence and remote monitoring applications to strengthen the Turkish agricultural sector, to ensure the future of sustainable agriculture, and to reduce foreign dependency.

In its simplest sense, sustainability can be referred to as the ability to endure. In other words, sustainability is our capacity to meet our own needs without compromising the needs of future generations. In a world where resources are depleting day by day and aging, ensuring the transfer of resources to future generations without depletion can only be achieved through a consciousness of sustainability. Both societies and companies have responsibilities in this regard.

Sustainable agriculture involves holistic agricultural practices that respect the natural flow of life, are socially livable, economically efficient, preserve human health, and prioritize environmental concerns. Agricultural activities account for 18% of global greenhouse gas emissions, and the food and agriculture sector, with high water intensity, constitutes 69% of total global water usage.

Erosions occur worldwide due to incorrect farming practices, leading to the loss of land area. Good agricultural practices involve methods that do not harm human health, do not pollute the environment, do not negatively affect the well-being of individuals involved in production, and are subject

to scrutiny. In Turkey, the production of agricultural products certified by GLOBALGAP started in 2003 in response to the demand from European retailers. **Areo Tohumculuk has a Global Gap certificate; in addition, it also has a seed production, processing and packaging certificate, authorized seed establishment certificate and research institution certificate issued by the Ministry of Agriculture.**

The increasing water requirement in agricultural production, ongoing asymmetric developments in industry, water source pollution, and rapid population growth in our country are expected to triple the water usage within the next 25 years. Therefore, according to FAO data, water resources in the agriculture sector, constituting 87.2% of total water extraction in Turkey, should be used correctly and efficiently.

HEKTAŞ, recognizing that digital technologies and artificial intelligence play a crucial role in the future of sustainable agriculture, integrates artificial intelligence and remote monitoring applications into its plant protection, plant nutrition, and seed development efforts to strengthen the Turkish agriculture sector and reduce external dependencies.



Orhangazi Facility contributes to sustainability in terms of zero waste and water saving.

90% saving on water



Wrong Agricultural Practices

Water

- + Planting crops that are not suitable for the region and consume a lot of water
- + Not irrigating based on seasonal data
- + Systemic leaks
- + Open water distribution systems and flood irrigation
- + Excessive use of chemical pesticides and fertilizers

Soil

- + Excessive and deep cultivation of the soil
- + Increased soil salinity with excessive irrigation
- + Incorrect fertilizer selection without soil analysis
- + Excessive use of chemicals
- + Using agricultural lands for different purposes



Sustainable Agricultural Practices

Water

- + With drip irrigation using the water pressure system, water is delivered drop by drop to the root of the plants and the optimum level of water is used.
- + Rainwater is collected in farm ponds and then used for agricultural irrigation, benefiting from natural resources.

Soil

- + With conservation tillage, plant residues and other organic matter are returned directly to the soil, enriching it naturally.
- + Soil fertility and biodiversity are increased by planting different plants one after the other by crop rotation.

Sustainability Activities

Having implemented smart farming practices for years, HEKTAŞ has turned its knowledge, experience, and expertise into a mission to share with both local and international producers at the HEKTAŞ F.A.R.M. (Farming, Analysis, Research & More). Disruption in one link of agricultural production, food security, and the ecological chain negatively affects the entire system. To mitigate these adverse effects, scientific goals, clear plans, and significant environmental impact studies at the value chain level are conducted at this center. Smart farming practices are the most effective method to minimize the damages of climate change and protect agricultural production. The center actively transfers experiences related to innovative agricultural practices to all customers. Research and development studies focusing on new technologies, products, and agricultural methods are conducted in collaboration with universities.

Hosted by HEKTAŞ at F.A.R.M. facility, HEKTAŞ participated as an invited speaker in the 2nd International Molecular Plant Protection Congress (IMPPC2023) held in collaboration with the Ministry of Agriculture and Forestry and Ankara University from May 15 to 18. The congress featured 81 international scientists from 20 countries across five continents. The opening lecture of the congress, attended by a total of 600 participants, including 300 international guests, was delivered by American biology professor Craig Mello, who was awarded the Nobel Prize in Medicine in 2006 for his work on RNA interaction. Experts in molecular entomology, molecular plant pathology, and molecular weed science discussed their latest findings and innovative agricultural practices in sessions covering plant mycology, plant virology, plant bacteriology, and entomology over the course of four days. They engaged with colleagues and industry stakeholders during these sessions. The congress included 167 oral presentations, 53 poster presentations, and 40 local and international stakeholders with exhibition booths.

This facility, which will be the first of its kind in Turkey, is planned to establish a fully automated, healthy, reliable, and traceable production system that is 8-10 times more efficient than conventional systems, capable of year-round production, operates with zero pesticide usage and zero waste, and provides a 90% water saving from seed planting to harvest. The establishment of this facility will contribute to sustainability by efficiently using resources in terms of zero waste and water conservation.

In a world where resources are diminishing day by day, especially food security emerges as a crucial issue. Factors posing threats to human health, particularly access to food, are detrimental to the health of all living beings.

To create a more livable and secure world, resources must be used rationally. Companies adopting a sustainability mindset will endure in the long run. **Through the HEKTAŞ Traceable Safe Food Platform, the journey of food from seed to table is irreversibly recorded, and all these processes are presented to the end consumer through digital platforms.** HEKTAŞ, fostering awareness in this regard, has been continuously engaged in activities since 1956, establishing an organic connection with sustainability long before.

HEKTAŞ contributes to the transformation of increasingly unproductive country soils into fertile ones and the recovery of lost minerals within the soil through its organomineral fertilizer production. By enhancing agricultural productivity, it offers long-term solutions. **With the awareness that soil is the most valuable asset, the organomineral fertilizer production project has been implemented to reduce the use of chemical fertilizers and enrich the soil.**

In alignment with the United Nations' Sustainable Development Goals, HEKTAŞ reaffirms its commitment to all living beings and the environment. Through organomineral fertilizer production, HEKTAŞ contributes to the sustainable and efficient agricultural production, aiding in the revival of diminishing yields in agricultural lands due to chemical fertilization and the protection of underground water resources contaminated by chemical fertilizers.

The degradation of the country's soils and the decrease in freshwater sources also reduce agricultural production. Additionally, droughts and floods caused by climate change negatively impact agricultural production. To ensure the healthy continuation of the food chain, maintain consistent living standards for all organisms despite changing conditions, and meet the food supply needs of all living beings, one of the most crucial techniques developed is water-efficient agriculture. **Embracing the concept of water-efficient agriculture, HEKTAŞ aims to maximize agricultural productivity by developing drought-resistant seeds in collaboration with Agriventis Technologies.**

NUMBER OF PARTICIPANTS

600

The 2nd International Molecular Plant Protection Congress (IMPPC2023) held at the Hektaş F.A.R.M. facility, hosted a total of 600 guests, 300 of whom were international guests, and featured 81 international scientists from 20 countries across five continents. It is a unit implementing

Biological preparations developed at the Ankara High Technology Center will introduce Turkish agriculture to next-generation plant nutrition and plant protection products.

There are 17 Sustainable Development Goals (SDGs) in the 2030 Agenda for Sustainable Development adopted by the United Nations Member States. Sustainability criteria help assess environmental risks and how these risks are managed.

HEKTAŞ evaluates the social, economic, and environmental impacts in all its activities, takes necessary measures, and develops projects and investments in line with its mission and vision, focusing on the UN Sustainable Development Goals to contribute to our country's sustainability targets . Adhering to the strategies set by OYAK, assessments are made regarding "Climate Change Risks." Within this context, projects are underway to reduce carbon emissions, evaluate the impact on ecosystems, determine necessary measures, and develop seeds that reduce water consumption.

All facilities are being upgraded with modern technologies for more efficient and secure production . In line with the goals of reducing carbon

emissions and ensuring access to clean energy, efforts are underway to install a solar power plant to meet all energy consumption from renewable sources.

In the scope of promoting a healthy and quality life, exclusive health insurance was provided as an additional benefit to all blue-collar employees in 2023. HEKTAŞ reviews all its processes with a sustainability mindset and takes necessary actions.

Aligned with the Sustainable Development Goals, HEKTAŞ evaluates opportunities in various business sectors to enhance agricultural efficiency and promote eco-friendly practices. In line with the company's activities and objectives, it takes on various responsibilities in Turkey as the "Pioneer of Agriculture" to offer high-quality products for different markets.

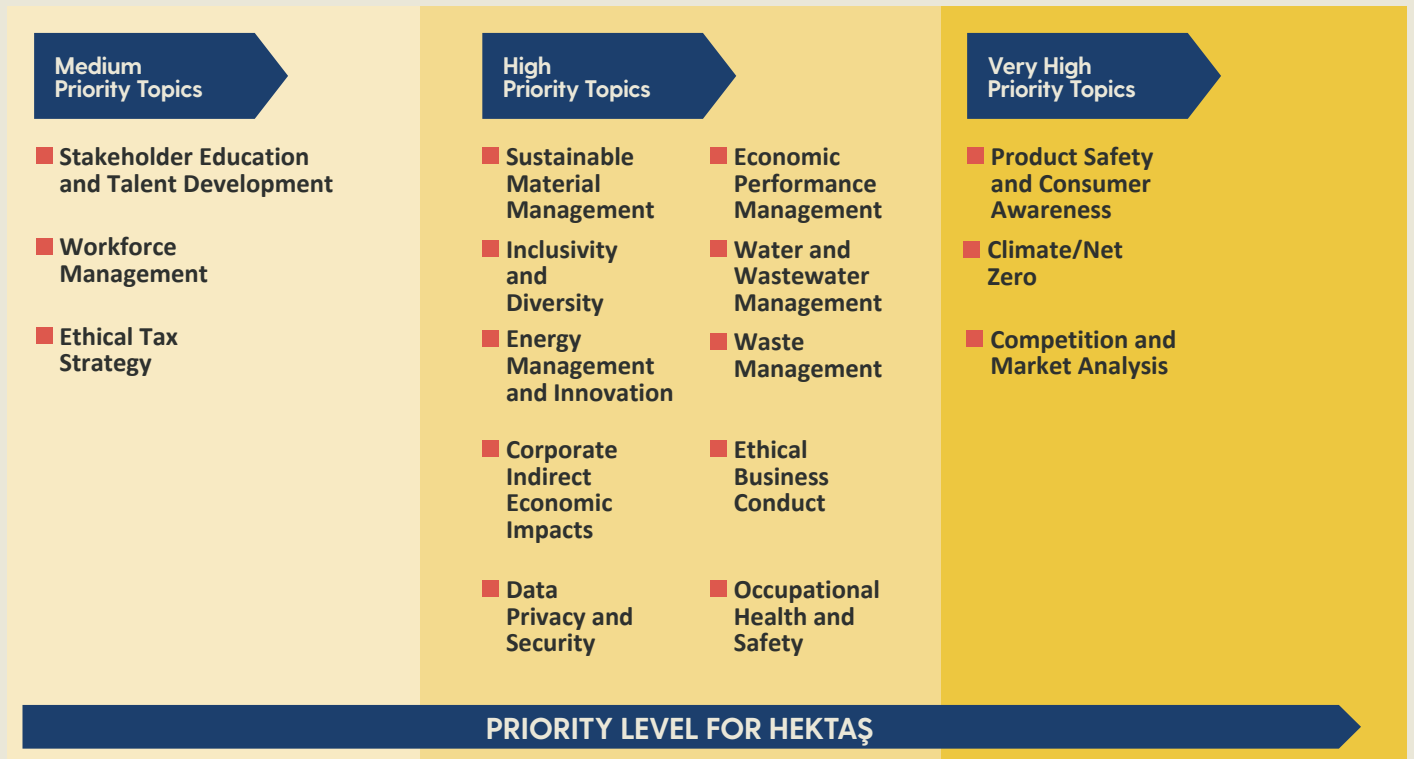
HEKTAŞ places its sustainability approach at the core of its business practices, aiming to maximize economic, social, and environmental responsibilities . It closely monitors national and international sustainability trends to assess risks and opportunities in economic, social, environmental, ethical, and governance areas.



Sustainability Activities

The company conducts a comprehensive prioritization analysis to measure and manage its environmental, social, and governance (ESG) impacts. In this context, the sustainability priorities include:

Sustainable Priorities



Determining priority areas provides HEKTAŞ with a roadmap that will help the company achieve sustainability goals both locally and globally.

The company's sustainable development strategy encompasses efficient resource usage, mitigating the impacts of climate change, preserving biodiversity and ecosystems, preventing pollution, and improving waste management. This strategy aims to promote environmental recovery and reuse methods, continually adding positive value to the environment. With the Zero Waste Certificate and ISO 14001 environmental management system certification, HEKTAŞ prepares all its policies, procedures, and instructions within this framework. This demonstrates the company's commitment to the environmental management system and its goal of continuously monitoring and improving its environmental impacts.

HEKTAŞ is implementing necessary modernization and technological investments in its facilities to reduce carbon emissions and source energy consumption from renewable sources. This strategy is an indicator of the company's commitment to reducing its carbon footprint and its dedication

to achieving net-zero emissions. HEKTAŞ aims to increase the use of accessible and clean energy in its facilities for efficiency, reduce carbon emissions, and ensure access to safe energy. The company also focuses on breeding and growing seeds that are highly productive, disease-resistant and consume little water.

In accordance with the OYAK Sustainable Development Goals Compliance and Contribution Report, data related to energy, water, wastewater, and waste management are meticulously collected and reported. Additionally, the company's water consumption policy complies with regulations set by the Ministry of Environment and Urbanization and the Ministry of Climate Change. A rainwater storage tank is available to facilitate the controlled discharge of rainwater. This infrastructure ensures that rainwater can be directed to industrial wastewater through a pump in case of contamination with chemical substances. Industrial wastewater in HEKTAŞ's Gebze center is carefully monitored in two separate storage tanks before being sent to the GOSB treatment facility, complying with the GOSB limit values set by the Ministry of Environment and Urbanization and the Ministry of Climate Change.

Investments Made and Incentives Received

The incentives the Company benefits from are as follows.

SSI Incentive

Thanks to this incentive, the Company receives a discount on SSI premiums. Thanks to the discount created by this incentive, serious advantages are provided in terms of employee costs to the company.

Tax Incentive – Investment Incentive Certificate

Investment incentive certificate is the document required to benefit from the advantages of the Investment Incentive System, which includes various incentives offered by the state if the investment made complies with the specified minimum conditions. With this document, the company

reduces its investment costs by providing support from the government for elements such as tax deduction, VAT exemption, and customs duty exemption regarding its investments.

R&D Deduction

In the Corporate Tax Law, R&D and R&D deduction are defined as "research and development expenditures made by taxpayers exclusively for the search for new technology and information within their enterprises". Expenditures made for R&D activities are deducted from corporate tax within the rates determined by the legislation. Thus, a cost-reducing effect is achieved in expenses made for operations such as new production methods, research and development of process development processes, research of new techniques that reduce the cost of the product and increase quality and performance.

As of 2023, the company made an investment of TRY 2,730,447,421 TL.

Internal Control Systems

The risk management and internal control systems created by the company are carried out in accordance with international standards and local legislation. Based on the principle that the internal control system will gain strength in a good corporate environment, these processes are owned and supported at all management levels, especially the company's Board of Directors and Senior Management.

Within the scope of the Corporate Governance Principles published by the CMB, the Audit Committee was established in June 2012 and its working instructions were created. By the decision of the Company's Board of Directors dated 24.07.2012, the Early Detection of Risk Committee was established in order to comply with Article 378 of the Turkish Commercial Code No. 6102, which came into force on 1 July 2012, and it was announced on PDP with a material disclosure dated 24.07.2012. Guidelines regarding these committees are available on the Company's website.





Risk Management

The Company has 8 "Risks Arising from Financial Instruments": capital risk, financial risk, credit risk, liquidity risk, market risk, exchange rate risk, interest rate risk, and price risk. HEKTAŞ has the ability to easily manage these risks, and action plans are made by the Board of Directors at regular meetings. The Early Detection of Risk Committee identifies risks that may arise regarding the company, both financially and operationally, in advance and takes measures to eliminate these risks at the right place and the right time.

Management of Risks Arising from Financial Instruments

Capital Risk: While trying to ensure the continuity of its activities, the Company also aims to increase its profits by using the balance of debt and equity in the most efficient way. It aims to balance capital risk by acquiring new debt or repaying existing debts. The Board of Directors tries to keep the capital risk balanced by meeting at regular intervals for the capital structure and debt status.

Financial Risk: The Company is exposed to market risk (exchange rate risk and price risk), credit risk, and liquidity risk due to its activities. It also uses derivative products from time to time in order to protect itself from these financial risks.

Credit Risk: It has high credibility as an Oyak Group company and one of the important dynamics of its sector. It can reduce credit risk because it carries out its transactions only with

creditworthy parties, chooses to obtain adequate collateral whenever possible, and constantly makes credit assessments on customers' trade receivable balances.

Collaterals consist of letters of guarantee, guarantee bonds, and mortgages received from customers.

Liquidity Risk: The liquidity risk is managed by the Board of Directors by ensuring the continuation of sufficient funds and borrowing reserves by estimating liquidity risk, regularly monitoring actual cash flows, and matching the maturities of financial assets and liabilities. The Board of Directors minimizes liquidity risk through liquidity risk management appropriate for the Group Management's short, medium, and long-term funding and liquidity requirements.

Market Risk: In order to keep the risks associated with foreign exchange rates under control, the company uses forward foreign exchange purchase/sale and option contracts from time to time.

Exchange Rate Risk: The Company manages exchange rate risk through forward foreign exchange purchase/sale contracts based on approved policies.

Interest Rate Risk: The Company's financial liabilities consist of variable and fixed interest instruments in order to keep its risk against changes in interest rates at a very low level in order to provide financing.



Price Risk: Price risk is naturally managed by the company by matching debts and receivables, interest-bearing assets, and liabilities in the same currency.

Committee of the Board of Directors. According to the evaluations made as of the reporting period, no risks to affect the future activities of the company are foreseen.

Forward-Looking Risks

The risks that the Company will face in the future are regularly analyzed by the Early Detection of Risk



Corporate Governance

General Assembly.....	128
Agenda of General Assembly ..	130
Principles of Operation of the Committees.....	132
Company Policies.....	138
Miscellaneous.....	146

Annexes

Declarations of Independence of the Independent Board of Directors Members.....	148
Statement Of Compliance With Corporate Governance Principles.....	151
Corporate Governance Principles Compliance Report.....	152
Corporate Governance Information Form.....	128
Sustainable Principles Compliance Report.....	166



General Assembly

According to Article 21 of the Company's Articles of Association, the Ordinary General Assembly convenes within three months from the end of the Company's activity period and at least once a year to discuss and decide on the issues on its agenda. The Extraordinary General Assembly convenes and takes the necessary decisions when required by the Company's business, in accordance with the provisions written in the Code and these Articles of Association.

2022 Ordinary General Assembly Meeting

The Ordinary General Assembly Meeting of HEKTAŞ Ticaret Türk Anonim Şirketi for 2022 was held at 12:00 on March 30, 2023 at the company headquarters at Gebze Organize Sanayi Bölgesi Mah. 700. Sokak No: 711/1 P.K. 41400 Gebze/Kocaeli under the supervision of Veysi UZUNKAYA, the Ministry Representative who was appointed by the letter of Kocaeli Provincial Directorate of Trade dated 30.03.2023 and numbered E-80122446-431.03-00083794321.

As a result of examining the physical and electronic list of attendants, it was observed that 272,128,455.35 shares representing the capital of TRY 2,721,284,5535 were represented in person, that 15,349,221,794.50 shares representing the capital of TRY 153,492,217,9450 were represented by proxy, that 148,811,964,019.90 shares representing the capital of TRY 1,488,119,640,1990 were represented by the other representatives, and that 164,433,314,269,7500 shares representing a total capital of TRY 1,644,333,142,6975 were present at the meeting; thus, upon understanding that the minimum meeting quorum was present in line with both the relevant laws and the provisions in the company's articles of

association, the meeting was opened by Enis Emre TERZİ and the agenda was discussed.

By ensuring the participation of everyone who wanted to attend the General Assembly as an audience, it was aimed to ensure that stakeholders, press and media representatives, and all stakeholders in general participated in the meeting. In addition, the General Assembly Meeting was broadcast live via CRA and E-GAS, and in addition to the list of physical attendants, a list of electronic attendants was also prepared.

The call for the meeting, including the agenda, was published and announced simultaneously in the Turkish Trade Registry Gazette, Public Disclosure Platform (PDP) and E-General Assembly System, as stipulated in the Turkish Commercial Code and the Articles of Association, and it was also made available to shareholders on the Company's website, www.hektas.com.tr.

Before the General Assembly, an information document regarding the agenda items is prepared and announced to the public via PDP and the corporate website. Financial Statements and Reports, including the Annual Report, Corporate Governance Compliance Report, Dividend Distribution Proposal if profits will be distributed, Independent External Audit Reports and Legal Auditor Report, if amendments will be made to the Articles of Association, amendment text and justification, Information Policy, and Remuneration Policy are kept open for review three weeks before the General Assembly meeting, at the Company's headquarters and on its website, where shareholders can access it in the easiest way possible.

For those who will have themselves represented by a proxy before the General Assembly Meeting, power of attorney samples are made available to shareholders through newspaper advertisements and on the website. Shareholders are informed about the voting procedure to be applied at the meeting through a material disclosure on the website and PDP.

It is the natural right of shareholders to ask questions and express their opinions on the subject at the General Assembly meetings, and this issue is strictly adhered to. Accordingly, the Presiding Committee duly ensures that the Shareholders of the Company have the right to ask questions at the General Assembly, or to submit suggestions regarding the agenda items, or to speak on the suggestions or current issues, and the necessary records are kept. We did not receive any notification from the Company's shareholders about adding an item to the agenda to be discussed and decided at the 2022 Ordinary General Assembly Meeting held on March 30, 2023.

The minutes of the General Assembly Meeting are published on the Company's website and on the "Public Disclosure Platform", in the "Electronic General Assembly" system of CRA, within the legal periods, in a way that our shareholders can most easily access.

At least one Member of the Board of Directors, one auditor, at least one of the officials responsible for the preparation of the financial statements, and at least one official familiar with the subject to make statements on the issues of particular importance on the agenda were present at the General Assembly meeting.

On the company's website, along with the announcement of the general assembly meeting, the following issues are announced to the shareholders, in addition to the notifications and statements to be made by the Company's as required by the legislation:

- + The total number of shares and voting rights reflecting the shareholding structure of the Company as of the date of the announcement;
- + If there is a dismissal, replacement, or election of Board Members on the agenda of the General Assembly Meeting, the grounds for dismissal and replacement, and information about the persons to be nominated as Board Members;
- + If there is an amendment to the articles of association on the agenda, the old and new versions of the amendments to the articles of association, together with the relevant Board of Directors decision;
- + Resumes of the people who will be nominated for Board Memberships and information about the positions they have held in the last ten years.

Ordinary General Assembly Agenda

1. Opening, establishment of the presiding committee, and moment of silence;
2. Authorizing the Presiding Committee to sign the general assembly meeting minutes and other documents;
3. Reading, discussing and submitting for approval the "Board of Directors Annual Report" for the 2022 accounting period;
4. Reading the summary of the 2022 accounting period "Independent Audit Report";
5. Reading, discussing and submitting for approval the 2022 Financial Position Statement and Profit and Loss accounts for the 2022 accounting period
6. Discussing and deciding on the discharge of the members of the Board of Directors for the 2022 accounting period;
7. Discussing and submitting for approval the Board of Directors' proposal regarding the profit distribution of the 2022 accounting period and the profit distribution date;
8. Determination of the number of members of the Board of Directors, election of members of the Board of Directors, and determination of their term of office in accordance with the provisions of the relevant legislation;
9. Determination of remuneration of Board Members;
10. Authorizing the Members of the Board of Directors to perform the duties specified in Articles 395 and 396 of the Turkish Commercial Code;
11. Discussing and deciding on the Board of Directors' proposal regarding the selection of an independent external audit firm for the audit of 2023 accounts and transactions in accordance with the Turkish Commercial Code and the Capital Markets Law;
12. Providing information regarding the income or benefits obtained from guarantees, pledges, mortgages, and collaterals given in favor of third parties;
13. Providing information about the donations and aid made in 2022, submitting the donations made in 2023 for approval, and deciding on the donation limit for the 01.01.2023-31.12.2023 accounting period;
14. Discussing the amendments to be made in Article 7 titled "Capital" and Article 10 titled "Issuance of Debt Securities" of our Company's Articles of Association specified in "Annex 1", as approved by the Capital Markets Board;
15. Wishes and requests;
16. Closing.

ANNEX I- Amendment Text

HEKTAŞ TİCARET TÜRK ANONİM ŞİRKETİ TEXT OF AMENDMENT TO THE ARTICLES OF ASSOCIATION

CURRENT STATE	NEW VERSION
<p>CAPITAL</p> <p>ARTICLE 7</p> <p>The company has accepted the registered capital system in accordance with the provisions of the Capital Markets Law (CMB) and switched to this system with the permission of the Capital Markets Board dated 13.10.1988 and numbered 547.</p> <p>The company's registered capital ceiling is TRY 3,000,000,000 and is divided into 300,000,000,000 shares with a nominal value of 1 (one) Kurus each. The registered capital ceiling permission granted by the Capital Markets Board is valid for the years 2022-2026(5 years). Even if the authorized registered capital ceiling has not been reached at the end of 2026 in order for the board of directors to take a capital increase decision after 2026 it is obligatory to obtain authorization from the General Assembly for a new period not to exceed 5 years by obtaining permission from the Capital Markets Board for the previously authorized ceiling or a new ceiling amount. If the said authorization is not obtained, no capital increase can be made with the decision of the board of directors.</p> <p>The issued capital of the company is 2,530,000,000 (Two billion five hundred and thirty million) Turkish Liras, fully subscribed, and consists of 253,000,000,000 (Two hundred and fifty-three billion) shares with a nominal value of 1 (one) Kurus each. The Board of Directors is authorized to increase the issued capital by issuing registered or bearer shares up to the registered capital ceiling whenever it deems necessary in accordance with the provisions of the Capital Markets Law between 2022 and 2026 .</p> <p>The Board of Directors is authorized to limit the shareholders' right to purchase new shares and to issue shares above their nominal value, provided that it is not contrary to the provisions of the Turkish Commercial Code and the Capital Markets Law. The authority to restrict the right to buy new shares cannot be used in a way that causes inequality among the shareholders.</p> <p>Shares representing the capital shall be monitored as dematerialized within the framework of dematerialization principles.</p> <p>Each share has 1 voting right.</p>	<p>CAPITAL</p> <p>ARTICLE 7</p> <p>The company has accepted the registered capital system in accordance with the provisions of the Capital Markets Law (CMB) and switched to this system with the permission of the Capital Markets Board dated 13.10.1988 and numbered 547.</p> <p>The company's registered capital ceiling is TRY 8,500,000,000 and is divided into 850,000,000,000 shares with a nominal value of 1 (one) Kurus each. The registered capital ceiling permission granted by the Capital Markets Board is valid for the years 2023-2027 (5 years). Even if the authorized registered capital ceiling has not been reached at the end of 2027, in order for the board of directors to take a capital increase decision after 2027, it is obligatory to obtain authorization from the General Assembly for a new period not to exceed 5 years by obtaining permission from the Capital Markets Board for the previously authorized ceiling or a new ceiling amount. If the said authorization is not obtained, no capital increase can be made with the decision of the board of directors.</p> <p>The issued capital of the company is 2,530,000,000 (Two billion five hundred and thirty million) Turkish Liras, fully subscribed, and consists of 253,000,000,000 (Two hundred and fifty-three billion) shares with a nominal value of 1 (one) Kurus each.</p> <p>The Board of Directors is authorized to increase the issued capital by issuing registered or bearer shares up to the registered capital ceiling when deemed necessary in accordance with the provisions of the Capital Markets Law between 2023 and 2027, and to make decisions on limiting the right of shareholders to purchase new shares and issuing shares at a premium or below their nominal value. The authority to restrict the right to buy new shares cannot be used in a way that causes inequality among the shareholders.</p> <p>Shares representing the capital shall be monitored as dematerialized within the framework of dematerialization principles.</p> <p>Each share has 1 voting right.</p>
<p>ISSUE OF DEBT NOTES</p> <p>ARTICLE 10</p> <p>The company, in accordance with the Turkish Commercial Code and Capital Markets legislation, may issue all types of bonds, financial bonds, asset-backed securities, including those arranged on a discount basis, and other debt instruments, as well as various securities and other capital market instruments with the right to purchase and exchange, by the decision of the board of directors. The Board of Directors is authorized indefinitely to issue these securities in accordance with the relevant provisions of the Capital Markets Law.</p>	<p>ISSUANCE OF VARIOUS SECURITIES</p> <p>ARTICLE 10</p> <p>The company may issue all kinds of capital market instruments to be sold to real and legal persons at home and abroad, in accordance with the Turkish Commercial Code, the Capital Markets Law and other applicable legislation. The Company's Board of Directors has the authority to issue all kinds of capital market instruments, including bonds, financial bills, convertible bonds, and debt instruments, within the framework of the relevant article of the Capital Markets Law and the relevant capital markets legislation. The Board of Directors is authorized indefinitely to issue these securities in accordance with the relevant provisions of the Capital Markets Law.</p>

Committees and Working Principles

Internal Directives for the Corporate Governance Committee

Purpose

The purpose of this Internal Directive ("Internal Directive") is to determine the procedures and principles relating to the duties, authorities, responsibilities and works of the Corporate Governance Committee (the "Committee") which was established pursuant to the Board of Directors decision dated 22.06.2012 no. 2012/32 for reliable fulfillment of its duties and responsibilities by the Board of Directors of HEKTAŞ TİCARET T.A.Ş.(the "Company"), in accordance with the Capital Market Board's Communiqué on the Determination and Implementation of Corporate Governance Principles within the Company.

Considering the structure of the Company's Board of Directors, the authority, duty and responsibility for performing the tasks prescribed for the Nomination Committee and Remuneration Committee under the Communiqué were also assigned to the Corporate Governance Committee, pursuant to the Board of Directors Decision dated 22.06.2012 no. 2012/32.

The purpose of the Committee is to monitor the structure and efficiency of the Company's Board of Directors within the framework of corporate governance principles, to carry out improvement works in this regard and to propose recommendations to the Board of Directors.

Authority and Scope

Within the scope of the purpose prescribed above, the Committee has been assigned the following tasks, which will constitute a part of the Company's governance and oversight process;

- + To oversee the activities of the relations with shareholders department,
- + To work on establishing a transparent system for determining, evaluating and training candidates suitable for the Board of Directors and determining policies and strategies in this regard,
- + To make regular evaluations about the structure and efficiency of the Board of Directors and to present its recommendations regarding the changes that can be made in these matters to the Board of Directors; to determine and oversee the approaches, principles and applications regarding

the performance assessment and career planning of the Board of Directors members and senior directors,

- + To determine the recommendations of the Board of Directors members and senior executives regarding remuneration principles, taking the Company's long-term goals into account,

and acts based on its own authority and responsibility; the responsibility for final decisions on the other hand always belongs to the Board of Directors.

The Committee reviews and evaluates the adequacy of this Internal Directive and presents the related recommendations for change to the Board of Directors for approval.

Structure of the Committee

Committee members are appointed annually by the Board of Directors and the majority of the Committee members are members of the Company's Board of Directors. If the committee is comprised of two members, both of these members, and if it has more than two members, majority of the members are comprised of non-executive Board members. The Chief Executive Officer and the General Manager may not take part in committees. The Chairman of the Committee is elected from among the Independent Board Members.

The Committee may appoint a Deputy Chairman to take office in the absence of the person who assumes the Chairmanship.

Within the framework of the purpose and scope above, the Committee may obtain consultancy services from independent experts or organizations on matters it deems necessary regarding its activities, at the expense of the Company, and may invite any director it deems necessary to its meetings and obtain their opinions.

The Committee is responsible to the Board of Directors.

Committee Meetings

Meetings of the Committee are held once in every quarterly period and at times harmonious with the ordinary meetings of the Board of Directors, in order to ensure that the Committee fulfills its duties effectively.

However, the Committee may convene as often as deemed necessary for the effectiveness of the works.

All kinds of resources and support required for the Committee to fulfill its duties are provided by the Board of Directors. The Committee may be summoned to meeting upon the demand of the Committee Chairman or a Committee member. Committee meetings will be held in accordance with the agenda distributed by the Corporate Governance Secretariat (the "Secretariat") before the meeting. Decisions taken at committee meetings are written down and archived by the Secretariat. In this context, after each meeting, a written report on the activities of the Committee is submitted to the Board of Directors together with a summary of the minutes. Meeting minutes are kept at the Secretariat. The Committee may also meet by teleconference or by any other means.

The Committee takes its decisions with a quorum of absolute majority of its members.

The Committee performs an assessment of its objectives, duties and performance and reports the results of this assessment to the Board of Directors on an annual basis.

Duties and Responsibilities

The Committee ensures that the Board of Directors is informed about the matters within its field of authority and responsibility.

It develops and reviews the Company's Corporate Governance Principles annually or more often if necessary and notifies the Board of Directors about its proposals for changing these principles.

The Committee oversees the effective implementation of corporate governance practices, identifies conflicts of interest arising from the incomplete implementation of these principles and offers solutions to the Board of Directors. The Committee makes recommendations to the Board of Directors regarding the number of members of the Board of Directors and the structure of its committees.

The Committee carries out studies regarding the search and determination of individuals who are qualified to be a member of the Board of Directors and/or to fill the vacancies in the Board of Directors, determines candidates for the new term as well as

candidates for positions that become vacant before the expiry of the term of office and candidate(s) for the new term if demanded by the Board of Directors and presents them to the Board of Directors.

The Committee prepares and regularly updates criteria according to which potential members' character, integrity, background and reputation regarding professional experience, how they can complement the variety of experience and experience areas of the other Board Members, their availability to allocate enough time to their Board duties and suitability for other criteria to be developed by the Board of Directors, in order to assess the candidate members for the Board. The Committee also makes recommendations for members of other Board committees and recommends suitable candidates for vacancies in the Committees. The Committee ensures that the members of the committee meet the independence criteria and other criteria determined by the laws, rules and legislation in every area of application. In recommending a member of the Board of Directors for re-election, the Committee takes into account the person's attendance at past meetings and contributions to the work of the Board of Directors and the Committee.

The Committee assists the Board of Directors in evaluating the annual performance of senior executives. The evaluation must be based on objective criteria, including, but not limited to business performance, achievement of long-term strategic purposes and development of the management.

It must be based on objective criteria, including, but not limited to matters relating to the development of management.

A performance evaluation is carried out at least annually with respect to whether the committee works effectively. The Committee develops the existing remuneration policy regarding the remuneration to be paid to the Board members and senior directors, based on the level of achievement of the criteria set by the Board of Directors and presents its recommendations to the Board of Directors.

The Committee prepares and examines a succession plan for the Company's senior directors and gives advice to the Board of Directors about these plans. In the works carried out to identify members suitable for the Board of Directors;

Committees and Working Principles

The Committee ensures that the Board of Directors is informed about the matters within its field of authority and responsibility,

- + The Committee examines the CVs of the candidates within the framework of the criteria determined in the Corporate Governance Principles and may request all kinds of information and documents from the candidates, within the periods stipulated by the legislation.
- + The committee keeps a personal file of information and documents on which its evaluation is based for each candidate.
- + The Committee presents its examination and evaluation of the candidates, its views on whether the candidates are suitable for membership, in order of preference if necessary, to the Board of Directors with a report with justification within the period to be required by the Board of Directors.
- + The Committee also receives a "Declaration of Independence" from the candidates that it determines to be in line with the criteria and adds the declaration to their personal files.
- + The Board of Directors examines the status of candidates in the light of the report and reaches a conclusion regarding their membership. This decision may be in line with the opinions of the Committee or may involve re-examination of the status of the candidates by the Committee. However, if the opinions formed as a result of re-examination by the Committee are not accepted, the Board of Directors takes a decision directly.
- + With respect to a proposed candidate member, the Board of Directors may decide to accept the membership of a candidate, or reject their membership based on a just reason.

Amendments to the Internal Directive

Proposals for amendments to this directive are submitted to the Board of Directors by the committee.

The proposals prepared are put on the agenda in the first meeting of the Board of Directors.

Enforcement

This Directive shall become effective on the date of its approval by the Board of Directors.

Internal Directives for the Early Detection of Risk Committee

Purpose

The purpose of this Internal Directive ("Internal Directive") is to determine the procedures and principles relating to the duties, authorities, responsibilities and works of the Early Detection of Risk Committee (the "Committee") which was established pursuant to the Board of Directors decision dated 24.07.2012 no. 2012/34 for reliable fulfillment of its duties and responsibilities by the Board of Directors of HEKTAŞ TİCARET T.A.Ş.(the "Company"), in accordance with the Capital Market Board's Communiqué on the Determination and Implementation of Corporate Governance Principles within the Company (the "Communiqué") and the article 378 of the Turkish Commercial Law which became effective on 1 July 2012. The purpose of the Early Detection of Risk Committee (the Committee) is to achieve early detection of the risks which may endanger the Company's presence, development and continuity within the framework of the legal legislation and this regulation, as well as the application of the necessary measures for the risks detected and risk management.

Authority and Scope

All kinds of resources and support required for the Committee to fulfill its duties are provided by the Board of Directors. The committee may invite any director that it deems necessary to its meetings and obtain their opinions.

The Committee benefits from the opinions of independent experts on the issues it deems necessary regarding its activities. Costs of consultancy services required by the Committee are covered by the Company.

Committee members are re-determined every year at the first Board of Directors meeting to be held after the Ordinary General Assembly meeting. The Committee reviews and evaluates the adequacy of this Internal Directive and presents the related recommendations for change to the Board of Directors for approval.

The Committee evaluates the risk situation, indicates the dangers, if any, and demonstrates the remedies in the report that it will submit to the Board of Directors once in every two months. The report is submitted to the auditor as well.

Structure of the Committee

Majority of the members of the Committee consist of the Independent Board Members of the Company. If the committee is comprised of two members, both of these members, and if it has more than two members, majority of the members are comprised of non-executive Board members. The Chief Executive Officer and the General Manager may not take part in committees. The Chairman of the Committee is elected from among the Independent Board Members.

Committee Meetings

Meetings of the Committee are held once in every two months and at times harmonious with the ordinary meetings of the Board of Directors, in order to ensure that the Committee fulfills its duties effectively. However, the Committee may convene as often as deemed necessary for the effectiveness of the works.

The Committee may be summoned to meeting upon the demand of the Committee Chairman or a Committee member. Committee meetings will be held in accordance with the agenda distributed by the Corporate Governance Secretariat (the "Secretariat") before the meeting. Decisions taken at committee meetings are written down and archived by the Secretariat. In this context, after each meeting, a written report on the activities of the Committee is submitted to the Board of Directors together with a summary of the minutes. Meeting minutes are kept at the Secretariat. The Committee may also meet by teleconference or by any other means.

The Committee takes its decisions with a quorum of absolute majority of its members.

The Committee performs an assessment of its objectives, duties and performance and reports the results of this assessment to the Board of Directors on an annual basis.

Duties and Responsibilities

The Committee carries out the following tasks;

- + In the light of the risk appetite determined by the Board of Directors and the opinions of the Board of Directors:
- + Evaluation and definition of all risks that may endanger the existence, development and

continuation of the company, and the probability and impacts of such risks,

- + Establishing risk measurement models and risk management systems and reviewing their effectiveness at least once a year,
- + Informing the Board of Directors and making necessary warnings regarding the measurement and monitoring of risks and the use of risk factors in decision processes,
- + Making recommendations to the Board of Directors to improve risk management practices and models.
- + It carries out the necessary studies on the adoption and implementation of risk management policies and practices by all departments and employees of the Company.

It meets at least six times a year. Meeting minutes are kept in writing. Meeting results are submitted to the Board of Directors in a report. The meetings may also be held by using technological means, if the committee members cannot convene.

Amendments to the Internal Directive

Proposals for amendments to this directive are submitted to the Board of Directors by the Committee. The proposals prepared are put on the agenda in the first meeting of the Board of Directors.

Enforcement

This regulation, as well as amendments and updates regarding the regulation become effective upon the decision of the Board of Directors.

Committees and Working Principles

Internal Directives for the Audit Committee

Purpose and Scope

The purpose of this Internal Directive ("Internal Directive") is to determine the procedures and principles relating to the duties, authorities, responsibilities and works of the Audit Committee (the "Committee") which was established pursuant to the Board of Directors decision dated 22.06.2012 no. 2012/31 for reliable fulfillment of its duties and responsibilities by the Board of Directors of HEKTAŞ TİCARET T.A.Ş.(the "Company"), in accordance with the Capital Market Board's Communiqué on the Determination and Implementation of Corporate Governance Principles within the Company. The Audit Committee evaluates the issues determined within the framework of the assessments it makes to assist the Board of Directors in the supervision of the Company's accounting system, public disclosure of financial information, independent auditing and the operation and effectiveness of the internal control system, in accordance with the Capital Market legislation and the principles in this regulation.

Structure of the Committee

The committee consists of at least 2 members. All members of the Committee consist of the Independent Board Members of the Company.

The Committee may appoint a Deputy Chairman to take office in the absence of the person who assumes the Chairmanship.

The Committee may obtain consultancy services from independent experts or organizations on matters it deems necessary regarding its activities, at the expense of the Company, and may invite any director it deems necessary to its meetings and obtain their opinions.

Committee Meetings

The Committee convenes at least four times a year, at least once in every three months, in order to ensure that the Committee fulfills its duties effectively. Minutes are drawn up regarding results of the meetings and submitted to the Board of Directors. The Committee meetings are held at times harmonious with the ordinary meetings of the Board of Directors.

However, the Committee may convene as often as deemed necessary for the effectiveness of the works. The Committee takes its decisions with a quorum of absolute majority of its members.

All kinds of resources and support required for the Committee to fulfill its duties are provided by the Board of Directors. The Committee may be summoned to meeting upon the demand of the Committee Chairman or a Committee member. Committee meetings will be held in accordance with the agenda distributed by the Audit Committee Secretariat (the "Secretariat") before the meeting. Decisions taken at committee meetings are written down and archived by the Secretariat. In this context, after each meeting, a written report on the activities of the Committee is submitted to the Board of Directors together with a summary of the minutes. Meeting minutes are kept in the Secretariat. The Committee may also meet by teleconference or by any other means.

If it deems necessary, the Committee may delegate some of its duties to one or more subcommittees consisting of two or more members.

The Committee performs an assessment of its objectives, duties and performance and reports the results of this assessment to the Board of Directors on an annual basis.

Duties and Responsibilities

They oversee the Company's accounting system, public disclosure of financial information, independent audit, and the functioning and efficiency of the internal control system. The selection of the independent audit firm, the preparation of independent audit contracts and the initiation of the independent audit process, and the works of the independent audit firm at all stages are carried out under the supervision of the Committee.

The independent audit firm from which the company will receive services and the services to be received from these organizations are determined by the Committee and submitted to the Board of Directors for approval.

The committee in charge of audit determine the methods and criteria applicable in the review and conclusion of the complaints communicated to the Company regarding the Company's accounting and internal control system and independent auditing, as well as the evaluation of the Company's

employees' notifications about accounting and independent audit matters within the framework of the confidentiality principle.

The Committee receives the opinions of the responsible managers and independent auditors of the Company regarding the accuracy of the annual and interim financial statements to be disclosed to the public and their compliance with the actual situation as well as the accounting principles followed by the Company, and submits them to the Board of Directors in writing, together with their own assessments.

The Committee immediately notifies the Board of Directors in writing of its findings and suggestions regarding its task and area of responsibility. The duty and responsibility of the Committee does not eliminate the responsibility of the Board of Directors arising from the Turkish Commercial Code.

Amendments to the Internal Directive

Proposals for amendments to this directive are submitted to the Board of Directors by the Committee. The proposals prepared are put on the agenda in the first meeting of the Board of Directors.

Enforcement

This regulation, as well as amendments and updates regarding the regulation become effective upon the decision of the Board of Directors.

Company Policies

Profit Distribution Policy

The Company has principally adopted the policy of distributing the entire distributable profit of the period in cash to the extent permitted by the prospective free cash generation expectation, including investment / financing needs and market projections, and financial leverage ratios, within the framework of the applicable legislation and the provisions of the Company's Articles of Association. The profit distribution policy is reviewed annually by the Board of Directors, in the light of the national and global economic circumstances, the projects on the company's agenda and the status of its funds.

Dividends are paid by December 15 of the related calendar year in installments with equal or different amounts within the framework of the legislative provisions, by authorizing the Board of Directors in the general assembly meeting where the distribution is decided.

Within the framework of the provisions of the relevant legislation, the General Assembly is authorized to distribute Advance Dividends.

Remuneration Policy

Executives with Administrative Liability

The "Remuneration Policy for Executives with Administrative Liability" has been established by taking into account the practices that have been tried and developed by many companies in the world and in Turkey, as a result of scientific studies, researches and examinations.

In this context, while determining the remuneration level, the structure and competitive conditions of the sector where the Company operates, production and sales activities carried out, prevalence of activity points, activities carried out abroad, structure of the affiliates owned and their weight in the total, the level of knowledge required to carry out the activities and number of employees criteria are taken into account.

The remuneration of executives with administrative liability have been graded based on the level of knowledge, skills, competence and experience required by the job, the scope of liability and problem solving criteria within the framework of the diversity and volume of the Company's activities. While determining the monthly fixed remuneration of executives with Administrative Liability according to the grades determined, efforts are made to protect internal balances and remuneration researches involving leading companies in Turkey are used. Thus, remuneration that is fair in the Company and competitive in the market is ensured.

The Corporate Governance Committee ensures that the long-term goals of the Company are also taken into account in addition to the criteria above, in

determining the remuneration principles and criteria for executives with Administrative Liability and in establishing remuneration proposals.

Board of Directors Members

In the determination of the remuneration levels of the board of directors members, the responsibility taken by the board member in the decision making process, the level of knowledge, skills, competence and experience that is required of them, as well as the time they spend are taken into account in addition to corporate practices and comparisons are made with the remuneration levels of board of directors members of similar companies in the sector.

While determining the remuneration levels of the independent members of the board of directors, in addition to the above criteria, care is taken to ensure that the remuneration to be determined is at a level capable of protecting the member's independence and payment plans based on dividends, share options or the Company's performance are not used within the framework of the Corporate Governance Principles.

In the determination of the remuneration principles and criteria for the board of directors and formulation of proposals regarding remuneration, the Corporate Governance Committee takes the Company's long-term goals into account, in addition to the criteria above.

The remuneration to be paid to the members of the Board of Directors is determined pursuant to decisions taken by the general assembly.

Compensation Policy

Employees of the Company are subject to the Labor Law and related legislative provisions.

Disclosure Policy

Purpose and Scope

The purpose of the Disclosure Policy of HEKTAŞ Ticaret T.A.Ş. ("HEKTAŞ") is to ensure continuous, effective and transparent communication by sharing all kinds of information that is not in the nature of trade secrets, as well as the Company's past performance and future expectations equally with all stakeholders such as domestic/foreign shareholders, potential investors, employees, customers and related authorized institutions in a complete, fair, accurate, timely, comprehensible and easily accessible manner, within the framework of the provisions of the Capital Market Legislation, Corporate Governance Principles and the Articles of Association of the Company.

The Company's disclosure policy is implemented in the light of the issues within the scope of the Capital Market Legislation, decisions of the Capital Market Board and

other relevant legislation and the matters required to be disclosed within this framework are announced to the public on time, accurately and fully.

The Disclosure Policy covers all employees active within HEKTAŞ.

Authority and Liability

Our Company's Disclosure Policy is established and implemented under the authority of the Board of Directors. The Board of Directors also reserves the authority to amend this policy from time to time as per relevant regulations. The disclosure policy and amendments to be made in the policy are published on the Company's web site upon the approval of the Board of Directors.

The Investor Relations Department of our Company is responsible for adhering to and following this Disclosure Policy.

All written and visual press releases to be made within the scope of this Policy are announced to the public by the Company's authorities including the Chairman of the Board of Directors, General Manager, Assistant General Managers and the Head of the Investor Relations Department. The provision of the article 10/a of the Special Cases Communiqué no. II-15.1 of the CMB which states that, "Prospective evaluations may be disclosed to the public provided that they are subject to a decision of the board of directors, or the written approval of the authorized person, if an authority is granted by the board of directors," is reserved.

Disclosure Methods and Instruments

The disclosure methods and instruments used by our Company within the framework of this Disclosure Policy are as follows.

- + Financial statements, independent auditor's reports and declarations periodically entered in the Public Disclosure Platform (PDP)
- + Annual Activity Reports
- + Web Site of the Company
- + Special case disclosure forms
- + Declarations and announcements made in the Trade Registry Gazette and daily newspapers
- + Communication methods by means of communication tools such as telephone, e-mail, fax
- + Principles regarding presentations and reports announced at information meetings or press conferences

Principles for the follow-up of news and comments about the Company in the press and media organs or on the Internet as well as making statements relating to such news and comments

Demands for information communicated to the Company from shareholders, investors and analysts

are replied to in writing, verbally or through disclosure meetings in line with the principle of equality and in an accurate and complete manner by the Investor Relations Department, within the framework of the publicly disclosed information. Press and media organs, press conferences and/or press releases or other means of communication may also be used to publicly announce matters subject to special cases, including prospective evaluations. Before or simultaneously with these announcements, a statement is also made on the Public Disclosure Platform and is also posted on the Company's website.

The Company's authorities may occasionally attend national and international conferences or meetings to share information with investors and analysts. The presentations used in these events may also be posted on the Company's web site.

With respect to comments, analyses, evaluations and estimations made based on publicly disclosed information, via press and media organs and other means of communication, the Company is not obliged to make statements to the public regarding their accuracy and adequacy.

Principles for the follow-up of news and comments about the Company in the press and media organs or on the Internet as well as making statements relating to such news and comments

The Company follows the news and comments in the national or international press and media organs or other communication channels via a media monitoring company, and in the event of news or comments with content different than the information previously disclosed to the public or disclosed to the public for the first time, the Company evaluates their impact on the value and price of the Company's shares or investors' investment decisions within the framework of its internal regulations. In cases where deemed necessary, a public statement is made immediately within the framework of the principles determined under the capital market legislation regarding whether they are accurate or adequate, even if a decision of postponement had been made.

The Company may wish to make statements regarding news and comments that appear in the press and media organs, but that do not give rise to an obligation to make special case disclosures. These statements may be in the form of written or verbal communication via the press and may also be announced to the public via the Company's web site (www.hektas.com.tr).

With respect to comments, analyses, evaluations and estimations made based on publicly disclosed information, via press and media organs and other means of communication, the Company is not obliged to make statements to the public regarding their accuracy and adequacy.

Company Policies

Measures taken to ensure confidentiality until special cases are disclosed to the public

The Company's executives and their spouses, children or household members may not conduct transactions on the Company's shares or capital market instruments based on these shares within the period starting from the day that follows the end of the fiscal period when the financial statements and reports drawn up by the Company and independent audit reports are prepared, until the public disclosure of these statements and reports in accordance with the legislation. Executives of the Company's subsidiaries and controlling partnerships, as well as persons who have inside information or permanent information due to ownership of shares in the Company and its subsidiaries and controlling partnerships are also covered by this prohibition.

The Company may postpone the public disclosure of the inside information in order to prevent harm to its legitimate interests, provided that this does not result in the investors being misled and is capable of ensuring the confidentiality of the information. In these cases, the Company takes all kinds of measures to ensure the confidentiality of the inside information under the capital market legislation. The Company informs its executives and employees about the liabilities stipulated in the law and the relevant legislation with respect to inside information as well as sanctions relating to the misuse or dissemination of such information, through in-service trainings. The Company takes the necessary measures by obtaining confidentiality commitments that prevent the access of employees other than those in the list of persons with access to inside information and third parties providing services and through similar methods.

Persons with access to inside information on the other hand are informed about the sanctions relating to the misuse or dissemination of such information, in writing and by obtaining their signatures, by ensuring the acknowledgment of their obligations in the law and the relevant legislation regarding inside information

Principles used in determining the persons with administrative liability

Under the Capital Market Legislation, "Persons with Administrative Liability" are described as the Company's Board of Directors members and persons who are not members of the board of directors, but who regularly access the issuer's inside information directly or indirectly and have the authority to take administrative decisions that affect the issuer's future development and business goals.

The Persons with Administrative Liability in our Company are determined as Members of the Board of Directors, General Manager and Assistant General Managers, Accounting and Budget Manager, Finance Manager, Domestic Sales

Manager, Purchasing Manager, Human Resources Manager, R&D and Quality Control Manager, Production Manager, Foreign Sales Manager, Plant Protection P&D Manager, Information Technologies Manager, Animal Health Licensing and P&D Manager, Project and Maintenance Manager, Logistics Manager, Product Manager, Commercial Marketing Manager, Human Resources and Quality Systems Coordinator.

Principles regarding the disclosure of prospective evaluations

Evaluations that include plans and estimations in the nature of prospective inside information or providing investors with insight about the issuer's future activities and financial situation and performance may be disclosed to the public within the framework of the principles specified in the capital market legislation.

Prospective evaluations are based on reasonable assumptions and estimations and in the event of deviations due to unpredictable risks and developments, a public statement is made by specifying the reasons for differences as well, if there are significant differences between the matters previously disclosed to the public and the actual situations.

The Chairman of the Board of Directors and the General Manager are authorized by the Company's Board of Directors to disclose the Company's prospective evaluations.

Prospective evaluations may be made through special case disclosures, media organs, press conferences, press releases, national and international conferences or meetings, and other means of communication, within the framework of the principles stipulated in the capital market legislation.

All questions regarding the application principles and procedures of this policy should be directed to the Investor Relations Department.

Grants and Donations Policy

HEKTAŞ Ticaret T.A.Ş. carries out its activities with a focus on the Company's sustainable development, achievement of long-term goals and protection of all stakeholders' rights.

Within this framework, grants and donations that may divert the Company from the principle of protecting the rights of shareholders are avoided. However, within the framework of the Company's social responsibility approach, certain grants and donations approved by the Board of Directors may be made provided that they are in line with the

provisions of the capital market legislation and are within the framework of Group practices.

The limit of the donation to be made is determined annually by the general assembly. The Capital Market Board is authorized to introduce an upper limit for donation amounts. Information about donations made is provided annually in General Assembly meetings.

Human Resources Policy

Acting with the awareness that the most valuable resource behind its success is people, HEKTAŞ acts on the basis of innovation and sustainability which;

- + Values employees,
- + Thrives on the excitement of employees and is empowered by their creativity,
- + Is open to change and development,
- + Creates career opportunities,
- + Respects people, environment and nature,
- + Complies with quality standards,
- + Is based on innovation and sustainability.

Information Security Policy

As HEKTAŞ, in order to manage all kinds of risks to business continuity and information assets, we manage our activities for;

- + Documenting and continuously improving our information security management system to meet the requirements of the ISO 27001 standard,
- + Complying with all legal regulations and contracts related to information security,
- + Systematic management of risks to information assets,
- + Carrying out trainings to develop technical and behavioral competencies in order to increase information security awareness,
- + Strategic target, design, production, sales, supply resources related to our products and services,
- + Protecting the confidentiality of critical data such as customer and employee information,
- + Granting access rights in accordance with the need-to-know principle, preventing unauthorized access,
- + Creating appropriate physical and electronic environments for the security of information assets,
- + Providing the necessary plans and technical infrastructure for the continuity assurance of information technology services,
- + in an integrated manner with other applied management systems in order to detect situations that violate information security in a timely manner and intervene immediately.

Integrated Management System Policy

Adopting Quality, Environment and Occupational Health and Safety as its basic philosophy, HEKTAŞ aims to focus on customer satisfaction with all its employees in the headquarters, regions and subsidiaries, while meeting and exceeding customer expectations at every stage of the product and environmental life cycle. HEKTAŞ is a proud pursuer of the mission of being the "Pioneer of Smart Agriculture".

The main objectives of HEKTAŞ for sustainable growth while giving utmost attention to customer satisfaction are as follows;

- + To be a dynamic company that is preferred in every segment of the market in the fields of Agriculture and Animal Health with its product and service quality,
- + To increase the performance of all our processes to an internationally competitive level, in line with the approach of continuous improvement with the involvement of all employees,
- + To provide the necessary resources to ensure the sustainability of management systems,
- + To set measurable targets by taking into account the good practices in the sector and in the world and to regularly review their achievement, the purpose of continuous improvement of Quality, Environment and Occupational Health and Safety Integrated Management Systems;
- + To fulfill all relevant sectoral, national and international legislation requirements and other applicable conditions while providing products and services; to increase the performance of the Integrated Management System, with precise adherence to compliance obligations,
- + To protect biodiversity and ecosystem by taking into account climate change through efficient use of resources in all processes with a sustainable development perspective, to take care to prevent pollution and to develop recycling methods by reducing waste at its source, to encourage recycling and to add continuous positive value to the environment,
- + To work in line with the Zero Work Accident principle by providing safe and healthy working conditions and ensuring the consultation and participation of employees and their representatives in all processes,
- + To prevent risk at its source, to minimize occupational diseases with a risk-oriented approach,
- + To increase awareness by cooperating with all stakeholders on Quality, Environment and Occupational Health and Safety,

Company Policies

As HEKTAŞ, we undertake to achieve these by creating added value to stakeholders, society and producers by working as a team at every stage of the activities, sharing information and constantly improving our processes, with the aim of ensuring the sustainability of the Integrated Management System, within the framework of the policy.

Ethical Rules

Purpose and Scope

Ethics Rules and Working Principles cover "HEKTAŞ Türk Ticaret Anonim Şirketi (HEKTAŞ and Group Companies)", as well as all third parties and employees acting on behalf of these companies. The main purpose of these rules is to release the ethics principles and standards, to which the entire HEKTAŞ and Group Companies' employees should comply with, in an intelligible manner. The rules stipulated here should be evaluated by handling along with the other corporate documents (policy, regulation, circulars, directive, etc.).

Ethic Codes of Conduct

Integrity

Integrity and honesty are the prioritized values in all business processes and relationships of the employees of HEKTAŞ and Group Companies. The employees of HEKTAŞ and Group Companies act with integrity and honesty in their relations with the other employees and stakeholders.

Avoiding Conflicts of Interest

Conflict of interest means all kinds of benefits that the employees can provide to themselves, their relatives, friends, or relevant third parties or organizations in return for a subject within their job description, status or scope of authority, or for a knowledge and skill that they own.

The employees of the company meticulously avoid actions that will result in a conflict of interest, as well pay due diligence to protect the benefit of the company during the execution of their duties, and avoid any action and behaviour that may mean gaining benefits for themselves or their relatives.

Avoiding Actions in Favor of Self or Close Relatives

In HEKTAŞ and Group Companies, it is essential that spouses and employees with a relative relation (including in-laws), including third degree, do not have a reporting relationship with each other within the same organization or take part in decision-making mechanisms together.

The employees of HEKTAŞ and Group Companies or their family members should not have any financial interest in any company that has a business relationship with HEKTAŞ and Group Companies. It is essential that the employees of HEKTAŞ and Group Companies do not work directly or indirectly in any work that requires them

to be considered as 'traders' or 'craftsman, and not to work for another person and/or entity under any name during or outside working hours in return for a wage or similar benefit.

Former Employees Doing Business with HEKTAŞ

In order to allow the employees who resigned from HEKTAŞ and Group Companies to do business with HEKTAŞ and Group Companies as a seller, contractor, consultant, broker, representative, dealers or similar;

- + Must not have a disciplinary record in the company where s/he worked before,
- + There should be no conflict of interest due to previous duties.

Furthermore, if the employee who resigned has held a position that provides access to sensitive information and commercial decision-making mechanisms at HEKTAŞ and Group Companies and wants to do business in the same or similar field of activity as his/her position within HEKTAŞ and Group Companies, then it is essential not to enter into a business relationship before 3 years from the date of resignation.

The Ethics Committee is authorized to evaluate and approve the exceptional cases. Provided that these conditions are met, a report that will be prepared by the manager of the relevant unit in order to enable the employee resigned to conduct business with HEKTAŞ and Group Companies must be approved by the Ethics Committee.

Trading with Equities of HEKTAŞ

It is possible for employees to perform investment transactions with HEKTAŞ shares in the stock exchange under the conditions that have been specified in the regulations of the Capital Markets Board. However, the employees know that trying to obtain benefit by using all kinds of confidential information belonging to HEKTAŞ and Group Companies or disclosing it to third parties, including directly or indirectly trading shares from stock exchanges, is accepted as insider trading and that these behaviours are considered illegal by law.

The in-house procedures established to implement the regulations of the Capital Markets Board are implemented with precision, and the employees stated in the "insider" list are expected to be in full compliance with the relevant legislation, policies and procedures.

Attending Representation and Organization Invitations

Employees of HEKTAŞ and Group Companies are not allowed to attend invitations, outdoor organizations, artistic and sports activities, local and overseas trips, etc. Activities that are carried out by third persons or entities with which they have direct or indirect business relations, that may affect the decision-making process, that may create a potential conflict of interest or be perceived as such by the other party, exceptional cases are subject to the approval of the CEO.

The participation offers, such as free conference, promotional meeting, training, etc., the organizations open to general participation, sports and similar activities received from third parties, customers or potential customers can be accepted with the approval of a senior manager.

Organizations such as business lunches, conferences, receptions, promotional events and seminars open to general participation are excluded from this scope.

Receiving and Giving Gifts

The employees of HEKTAŞ and Group Companies should not ask for gifts, gains, aid, entertainment, special discounts, commissions or discounts that may affect their impartiality, decisions and behaviours, or should not accept such offers for their own benefit.

Except for gifts that have no doubt about symbolic meaning, are given in accordance with commercial traditions, customs, or are promotional/souvenir gifts, and have an approximate value of which does not exceed 1 quarter of the net minimum wage, the gifts from persons or entities with whom we have commercial relations, including customers, suppliers and dealers, are not accepted.

It is essential that gifts that have to be accepted due to commercial relations and that do not comply with the above-mentioned criteria are reported to the Ethics Committee and then recorded in the fixed assets records of the company.

It is essential that the employees of HEKTAŞ and Group Companies do not accept gifts in cash or cash equivalents (such as gift certificates, commissions, etc.) or borrow money from suppliers, consultants, dealers or competitors, regardless of their amount.

The employees cannot give gifts to entities and persons with whom they have a business relationship, other than the gifts that the company has prepared for promotional purposes.

Political Activities

In their individual and voluntary political activities, the employees of HEKTAŞ and Group Companies should stay away from situations that may create a conflict of interest in their current duties and responsibilities. The company's name, title within the company and company's resources are not allowed to be used in individual political activities.

It is not allowed to make political propaganda during the working hours and in the workplace environment, it is not allowed to ask the employees to be members of a political party in any way, and the time of other employees cannot be taken for such activities.

Club and Association Memberships

It is essential that the employees of HEKTAŞ and Group Companies do not engage in social activities that are incompatible with their interests and benefits. However,

they can take charge in foundations, associations for professional and social purposes, provided that they do not disrupt their working hours and order. In case they take charge in the management level in the specified places, it is essential that the employees inform the "Ethics" communication channels. Association and/or club activities must not be discriminatory or contrary to the public interest in any way.

Confidentiality and Protection of Trade Secrets

Information is one of the most significant assets that will be used to actualize the vision of HEKTAŞ and Group Companies. To use information effectively, to share it correctly and to ensure the confidentiality, integrity and accessibility of information in this process is the common responsibility of all our companies and employees.

The information and documents, trade secrets, non-public financial and other information provided by the company due to its location or that are likely to be accessed or learned at the workplace, confidential information regarding employees' personal rights and agreements concluded with third parties are evaluated within the framework of confidentiality and protection of trade secrets. Each employee is committed to the confidentiality of company information and not allowed to disclose such information without permission or necessary written authorization. The protection and confidentiality of all financial and commercial information, agreements and employees' information belonging to the company is essential. All official statements are announced to investors, partners and the public in a complete, simultaneous and understandable manner and in accordance with the principle of equality through the units determined by the companies.

It is not allowed to share the passwords for computers, telephones, tablets, all devices and software that store data with anyone inside or outside the company. The employees are responsible for the data security of desktop and/or laptop computers, mobile phones and tablets, which are debited to them, as well as personal information accessed for business purposes. They are used in accordance with the Personal Data Protection Law. Internal Audit Senior Management is the only unit that is authorized to inspect the devices and software records (notebook, external data storage device, mobile phone, tablet, e-mail, Skype, SMS) given to employees by HEKTAŞ and Group Companies, if deemed necessary. Related records can be subject to review upon a written request from the Information Systems Senior Management. If information should be shared with third parties and/or entities for the benefit of the company, then a non-disclosure agreement is signed initially or a written commitment of confidentiality is obtained from the other party in order to ensure that the responsibilities of these persons and entities regarding the security and protection of the shared information are well-understood. It is essential to get the support of legal units in such practices.

Company Policies

The wages, fringe benefits, etc. personal information that reflect the company's policy and are personal are confidential and should not be disclosed to anyone other than the authorities. The information belonging to the employee is delivered privately.

The employees are not allowed to disclose this information to others or apply pressure to other employees to disclose the information.

The persons who are authorized to make evaluations, express opinions, and make written or verbal press releases on behalf of the company are the Chairman of the Board of Directors and the CEO (with the approval of the Chairman of the Board of Directors), as well as the persons to be assigned by them.

Our Responsibilities

Our Legal Responsibilities

HEKTAŞ and Group Companies executes all its domestic and abroad activities and proceedings within the frame of the Republic of Turkey laws and international laws, and it is essential to present accurate, complete and comprehensible information to the legal regulatory entities and organizations on time.

Our Responsibilities Toward Our Employees

HEKTAŞ and Group Companies do not discriminate by basing on race, ethnicity, nationality, religion, or gender. By providing equal opportunities to people under equal conditions, take performance and efficiency criteria in remuneration, appointment and promotion as basis.

The practices of the company comply with all applicable laws and regulations regarding the employment and working life. The employees of the company also fulfil all legal requirements within the scope of their activities and act in accordance with legal regulations.

Violation of immunity in any way by means of physical, sexual and/or emotional harassment against our employees or our stakeholders with whom we have a business relationship, at the workplace or at any place where they are due to work, is not tolerated. Possible negative attitudes and behaviours towards those who report such violations or assist during the investigation are considered as violations of our ethics rules. An affirmative and harmonious working environment that supports cooperation is created within the company and clash environments are prevented, thus people with different beliefs, thoughts and opinions work in harmony, and it is not allowed to make religious propaganda in the workplace environment.

HEKTAŞ and Group Companies ensure the necessary participation in Occupational Health and Safety (OHS) trainings for a safe and healthy working environment and pay utmost care to take measures in this regard.

Our employees notify the possible dangers and risks they recognize in the workplace to their unit supervisors and/or workplace OHS units through the relevant notification forms.

The trainings aimed at improving the professional knowledge and skills of the employees as well as their personal abilities are realized with the principle of equality.

Systematic and planned behaviours that aim to alienate the targeted person from work, decrease his performance, and cause him to resign in a manner that will be evaluated within the scope of psychological harassment (mobbing) will not be tolerated.

Responsibilities to Our Shareholders

By giving priority to sustainability and acting in accordance with the goal of creating value for their shareholders, HEKTAŞ and Group Companies take their operation related decisions by basing on known economic criteria, and attach importance to the most efficient management of resources with an understanding of financial discipline and accountability.

In the statements made to the public and shareholders, timely, accurate, complete and comprehensive information about financial statements, strategies, investments and risk profile are provided. All meetings to be held with the parties such as the investors, financial analysts, members of the press, etc. are regulated by the relevant in-house regulations, no verbal or written statement is made on behalf of HEKTAŞ and Group Companies unless a task is granted.

Müşterilerimize Karşı Sorumluluklarımız

HEKTAŞ and Group Companies work with a proactive approach that focuses on customer satisfaction and responds to the needs and demands of the customers in the shortest time possible.

Offers services on time and under promised conditions; approaches its customers within the framework of respect, honor, justice, equality, and courtesy rules. It is essential that the employees carefully protect the confidential information of the customers.

We are sensitive to the requirements and demands of our customers. We continuously improve our products, services, technology and business processes in order to ensure quality, energy efficiency and development at every phase of our activities.

Responsibilities to Our Suppliers/Business Partners

We select all our suppliers with objective criteria among the companies that are experts in their fields of business, that fulfil their legal obligations, and that do not have an unfavourable reputation.

We behave fairly and respectfully as expected from a good customer, take the necessary care to fulfil their obligations in a timely manner, and carefully protect the confidential information of the people and entities with which we do business, as well as our business partners.

Responsibilities to Our Competitors

HEKTAŞ ve competition, directly or indirectly, with competitors or other persons and entities in the areas in which we operate.

As HEKTAŞ and Group Companies, we never allow situations that prevent competition, such as working or collaborating in order to determine the market and price, or exchanging information.

Responsibilities for Social Media

Except for employees who are expressly authorized by job description and authority, all types of posts and personal comments shared in social networking sites, blogs, e-mail groups and that may negatively affect the corporate position, sectoral and social reputation and competition of HEKTAŞ and Group Companies cause obligations for the employee. No employee other than those assigned can make a verbal or written statement on behalf of HEKTAŞ and Group Companies.

Implementation

The access to ethics notifications is only under the authority of the Head Office and the Internal Audit Senior Management. Security, confidentiality and management of all channels fall within the purview of the Internal Audit Senior Management. The decision to subject the notifications to the review in the Ethics Committee is taken by the CEO following the preliminary examination to be carried out by the Internal Audit Senior Management.

Ethics Committee

HEKTAŞ and Group Companies Ethics Committee is the competent authority for ethics issues within the company. Presents recommendations to senior management on all ethics issues and draws attention to risky situations aspects of ethics.

Ethics Committee is comprised of the CEO, COO and the Human Resources Director. Internal Audit Manager acts as the rapporteur of the Ethics Committee. The Ethics Committee is chaired by the CEO and has the authority to replace the members of the Ethics Committee.

Working Principles of Ethics Committee

The Ethics Committee ensures that all employees are informed about the Code of Ethics, and answers the questions of all employees regarding the implementation of the Code of Ethics with the utmost confidentiality.

It keeps the reports or complaints or the identity of those who report or complain confidential. Adopts a policy to prevent possible retaliatory attitudes and behaviours towards employees or persons who report ethics violations, and conducts the investigation within the framework of confidentiality principles.

It has the right to request information, documents and evidence related to the investigation directly from the related business unit. It can examine all kinds of information and documents it has obtained only within the scope of the investigation.

The investigation is handled promptly and reached to the result as quickly as possible, and the decisions taken by the Ethics Committee are immediately put into practice by informing the relevant authorities about the results. The investigation process is recorded in a written report from the beginning and the information, evidence and documents are attached to the report and it is signed by the Chairman and the Members.

While performing their duties, the Chairman and members of the committee act independently and unaffected by the department managers and the hierarchy within the organization. They are not allowed to be subject to repression or any suggestions.

In case the employees recognize an unethical practice, they can report this via the Ethics Line established within our Group (www.remedetikhat.com.tr web address, hektas@etikhat.com e-mail address and (+90212) 403 34 53 numbered telephone formed within the scope of ethics line).

Miscellaneous

Legal Issues

Lawsuits

There is no significant ongoing lawsuit filed against the company.

Administrative-Judicial Sanctions

There are no significant administrative sanctions or penalties imposed on the Company or the Members of the Board of Directors due to practices contrary to the provisions of the legislation.

Information on Legislative Changes That May Significantly Affect Company Activities

Legislative changes such as incentives and taxes that may significantly affect the Company's financial statements

Tax Changes

To enter into force on July 10, 2023 in accordance with the Presidential Decree No. 7346 published in the Official Gazette dated July 7, 2023, the general VAT rate, which is applied at 18% for general taxable transactions, was increased to 20%, and the VAT rate applied for other deliveries and services subject to the 8% VAT rate was increased to 10%.

In accordance with the "Law on the Creation of Additional Motor Vehicle Tax and Amendments to Certain Laws and Decree Law No. 375 for the Compensation of Economic Losses Caused by the Earthquakes Occurred on 6/2/2023" published in the Official Gazette dated July 15, 2023, the 25% corporate tax rate applicable to banks, financial leasing, factoring, financing and savings finance companies, electronic payment and money institutions, authorized foreign exchange institutions, asset management companies, capital market institutions, insurance and reinsurance companies, and pension companies was increased to 30% and the 20% corporate tax rate applicable to other companies was increased to 25%. The tax rate change in question will be valid for the profits of companies in 2023 and subsequent taxation periods.

Legislative Changes

In accordance with the decision dated 28 December 2023 and numbered 81/1820, it was decided that

issuers and capital market institutions subject to financial reporting regulations applying Turkish Accounting/Financial Reporting Standards will apply inflation accounting by applying the provisions of TAS 29, starting from their annual financial reports for the accounting periods ending as of 31 December 2023.

Explanations Regarding Private Audit and Public Audit

Company Activities are regularly and periodically audited by Independent External Auditors and Auditors appointed by the General Assembly. Independent audit activities for 2023 are carried out by DRT Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi (Member of Deloitte Touche Tohmatsu Limited).

Information Mandatory to be Provided to Shareholders Regarding Related-Party Transactions and Balances

Information regarding the company's transactions with related parties is included in the footnotes of the financial statements dated 31.12.2023.

Information on the Conflicts of Interest Between the Company and the Institutions It Provides Services on Issues such as Investment Advisory and Rating, and the Measures Taken by the Company to Prevent These Conflicts of Interest

None.

Corporate Governance Principles Compliance Report, Corporate Governance Information Form, and Sustainability Principles Compliance Report

"Corporate Governance Principles" published by the Capital Markets Board were also complied with and implemented in the January - December 2023 period.

Corporate Governance Principles Compliance Report, Corporate Governance Information Form, and Sustainability Principles Compliance Report are provided in Annex-2.

Donations Made

As of 2023, the company donated TRY 51,671,877.70.

Events Occurring Outside the Period

Issuance Document for the Debt Instrument

The issuance document for the debt instrument to be issued to private and/or qualified investors without public offering at home up to a nominal amount of TRY 5,000,000,000 was approved by the Capital Markets Board on 09.01.2024 and was presented to our stakeholders and announced to the public with the PDP statement of the same date.

Senior Management Changes

It was decided that Celal MADAZLI, who was working in the Technical Affairs Directorate of our company, would resign and Ayhan GÖKBAĞ would be appointed in his place, and it was announced to the public by informing our stakeholders in the PDP statement dated 23.01.2024.

It was decided that Selami YILDIZ, who was serving as General Manager in our company, would resign as of 26.01.2024, and that Enis Emre TERZİ, who was serving as Financial Affairs Director in our company, would be appointed in his place, effective from 27.01.2024, and it was announced to the public by informing our stakeholders in the PDP statement dated 26.01.2024.

IPO process of Ferbis

At the Extraordinary General Assembly meeting held within the scope of public offering of FERBİS Tarım Ticaret ve Sanayi A.Ş., our 100% subsidiary, the amendment to the Articles of Association has been approved and the new Articles of Association has been registered in the trade registry and it was announced to the public by informing our stakeholders in the PDP statement dated 19.02.2024.

Debt Instrument Redemptions

Debt instruments of TRY 1,850,000,000 were redeemed.

ISIN CODE	NOMINAL VALUE	MATURITY	ISSUANCE DATE	REDEMPTION DATE
TRFHEKT12411	850,000,000.00 TL	182	07.07.2023	05.01.2024
TRFHEKT22410	1,000,000,000.00 TL	177	09.08.2023	02.02.2024
Total	1,850,000,000.00 TL			

R&D Center Application for Orhangazi Branch

The application made by our HEKTAŞ Ticaret Türk A.Ş. Orhangazi Branch, operating in Bursa, to obtain an R&D Center Certificate within the scope of Law No. 5746, has been approved by the Ministry of Industry and Technology; and it has been decided to grant an R&D Center Certificate to our Orhangazi Branch and to allow the business to benefit from the incentives and exemptions provided within the scope of Law No. 5746, based on the periods determined by the legislation and it was announced to the public by informing our stakeholders in the PDP statement dated 21.02.2024.

Change Of The Person Acting On Behalf Of The Legal Person Board of Directors Member

As per the Board Decision taken by our Company's Legal Person Board of Directors Member, Akdeniz Chemson Kimya Sanayi ve Ticaret Anonim Şirketi, During our Company's Board of Directors Meeting dated 27.03.2024, Güzde ERKOÇ was appointed in place of the natural person acting on Sebahattin KARAKOÇ behalf of, Akdeniz Chemson Kimya Sanayi ve Ticaret Anonim Şirketi, Member of the Legal Person Board of Directors of our Company and it was announced to the public by informing our stakeholders in the PDP statement dated 27.03.2024.

Independence Declarations of Independent Board of Director Members

STATEMENT OF INDEPENDENT MEMBER OF BOARD OF DIRECTORS 01.03.2023

I accept, undertake and declare that I read and understand the Corporate Governance Principles included in Serial No. II-17.1 Communique on Corporate Governance of Capital Markets Board and I fully meet all criteria for being an Independent Member of Board of Directors mentioned in the principle in question and also attached to this statement.

Bülent Şamil YETİŞ

STATEMENT OF INDEPENDENCE

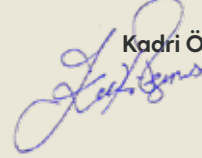
I am a candidate to be assigned as "independent member" in Board of Directors of HEKTAŞ TİCARET T.A.Ş in scope of the criteria mentioned in Communique on Corporate Governance of Capital Markets Board, legislation and articles of incorporation and in this framework, I declare that:

- a. I do not have a relationship between themselves, or their spouse and relatives by blood or marriage up to second degree, and the corporation, companies where the corporation holds management control or significant influence, and shareholders who hold management control of the corporation or have significant influence in the corporation, and legal entities in which these shareholders hold management control, in terms of employment at an administrative level to take upon significant duties and responsibilities within the last five years, not to own more than 5% of the capital or voting rights or privileged shares jointly or solely, or not having established a significant commercial relation,
- b. I am not a shareholder (5% and more), an employee at an administrative level to take upon significant duties and responsibilities, or member of board of directors within the last five years in companies that the corporation purchases or sells goods or services at a significant level within the framework of contracts executed, especially on audit (including tax audit, statutory audit, internal audit), rating and consulting of the corporation, at the time period when the corporation purchases or sells services or goods,
- c. I have professional education, knowledge and experience in order to duly fulfil the duties assigned for being an independent board member.
- d. I am not a full-time employee of public authorities and institutions after being elected, except being an academic member at university provided that is in compliance with the relevant legislation.
- e. I am a resident in Turkey in accordance with the Income Tax Law dated 31 December 1960 and numbered 193.
- f. I am capable to contribute positively to the operations of the corporation, to maintain their objectivity in conflicts of interests between the corporation and the shareholders, to have strong ethical standards, professional reputation and experience to freely take decisions by considering the rights of the stakeholders.
- g. I am able to allocate time for the corporation's business in order to follow up the activities of the corporation and duly fulfil the allocated duties.
- h. I did not become a member of the board of directors for more than a period of six years within the last ten years.
- i. I am not an independent member of the board of directors in more than three corporations where the corporation or the controlling shareholders of the corporation hold management control, and in more than five corporations admitted to trading on the exchange in total.
- j. I am not registered and announced as a board member representing a legal entity.

Bülent Şamil YETİŞ
01.03.2023

STATEMENT OF INDEPENDENT MEMBER OF BOARD OF DIRECTORS
01.03.2023

I accept, undertake and declare that I read and understand the Corporate Governance Principles included in Serial No. II-17.1 Communique on Corporate Governance of Capital Markets Board and I fully meet all criteria for being an Independent Member of Board of Directors mentioned in the principle in question and also attached to this statement.

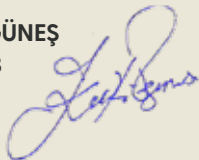

Kadri ÖZGÜNEŞ

STATEMENT OF INDEPENDENCE

I am a candidate to be assigned as "independent member" in Board of Directors of HEKTAŞ TİCARET T.A.Ş in scope of the criteria mentioned in Communique on Corporate Governance of Capital Markets Board, legislation and articles of incorporation and in this framework, I declare that:

- a. I do not have a relationship between themselves, or their spouse and relatives by blood or marriage up to second degree, and the corporation, companies where the corporation holds management control or significant influence, and shareholders who hold management control of the corporation or have significant influence in the corporation, and legal entities in which these shareholders hold management control, in terms of employment at an administrative level to take upon significant duties and responsibilities within the last five years, not to own more than 5% of the capital or voting rights or privileged shares jointly or solely, or not having established a significant commercial relation.
- b. I am not a shareholder (5% and more), an employee at an administrative level to take upon significant duties and responsibilities, or member of board of directors within the last five years in companies that the corporation purchases or sells goods or services at a significant level within the framework of contracts executed, especially on audit (including tax audit, statutory audit, internal audit), rating and consulting of the corporation, at the time period when the corporation purchases or sells services or goods.
- c. I have professional education, knowledge and experience in order to duly fulfil the duties assigned for being an independent board member.
- d. I am not a full-time employee of public authorities and institutions after being elected, except being an academic member at university provided that is in compliance with the relevant legislation.
- e. I am a resident in Turkey in accordance with the Income Tax Law dated 31 December 1960 and numbered 193.
- f. I am capable to contribute positively to the operations of the corporation, to maintain their objectivity in conflicts of interests between the corporation and the shareholders, to have strong ethical standards, professional reputation and experience to freely take decisions by considering the rights of the stakeholders.
- g. I am able to allocate time for the corporation's business in order to follow up the activities of the corporation and duly fulfil the allocated duties.
- h. I did not become a member of the board of directors for more than a period of six years within the last ten years.
- i. I am not an independent member of the board of directors in more than three corporations where the corporation or the controlling shareholders of the corporation hold management control, and in more than five corporations admitted to trading on the exchange in total.
- j. I am not registered and announced as a board member representing a legal entity.

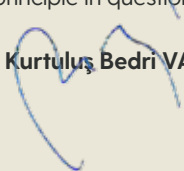
Kadri ÖZGÜNEŞ
01.03.2023



Independence Declarations of Independent Board of Director Members

STATEMENT OF INDEPENDENT MEMBER OF BOARD OF DIRECTORS 01.03.2023


I accept, undertake and declare that I read and understand the Corporate Governance Principles included in Serial No. II-17.1 Communique on Corporate Governance of Capital Markets Board and I fully meet all criteria for being an Independent Member of Board of Directors mentioned in the principle in question and also attached to this statement.


Kurtuluş Bedri VAROĞLU

STATEMENT OF INDEPENDENCE

I am a candidate to be assigned as "independent member" in Board of Directors of HEKTAŞ TİCARET T.A.Ş in scope of the criteria mentioned in Communique on Corporate Governance of Capital Markets Board, legislation and articles of incorporation and in this framework, I declare that:

- a. I do not have a relationship between themselves, or their spouse and relatives by blood or marriage up to second degree, and the corporation, companies where the corporation holds management control or significant influence, and shareholders who hold management control of the corporation or have significant influence in the corporation, and legal entities in which these shareholders hold management control, in terms of employment at an administrative level to take upon significant duties and responsibilities within the last five years, not to own more than 5% of the capital or voting rights or privileged shares jointly or solely, or not having established a significant commercial relation,
- b. I am not a shareholder (5% and more), an employee at an administrative level to take upon significant duties and responsibilities, or member of board of directors within the last five years in companies that the corporation purchases or sells goods or services at a significant level within the framework of contracts executed, especially on audit (including tax audit, statutory audit, internal audit), rating and consulting of the corporation, at the time period when the corporation purchases or sells services or goods,
- c. I have professional education, knowledge and experience in order to duly fulfil the duties assigned for being an independent board member.
- d. I am not a full-time employee of public authorities and institutions after being elected, except being an academic member at university provided that is in compliance with the relevant legislation.
- e. I am a resident in Turkey in accordance with the Income Tax Law dated 31 December 1960 and numbered 193.
- f. I am capable to contribute positively to the operations of the corporation, to maintain their objectivity in conflicts of interests between the corporation and the shareholders, to have strong ethical standards, professional reputation and experience to freely take decisions by considering the rights of the stakeholders.
- g. I am able to allocate time for the corporation's business in order to follow up the activities of the corporation and duly fulfil the allocated duties.
- h. I did not become a member of the board of directors for more than a period of six years within the last ten years.
- i. I am not an independent member of the board of directors in more than three corporations where the corporation or the controlling shareholders of the corporation hold management control, and in more than five corporations admitted to trading on the exchange in total.
- j. I am not registered and announced as a board member representing a legal entity.


Kurtuluş Bedri VAROĞLU
01.03.2023

Statement Of Compliance With Corporate Governance Principles

HEKTAŞ TİCARET T. ANONİM ŞİRKETİ CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT STATEMENT OF COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES

HEKTAŞ TİCARET T. ANONİM ŞİRKETİ, as a leader in its sector and as one of the public companies with the most widespread sales network in Turkey, is aware of its responsibilities towards its stakeholders. Accordingly, the company has adopted the concepts of “equality”, “transparency”, “accountability” and “responsibility”, which form the basis of corporate governance, in its activities, and shows maximum care and effort to comply with the Capital Markets Law (“CMB”) and the secondary regulations and decisions of the Capital Markets Board (“CMB”).

In this framework, in line with corporate governance efforts, corporate governance mechanisms were started to be operated as of February 27, 2012 in line with principles.

HEKTAŞ TİCARET T. ANONİM ŞİRKETİ believes in the importance of full compliance with Corporate Governance Principles. The corporate governance principles included in the annex of the Corporate Governance Communiqué and required to be implemented by the relevant legislation were adopted and implemented by the Company during the activity period ending on December 31, 2023. Utmost care is taken to comply with the voluntary principles, which are not obligatory to be complied with by the relevant legislation, and as of the current situation, no conflict of interest has arisen among the stakeholders regarding those that have not yet been fully complied with.

In the activity period ending on 31 December 2023, the explanations regarding compliance with the corporate governance principles in the annex of the Corporate Governance Communiqué and those that have not yet been complied with are included in the annual report, the Corporate Governance Compliance Report (“KYUR”) and Corporate Governance Information Form (“KYBF”) and other relevant sections of the report.

In the future, we will continue to work on improving our corporate governance practices, including better operation of mechanisms within the framework of the aforementioned principles, and voluntary principles that have not been put into practice in a limited number of corporate governance practices of the partnership.

If there is any change in KYUR or KYBF during the period, it will be included in the interim annual reports as well as a material disclosure.

Corporate Governance Compliance Report

Corporate Governance Compliance Report

	Compliance Status					Disclosure
	Yes	Partially	No	Exempt	Irrelevant	
1.1. FACILITATING THE EXERCISE OF SHAREHOLDERS' RIGHTS						
1.1.2 - Information and disclosures that may affect the exercise of shareholder rights are made available to investors on the corporate website of the company.	X					
1.2. RIGHT TO RECEIVE AND REVIEW INFORMATION						
1.2.1- The Company management avoided taking any action that would make it difficult to conduct a special audit.	X					
1.3. GENERAL ASSEMBLY						
1.3.2 - The Company ensured that the agenda of the General Assembly is clearly expressed and each proposal is given under a separate heading.	X					
1.3.7 - Persons who have privileged access to shareholding information informed the board of directors about the transactions carried out on their behalf within the scope of the company's field of activity to be added to the agenda in order to provide information at the general assembly.			X			No request was received.
1.3.8 - Members of the board of directors, other relevant persons, and officials and auditors responsible for the preparation of the financial statements were present at the general assembly meeting regarding the issues of special importance on the agenda .	X					
1.3.10-Amounts of all donations and aid and the beneficiaries thereof were included in a separate item on the agenda of the general assembly .	X					
1.3.11 - The General Assembly meeting was held open to the public, including stakeholders and the media, without the right to speak .	X					
1.4. VOTING RIGHT						
1.4.1 - There are no restrictions or practices that make it difficult for shareholders to exercise their voting rights.	X					
1.4.2-The company does not have shares with privileged voting rights.		X				Founder's Dividend Share holders have a 5% dividend right arising from the company's articles of association.
1.4.3 - The Company did not exercise its voting rights in the General Assembly of any partnership with which it has a mutual participation relationship, which brings with it a dominance relationship .					X	Our company does not have any partnerships that are in a mutual participation relationship.
1.5. MINORITY RIGHTS						
1.5.1- The company has paid utmost attention to ensuring that minority rights are exercised.	X					
1.5.2-Minority rights are also granted to those who own less than one twentieth of the capital, and the scope of minority rights are regulated and expanded in the articles of association.			X			Although it is not regulated in the Articles of Association, the provisions of TCC No. 6102 and CMB No. 6362 are applied.

	Compliance Status					Disclosure
	Yes	Partially	No	Exempt	Irrelevant	
1.6. RIGHT TO DIVIDEND						
1.6.1 - The profit distribution policy approved by the general assembly is disclosed to the public on the corporate website of the company.	X					
1.6.2 - The profit distribution policy includes minimum information that is clear enough to enable shareholders to predict the procedures and principles of distribution of profits that the company will obtain in future periods.	X					
1.6.3 - The reasons for not distributing profits and the way the undistributed profits will be used are stated in the relevant agenda item.	X					
1.6.4 - The board of directors reviewed whether balance is achieved between the interests of the shareholders and the company interest in the profit distribution policy.	X					
1.7. TRANSFER OF SHARES						
1.7.1 - There are no restrictions that make it difficult to transfer shares.	X					
2.1. CORPORATE WEBSITE						
2.1.1 - The company's corporate website contains all the elements included in the corporate governance principle numbered 2.1.1 .	X					
2.1.2-Shareholding structure (names, privileges, number and ratio of shares of real person shareholders holding more than 5% of the issued capital) is updated on the corporate website at least every 6 months.	X					
2.1.4 - The information on the company's corporate website has been prepared in foreign languages selected according to need, with exactly the same content as Turkish.	X					
2.2. ANNUAL REPORT						
2.2.1 - The board of directors ensures that the annual report fully and accurately reflects the company's activities.	X					
2.2.2 - The annual report includes all the elements stated in principle 2.2.2 .	X					
3.1. COMPANY POLICY REGARDING STAKEHOLDERS						
3.1.1- The rights of stakeholders are protected within the framework of relevant regulations, contracts, and good faith rules.	X					
3.1.3 - Policies and procedures regarding the rights of stakeholders are published on the company's corporate website.		X				Code of Conduct, Information Policy, Profit Distribution Policy, Compensation Policy, Remuneration Policy, Donation and Aid Policy
3.1.4 - Necessary mechanisms were established for stakeholders to report transactions that are contrary to legislation and unethical .	X					
3.1.5 - The company handles conflicts of interest among stakeholders in a balanced manner.	X					

Corporate Governance Compliance Report

	Compliance Status					Disclosure
	Yes	Partially	No	Exempt	Irrelevant	
3.2. SUPPORTING THE PARTICIPATION OF STAKEHOLDERS IN COMPANY MANAGEMENT						
3.2.1 - Employee participation in management is regulated by the articles of association or internal regulations.			X			There is no article in the Articles of Association.
3.2.2 - Methods such as surveys / consultations have been applied to obtain the opinions of stakeholders in important decisions that have consequences for stakeholders.		X				The requests and suggestions of customers, suppliers, and shareholders are listened to and recorded when necessary, but no such requests were received. After analyst meetings, a meeting evaluation survey is conducted with analysts.
3.3. HUMAN RESOURCES POLICY OF THE COMPANY						
3.3.1 - The company has adopted an employment policy providing equal opportunities and succession planning for all key management positions.	X					Succession plans are made for all critical positions within the company.
3.3.2 - Criteria for personnel recruitment are determined in writing.	X					
3.3.3 - The company has a Human Resources Development Policy and organizes training for employees within this scope.	X					
3.3.4 - Meetings were held to inform employees about issues such as the company's financial situation, remuneration, career planning, training, and health.	X					Employees are constantly informed of new developments by using online meetings and digital information channels.
3.3.5 - Decisions that may affect employees are notified to them and their representatives. The opinions of the relevant unions were also taken on these issues.		X				Our employees are notified directly, but there is no union.
3.3.6 - Job descriptions and performance criteria were prepared in detail for all employees, announced to them and used in remuneration decisions.	X					
3.3.7 - Measures such as procedures, training, awareness raising, targets, monitoring, and complaint mechanisms were taken to prevent discrimination among employees and to protect employees against physical, mental, and emotional mistreatment within the company.	X					
3.3.8 - The company supports the freedom of association and the effective recognition of the right to collective bargaining .					X	Our company does not have a policy on this issue.
3.3.9 - A safe working environment is provided for employees.	X					

	Compliance Status					Disclosure
	Yes	Partially	No	Exempt	Irrelevant	
3.4. RELATIONS WITH CUSTOMERS AND SUPPLIERS						
3.4.1-The company measured customer satisfaction and operated with the understanding of unconditional customer satisfaction.	X					
3.4.2 - When there is a delay in processing the customer's requests for the goods and services purchased, this is notified to the customers.	X					
3.4.3 - The company adheres to quality standards regarding goods and services.	X					
3.4.4 - The company has controls to protect the confidentiality of sensitive information of customers and suppliers within the scope of trade secrets .	X					
3.5. CODE OF CONDUCT AND SOCIAL RESPONSIBILITY						
3.5.1 - The board of directors determined the Code of Conduct and published it on the company's corporate website.	X					
3.5.2- The company is sensitive about social responsibility. It took measures to prevent corruption and bribery	X					
4.1. FUNCTION OF THE BOARD OF DIRECTORS						
4.1.1-The board of directors ensures that the strategies and risks do not threaten the long-term interests of the company and that effective risk management is implemented.	X					
4.1.2-Meeting agenda and minutes reveal that the board of directors discusses and approves the strategic goals of the company, determines the resources needed and monitors the performance of the management.	X					
4.2. ACTIVITY PRINCIPLES OF THE BOARD OF DIRECTORS						
4.2.1-The board of directors documented its activities and submitted them to the information of the shareholders.	X					
4.2.2-The duties and powers of the board members are explained in the annual report.	X					
4.2.3 - The board of directors established an internal control system appropriate to the scale of the company and the complexity of its activities.	X					
4.2.4-Information on the functioning and effectiveness of the internal control system is provided in the annual report.	X					
4.2.5 - The duties of the chairperson of the board of directors and the chief executive officer (general manager) are separated and defined.	X					
4.2.7-The board of directors ensures that the investor relations department and corporate governance committee work effectively and the investor relations department works in close cooperation with the corporate governance committee in resolving disputes between the company and shareholders and in communicating with shareholders.	X					
4.2.8 - The Company took out directors' liability insurance for an amount exceeding 25% of the capital, regarding the damage that may be caused to the company by the members of the board of directors due to their faults during the performance of their duties.	X					

Corporate Governance Compliance Report

	Compliance Status					Disclosure
	Yes	Partially	No	Exempt	Irrelevant	
4.3. YÖNETİM KURULUNUN YAPISI						
4.3.9- The company set a minimum target of 25% for the rate of female members in the board of directors and established a policy to achieve this goal. The structure of the board of directors is reviewed annually and the candidate selection process is carried out in accordance with this policy.			X			There is no policy.
4.3.10 - At least one of the members of the audit committee has 5 years of experience in auditing/accounting and finance.	X					
4.4. FORM OF BOARD MEETINGS						
4.4.1 - All board members participated physically or electronically in most board meetings.	X					
4.4.2 - The board of directors defined a minimum period for sending information and documents regarding the issues on the agenda to all members before the meeting.	X					
4.4.3 - The opinions of the member who could not attend the meeting but submitted their opinions in writing to the board of directors were presented to the information of other members.	X					
4.4.4 - Each member of the board of directors has one vote.	X					
4.4.5 - The manner in which board of directors meetings will be held is written down in internal company regulations.	X					
4.4.6 - The board of directors meeting minutes show that all items on the agenda were discussed and the decision minutes are prepared to include dissenting opinions.	X					
4.4.7 - Board members are restricted from taking on other duties outside the company. The duties of the board members outside the company were presented to the shareholders at the general assembly meeting.			X			There are no restrictions, it was presented to the shareholders at the General Assembly Meeting.
4.5. COMMITTEES ESTABLISHED WITHIN THE BOARD OF DIRECTORS						
4.5.5 - Each board member serves on only one committee.			X			Considering the number of Board Members, one member serves in more than one committee.
4.5.6-The committees invited the people they deemed necessary to the meetings and received their opinions.	X					
4.5.7 - Information about the independence of the person/organization from which the Committee receives consultancy services is included in the annual report.					X	No such consultancy was received.
4.5.8 - A report on the results of the committee meetings was prepared and presented to the board members.	X					

	Compliance Status					Disclosure
	Yes	Partially	No	Exempt	Irrelevant	
4.6. FINANCIAL RIGHTS PROVIDED TO MEMBERS OF THE BOARD OF DIRECTORS AND MANAGERS WITH ADMINISTRATIVE RESPONSIBILITIES						
4.6.1 - The board of directors carried out a board performance evaluation to evaluate whether it fulfills its responsibilities effectively.			X			There is no performance evaluation.
4.6.4 - The Company did not extend loans to any of the members of the board of directors or managers with administrative responsibilities, did not extend the term of the lent debt, did not improve the conditions, did not provide loans under a personal loan title through third parties, or did not give guarantees such as surety in their favor.	X					
4.6.5 - Remunerations paid to board members and managers with administrative responsibilities were disclosed on an individual basis in the annual report.		X				Remuneration is given cumulatively, not on a per-person basis.

Corporate Governance Information Form

1. SHAREHOLDERS

1.1. Facilitating the Exercise of Shareholder Rights

Number of investor conferences and meetings organized by the company during the year	12 investment companies, 2 portfolio management companies
--	---

1.2. Right to Receive and Review Information

Number of private auditor requests	0
------------------------------------	---

Number of private auditor requests accepted at the general assembly meeting	0
---	---

1.3. General Assembly

Link to the PDP announcement where the information requested within the scope of Principle 1.3.1 (ad) is announced	https://www.kap.org.tr/tr/Bildirim/1125715
--	---

Whether the documents related to the general assembly meeting were presented in English simultaneously with Turkish	There is no such process.
---	---------------------------

Within the scope of Principle 1.3.9, links to PDP announcements regarding transactions that do not have the approval of the majority of independent members or the unanimous consent of the participants	There is no such process.
--	---------------------------

Links to PDP announcements regarding related-party transactions carried out within the scope of Article 9 of the Corporate Governance Communiqué (II-17.1)	There are no transactions exceeding.
--	--------------------------------------

Links to PDP announcements regarding common and ongoing transactions carried out within the scope of Article 10 of the Corporate Governance Communiqué (II-17.1)	PDP announcement on related-party transactions
--	--

The name of the section on the company's corporate website where the policy regarding donations and aid is located	https://hektas.com.tr/bagis-ve-yardim-politikasi/
--	---

Link to the PDP announcement containing the minutes of the general assembly where the policy on donations and aid was adopted	https://www.kap.org.tr/tr/Bildirim/1129981
---	---

Number of the article in the articles of association regulating the participation of stakeholders in the general assembly	None.
---	-------

Information about stakeholders attending the general assembly	There are no restrictions on stakeholders attending the General Assembly.
---	---

1.4. Voting Rights

Whether or not there is a privilege in voting rights	None.
--	-------

If there is a privilege in voting, privileged shareholders and voting rates	None.
---	-------

Shareholding ratio of the largest shareholder	55.37%
---	--------

1.5. Minority Rights

Whether minority rights are expanded (in terms of content or proportion) in the company's articles of association	None.
---	-------

If minority rights have been expanded in terms of content and proportion, indicate the number of the relevant article in the articles of association.	None.
---	-------

1.6. Profit Share Right

Name of the section on the corporate website where the profit distribution policy is located

<https://hektas.com.tr/kar-dagitim-politikasi/>

In case the board of directors proposes to the general assembly not to distribute the profit, the minutes text regarding the general assembly agenda item stating the reasons for this and the way the undistributed profit will be used

As a result of the calculations made in accordance with the provisions of the Tax Procedure Law and the Corporate and Income Tax Laws from the activities of the 2022 accounting period, the Gross Profit of TRY 477,986,884.33 was achieved, and as a result of the calculations made in accordance with the Capital Markets Board's Communiqué numbered II-14.1, the Gross Profit of TRY 544,685,543.00 was achieved. After setting aside the Primary Legal Reserve, which must be allocated in accordance with the provisions of the Corporate Tax and Turkish Commercial Code, a Net Distributable Profit of TRY 412,585,653.24 in accordance with the provisions of the Tax Procedure Law and the Corporate and Income Tax Laws and of TRY 780,574,674.62 in accordance with the Capital Markets Board's Communiqué numbered II-14.1 remains. The following proposal of the Board of Directors submitted for approval at the 2022 Ordinary General Assembly to be held on March 30, 2023: "In order to support our growing balance sheet in the 2022 accounting period, the 2022 accounting period distributable profit will not be distributed by evaluating the conditions stipulated in the Company's profit distribution policy, and after the primary legal reserves are set aside, the remaining amount will be recorded in extraordinary reserves." As a result of the voting, it was accepted by the majority of the votes of the participants with 1,644,332,009.6925 affirmative votes against 1,133,005 negative votes.

In case the board of directors proposes to the general assembly not to distribute profits, the link to the PDP announcement containing the relevant general assembly minutes

<https://www.kap.org.tr/tr/Bildirim/1129981>

General Assembly Meetings

Assembly Meeting Date	Number of additional disclosure requests submitted to the company regarding the general assembly agenda	Participation rate of shareholders in the general assembly	Proportion of shares represented in person	Proportion of shares represented by proxy	The name of the section on the company's corporate website that contains the minutes of the general assembly meeting, showing the positive and negative votes on each agenda item	The name of the section on the corporate website that contains all the questions asked at the general assembly meeting and the answers provided to them	Article or paragraph number of the general assembly meeting minutes regarding related parties	Number of people who report to the board of directors and have privileged access to partnership information (Insider list)	Link to the general assembly notification published on PDP
30.03.2023	0	64.99%	0.11%	64.89%	https://hektas.com.tr/ Investor Relations / General Assembly Meetings	General Assembly Meeting Minutes and List of Attendants	12	303	https://www.kap.org.tr/tr/Bildirim/1129981

Corporate Governance Information Form

2. PUBLIC DISCLOSURE AND TRANSPARENCY

2.1. Corporate Website

Names of the sections containing the information requested in the corporate governance principle no. 2.1.1 on the corporate website	Investor Relations Department
The section on the corporate website containing the list of real person shareholders who directly or indirectly own more than 5% of the shares	https://hektas.com.tr/yatirimci-iliskileri/kurum-kimligi-ve-yonetimi/ortaklik-yapisi/
Kurumsal internet sitesinin hazırlandığı diller	Turkish and English

2.2. Annual Report

Page numbers or section names in the annual report where the information specified in the corporate governance principle no. 2.2.2	
a) The page number or section name containing the duties of the board members and managers outside the company and the declarations of independency of the members	/Annex-1 Declarations of Independent of the Independent Board of Directors Members
b) Page number or section name of the information regarding the committees established within the Board of Directors	-MANAGEMENT STRUCTURE /COMMITTEE STRUCTURE -CORPORATE GOVERNANCE / WORKING PRINCIPLES OF COMMITTEES
c) Page number or section name of the number of meetings of the board of directors during the year and the participation status of the members in the meetings	-MANAGEMENT STRUCTURE /Board Members -CORPORATE GOVERNANCE
ç) Page number or section name of information about legislative changes that may significantly affect the company's activities	/Miscellaneous /Information on Legislative Changes That May Significantly Affect Company Activities
d) Page number or section name of information about important lawsuits filed against the company and their possible consequences	-CORPORATE GOVERNANCE /Miscellaneous /Legal Issues -CORPORATE GOVERNANCE /Miscellaneous
e) Page number or section name of the information regarding conflicts of interest between the company and the institutions from which it receives services such as investment consultancy and rating, and the measures taken to prevent them	/ Information on the Conflicts of Interest Between the Company and the Institutions It Provides Services on Issues such as Investment Advisory and Rating, and the Measures Taken by the Company to Prevent These Conflicts of Interest
f) Page number or section name of the information regarding mutual participations where the direct participation rate in the capital exceeds 5%	None.
g) Page number or section name of information about corporate social responsibility activities regarding social rights of employees, professional training and other company activities that create social and environmental consequences	Social Responsibility Projects

3. STAKEHOLDERS

3.1. Company Policy Regarding Stakeholders

3.1. Company Policy Regarding Stakeholders	https://hektas.com.tr/tazminat-politikasi/
Name of the section on the corporate website where the compensation policy is located	0
Title of the official regarding the reporting mechanism	Ethics Committee
Access information to the company's reporting mechanism	(0212) 403 34 53

3.2. Supporting the Participation of Stakeholders in Company Management

Kurumsal internet sitesinde, çalışanların yönetim organlarına katılımına ilişkin olan iç düzenlemelerin yer aldığı bölümün adı	None.
Management bodies where employees are represented	None.

3.2. Supporting the Participation of Stakeholders in Company Management

The board of directors' role in developing succession plans for key executive positions	https://hektas.com.tr/insan-kaynaklari/kariyer-planlama/
The name of the section on the corporate website that contains the human resources policy, which includes equal opportunity and personnel recruitment criteria, or a summary of the relevant articles of the policy	https://hektas.com.tr/insan-kaynaklari/insan-kaynaklari-politikamiz/
Whether there is a share acquisition plan or not	None.
The name of the section on the corporate website that contains the human resources policy, which includes measures to prevent discrimination and mistreatment, or a summary of the relevant articles of the policy	https://hektas.com.tr/kurumsal/etik-kurallar/
Number of final judicial decisions against the company due to liability related to work accidents	0

3.5. Code of Conduct and Social Responsibility

Name of the section on the corporate website where the code of conduct is located	https://hektas.com.tr/kurumsal/etik-kurallar/
The name of the section on the corporate website where the corporate social responsibility report is located If there is no corporate social responsibility report, measures taken on environmental, social, and corporate governance issues	https://hektas.com.tr/kurumsal/entegre-yonetim-sistemi-politikasi/

Measures taken to combat all forms of corruption, including extortion and bribery

It carefully avoids unethical behavior such as bribery, corruption, and abuse of power and supports efforts to eliminate such crimes. It avoids giving or receiving gifts, products, and services that may affect decisions and activities and may cause hesitation because they are symbolic in nature to provide privileges or benefits that are not in line with the course of business.

Corporate Governance Information Form

4. BOARD OF DIRECTORS-I

4.2. Principles of Activity of the Board of Directors

Date of the latest board of directors performance evaluation	None.
Whether independent experts were used in the performance evaluation of the board of directors	None.
Whether all board members were discharged	Yes
Names of the members of the board of directors to whom authority is delegated through the distribution of duties and the content of such authority	We do not have a Managing Director with special authority.
Number of reports submitted by the internal control unit to the audit board or other relevant committees	3
Name or page number of the section in the annual report that includes the evaluation of the effectiveness of the internal control system	-HEKTAŞ 2023 ACTIVITIES / Internal Control Systems
Name of the chairperson of the board of directors	OMSAN LOJİSTİK ANONİM ŞİRKETİ (Representative: Eren Ziya DİK)
Name of chief executive officer/general manager	Enis Emre TERZİ
Link to the PDP announcement stating the reason why the chairperson of the board of directors and the chief executive officer/general manager are the same person	They are not the same person.
Link to the PDP announcement stating that the damage that may be caused to the company by the members of the board of directors during the performance of their duties is insured for an amount exceeding 25% of the company capital	None.
Name of the section on the corporate website that provides information about the diversity policy to increase the rate of female board members	None.
Number and proportion of female members	1 and 13%

Structure of the Board of Directors

Name/Surname of the Board Member	Whether or not they are an executive officer	Whether they are an independent member or not	First Election to the Board of Directors Date	Link to the PDP Announcement Containing the Declaration of Independency	Whether the Independent Member Was Evaluated by the Nomination Committee	Whether or not a member lost their independency	Whether or not they have at least 5 Years of Experience in Auditing, Accounting and/or Finance
OMSAN LOJİSTİK ANONİM ŞİRKETİ EREN ZİYA DİK	Not Executive Member	Not Independent Member	21/07/2023				Yes
OYTAŞ İÇ VE DIŞ TİCARET ANONİM ŞİRKETİ CAN ÖRÜNG	Not Executive Member	Not Independent Member	28/12/2023				Yes
OYAK PAZARLAMA HİZMET VE TURİZM ANONİM ŞİRKETİ ARIF ÇETİNKAYA	Not Executive Member	Not Independent Member	06/04/2022				Yes
OYAK DENİZCİLİK VE LIMAN İŞLETMELERİ ANONİM ŞİRKETİ ŞANSEL YILMAZ	Not Executive Member	Not Independent Member	01/06/2023				Yes
AKDENİZ CHEMSON KİMYA SANAYİ VE TİCARET ANONİM ŞİRKETİ GÖZDE ERKOÇ	Not Executive Member	Not Independent Member	27/03/2024				Yes
KURTULUŞ BEDRİ VAROĞLU	Not Executive Member	Independent Member	03/04/2023	https://www.kap.org.tr/tr/Bildirim/1129988	Evaluated	No	Yes
BÜLENT ŞAMİL YETİŞ	Not Executive Member	Independent Member	31.03.2020	https://www.kap.org.tr/tr/Bildirim/1129988	Evaluated	No	Yes
KADRİ ÖZGÜNEŞ	Not Executive Member	Independent Member	06.04.2022	https://www.kap.org.tr/tr/Bildirim/1129988	Evaluated	No	Yes

Corporate Governance Information Form

4. BOARD OF DIRECTORS-II

4.4. Form of Board Meetings

Number of board meetings held physically during the reporting period	62
Average participation rate at board meetings	99%
Whether an electronic portal was used to facilitate the work of the board of directors	None.
In accordance with the working principles of the board of directors , the number of days before the meeting when the information and documents were presented to the members	5 days
The name of the section on the corporate website that contains information about the internal regulations that determine how the board of directors meetings will be held.	https://hektas.com.tr/yatirimci-iliskileri/kurum-kimligi-ve-yonetimi/anasozlesme/
The upper limit set in the policy that limits members from taking on other duties outside the company	None.

4.5. Committees Established within the Board of Directors

The page number or name of the relevant section in the annual report containing information about the board committees	-management structure -management structure /committee structure -corporate management / working principles of committees
Link to the PDP announcement where the committee working principles are announced	None.

Board Committees-I

Names of Board Committees	Name of the Committee Specified as "Other" in the First Column	Name-Surname of Committee Members	Whether or not there is a Committee President	Whether or not they are a member of the Board of Directors
Audit Committee		Kurtuluş Bedri VAROĞLU	Yes	Member of the Board of Directors
Audit Committee		Kadri ÖZGÜNEŞ	No	Member of the Board of Directors
Corporate Governance Committee		Bülent Şamil YETİŞ	Yes	Member of the Board of Directors
Corporate Governance Committee		Kurtuluş Bedri VAROĞLU	No	Member of the Board of Directors
Corporate Governance Committee		Tuba BEKTAŞ	No	Not a Member of the Board of Directors
Early Detection of Risk Committee		Kadri ÖZGÜNEŞ	Yes	Member of the Board of Directors
Early Detection of Risk Committee		Bülent Şamil YETİŞ	No	Member of the Board of Directors

4. BOARD OF DIRECTORS-III

4.5. Committees Established within the Board of Directors-II

Indicate the section of the annual report or corporate website that provides information about the activities of the audit committee (page number or section name)	https://hektas.com.tr/yatirimci-iliskileri/kurum-kimligi-ve-yonetimi/komite-yonergeleri/
Indicate the section of the annual report or corporate website that provides information about the activities of the corporate governance committee (page number or section name)	https://hektas.com.tr/yatirimci-iliskileri/kurum-kimligi-ve-yonetimi/komite-yonergeleri/
Indicate the section of the annual report or corporate website that provides information about the activities of the nomination committee (page number or section name)	https://hektas.com.tr/yatirimci-iliskileri/kurum-kimligi-ve-yonetimi/komite-yonergeleri/
Indicate the section of the annual report or corporate website that provides information about the activities of the early detection of risk committee (page number or name of the section)	https://hektas.com.tr/yatirimci-iliskileri/kurum-kimligi-ve-yonetimi/komite-yonergeleri/
Indicate the section of the annual report or corporate website that provides information about the activities of the remuneration committee (page number or section name)	https://hektas.com.tr/yatirimci-iliskileri/kurum-kimligi-ve-yonetimi/komite-yonergeleri/

4.6. Financial Rights Provided to Board Members and Managers with Administrative Responsibility

Page number or section name of the annual report where information about operational and financial performance targets and whether they were achieved or not is provided	None.
The name of the section of the corporate website that contains the remuneration policy for executive and non-executive members	https://hektas.com.tr/ucret-politikasi/
The page number or section name of the annual report in which the remunerations paid to the members of the board of directors and managers with administrative responsibilities and all other benefits provided are stated	-MANAGEMENT STRUCTURE /BOARD OF DIRECTORS MEMBERS /Financial Rights Provided to Board Members and Senior Managers

Board Committees-II

Names of Board Committees	Name of the Committee Specified as "Other" in the First Column	Ratio of Non-Executive Directors	Ratio of Independent Members in the Committee	Number of Physical Meetings Held by the Committee	Number of Reports Submitted to the Board of Directors on the Committee's Activities
Audit Committee		100%	100%	7	5
Corporate Governance Committee		66%	66%	7	1
Early Detection of Risk Committee		100%	100%	6	6

Sustainable Principles Compliance Report

If the compliance status with the principles is determined as "Yes" or "Partial", report information/link regarding the information disclosed to the public must be included.

Explanations regarding compliance with the principles are included in the "Explanation" column.

The extent to which the requested information is presented in consolidated or solo form must be specified in the "Explanation" column.

	Sustainability Report				Explanation	Report Information On Publicly Disclosed Information (Page Number Should Also Be Specified) / Link
	Yes	Partially	No	Irrelevant		
A. General Principles						
A1. Strategy, Policy, and Goals						
A1.1	X				"Process-based risk analyzes have been carried out in our company. Within the framework of business ethics rules, there are regulations regarding relations with shareholders, stakeholders, and the public. There are Integrated Management Systems Policy and Business Ethics principles in place. A risk inventory has been created within the framework of Enterprise Risk Management."	
	X				ESG policy is stated within the Integrated Management Systems Policy and announced on our website.	
A1.2		X			The company continues to work on the matter.	
A2. Application/Monitoring						
A2.1		X			In terms of Corporate Governance; Early Detection of Risk, Audit and Corporate Governance Committees have been established and disclosed to the public.	
		X			Corporate Governance, Early Detection of Risk and Audit Committee decisions were taken and included in the activity report.	
A2.2		X			The company continues to work on the matter.	
A2.3		X			ESG-related KPIs have been determined and KPIs have been assigned on a unit and employee basis.	
A2.4	X				Topics such as Seed Breeding, Safe Food platform, Smart assistant mobile application are announced on the corporate website. Additionally, information about R&D projects is provided during sector fairs. R&D studies are also announced to stakeholders through "Akıllı Tarım" magazine.	
A3. Reporting						
A3.1	X				All disclosures are made objectively and transparently, based on corporate governance principles.	

		Sustainability Report				Explanation	Report Information On Publicly Disclosed Information (Page Number Should Also Be Specified) / Link
		Yes	Partially	No	Irrelevant		
A3.2	Information about which its activities are related to the United Nations (UN) 2030 Sustainable Development Goals has been disclosed to the public by the Association.		X			Sustainable Development Goals showing our sectoral impact and contribution in the OYAK Annual Report have been listed.	
A3.3	Lawsuits that were filed and/or concluded adversely on ESG issues, that are important in terms of ESG policies and/or that will significantly affect the activities, have been disclosed to the public.				X	Our company is not a party to any lawsuit in this regard.	
A4. Verification							
A4.1	The Association's ESG Key Performance metrics have been verified by an independent third party and have been publicly disclosed.			X		No information was shared in this context.	
B. Environmental Principles							
B1	The Association has publicly disclosed its policies and practices, action plans, environmental management systems (known by the ISO 14001 standard), and programs in the field of environmental management.	X				We are ISO 14001-certified. Within the scope of the environmental management system, all policies, procedures, and instructions have been prepared.	
B2	Regarding the environmental reports prepared to provide information on environmental management, the scope of the report, reporting period, reporting date, reporting conditions, and restrictions have been disclosed to the public.	X				The legislation to be followed was determined with a list of externally sourced documents, and a system that tracks legislative changes on a daily basis was established. All procedures and instructions have been prepared based on the relevant legislation.	
B4	Environmental targets included in the reward criteria within the scope of performance incentive systems on the basis of stakeholders (such as board members, managers and employees) have been disclosed to the public.		X			It is partially explained in the Personnel Regulation. Work continues in this regard.	
B5	It has been publicly disclosed how the environmental issues identified as priorities are integrated into business goals and strategies.		X			"Environmental priorities and sensitivities are included in business strategies. Development work continues."	
B7	It has been publicly disclosed how environmental issues are managed and integrated into business goals and strategies throughout the association's value chain, including the operational process, suppliers, and customers.		X			Supplier selection is made according to the supplier evaluation procedure and the suitability of the suppliers is checked through audits. Work continues to improve the process.	
B8	Whether the relevant institutions and non-governmental organizations are involved in the policy-making processes regarding the environment and the collaborations with these institutions and organizations have been disclosed to the public.			X		There is no organization with which we collaborate on environmental issues.	
B9	In the light of environmental indicators (Greenhouse gas emissions (Scope-1 (Direct), Scope-2 (Energy indirect), Scope-3 (Other indirect), air quality, energy management, water and wastewater management, waste management, biodiversity impacts), information about the company's environmental impacts has been disclosed to the public in a periodically comparable manner.	X				Data regarding energy, water, wastewater, and waste management are collected and reported.	

Sustainable Principles Compliance Report

		Sustainability Report				Explanation	Report Information On Publicly Disclosed Information (Page Number Should Also Be Specified) / Link
		Yes	Partially	No	Irrelevant		
B10	Details of the standard, protocol, methodology, and base year used to collect and calculate the data have been disclosed to public.		X			It will be explained in the environmental management plan. Work continues in this regard.	
B11	The increase or decrease in environmental indicators for the report year compared to previous years has been disclosed to public.		X			Work continues in this regard.	
B12	Short and long-term targets have been determined to reduce environmental impacts, and progress against these targets and the targets set in previous years has been disclosed to public.		X			"Environmental priorities and sensitivities are included in business strategies. Development work continues."	
B13	A strategy to combat the climate crisis has been created and planned actions have been announced to the public.		X			A study was carried out to determine climate risks. The identified risks have been added to the Corporate Risk Inventory. Action plans regarding risks have been created.	
B14	Programs or procedures have been established and disclosed to the public in order to prevent or minimize the potential negative impact of products and/or services on the environment.			X		No statement has been made in this context.	
	Actions have been taken to reduce the greenhouse gas emissions of third parties (e.g. suppliers, subcontractors, dealers, etc.) and these actions have been disclosed to the public.			X		No statement has been made in this context.	
B15	The environmental benefits/gains and cost savings provided by initiatives and projects aimed at reducing environmental impacts have been disclosed to the public.	X				"Investments that reduce environmental impact are monitored and reported. It is reported in line with the OYAK Sustainable Development Goals Compliance and Contribution Report."	
B16	Energy consumption data (natural gas, diesel, gasoline, LPG, coal, electricity, heating, cooling, etc.) have been disclosed to the public as Scope-1 and Scope-2.		X			Total energy consumption data is monitored monthly and reported within the company. It is reported in line with the OYAK Sustainable Development Goals Compliance and Contribution Report.	
B17	Public disclosure was made about the electricity, heat, steam, and cooling produced in the reporting year.		X			Electricity, Natural Gas, and water consumptions are reported monthly within the company. It is reported in line with the OYAK Sustainable Development Goals Compliance and Contribution Report.	
B18	Studies have been carried out on increasing the use of renewable energy and switching to zero or low-carbon electricity and have been disclosed to the public.		X			A project on the use of renewable energy is being developed. Feasibility studies have been carried out for the solar power plant investment and preliminary studies have started.	
B19	Renewable energy production and usage data have been made public.			X		No statement has been made in this context.	

	Sustainability Report				Explanation	Report Information On Publicly Disclosed Information (Page Number Should Also Be Specified) / Link
	Yes	Partially	No	Irrelevant		
B20		X			Energy efficiency is increased through follow-up and application projects of new technologies.	
B21		X			It is monitored monthly but is not shared with the public.	
B22				X	Due to its activities, the company is not within the scope of relevant legislation and initiatives.	
B23				X	Due to its activities, the company is not within the scope of relevant legislation and initiatives.	
B24				X	Due to its activities, the company is not within the scope of relevant legislation and initiatives.	
B25				X	No statement has been made in this context.	

C. Social Principles

C1. Human Rights and Employee Rights

C1.1	Corporate Human Rights and Employee Rights Policy has been created to cover the Universal Declaration of Human Rights, ILO Conventions ratified by Türkiye and other relevant legislation; those responsible for the implementation of the policy have been determined and the policy and those responsible have been disclosed to the public.		X		Business Ethics Principles have been determined. A statement regarding the matter was made on the corporate website.	
C1.2	Considering supply and value chain impacts, fair labor, improvement of labor standards, women's employment and inclusion issues (gender, race, religion, language, marital status, ethnic identity, sexual orientation, gender identity, family responsibilities, union activities, political opinion, (such as non-discrimination on issues such as disability, social and cultural differences, etc.) are included in the policy on employee rights.	X			It is included in Hektaş Ticaret T.A.Ş. Business Ethics Principles.	

Sustainable Principles Compliance Report

	Sustainability Report				Explanation	Report Information On Publicly Disclosed Information (Page Number Should Also Be Specified) / Link
	Yes	Partially	No	Irrelevant		
C1.3			X		No statement has been made in this context.	
C1.4	X				It is included in Hektaş Ticaret T.A.Ş. Business Ethics Principles. To date, there has been no application to the ethics committee regarding this issue. If so, it will be reported.	
		X			It is included in the relevant procedures.	
C1.5	X				"It is explained in the Personnel Regulations. All kinds of disputes are resolved in the disciplinary board."	
	X				All kinds of services provided to employees (training, organization, food, transportation, events, etc.) are measured.	
		X			It is included in the Integrated Management System Policy. It has been announced on our corporate website.	
C1.6		X			Accident statistics are kept and reported regularly. We are ISO 45001-certified.	
C1.7	X				Forms for our internal and external customers within the scope of PDP Law has been created and announced to those concerned. It was also announced on our corporate website.	
C1.8	X				Hektaş Ticaret T.A.Ş. Business Ethics Principles are available and announced on our website.	
C1.9			X		No statement has been made in this context.	
C1.10		X			Trainings are organized for employees	

		Sustainability Report				Explanation	Report Information On Publicly Disclosed Information (Page Number Should Also Be Specified) / Link
		Yes	Partially	No	Irrelevant		
C2. Stakeholders, International Standards, and Initiatives							
C2.1	A customer satisfaction policy regarding the management and resolution of customer complaints has been prepared and disclosed to the public.		X			The process is defined with the Customer Complaints Process.	
C2.2	Information about the communication carried out with stakeholders (which stakeholder, subject and frequency) has been disclosed to the public.	X				Internal communication is provided with internal customers through the Hekinova internal communication portal. All information about the company is shared with the public in a transparent manner.	
C2.3	International reporting standards adopted in reporting are explained.		X			GRI standards are taken as basis in line with the OYAK Sustainable Development Goals Compliance and Contribution Report.	
C2.4	The principles adopted regarding sustainability, the international organizations, committees and principles of which we are signatories or members have been disclosed to the public.			X		No statement has been made in this context.	
C2.5	Improvements have been made and studies have been carried out to be included in the sustainability indices of Istanbul Stock Exchange (BIST) and/or international index providers.	X				A working group on the subject has been established.	
D. Corporate Governance Principles							
D1	Stakeholders' opinions have been consulted in determining measures and strategies in the field of sustainability.	X				-	
D2	Efforts have been made to raise awareness around the issue of sustainability and its importance through social responsibility projects, awareness-raising events, and trainings.	X				The social responsibility projects carried out are implemented on the basis of sustainability and are shared with the public through different communication channels (website, social media, press release, etc.). In the communication activities, discourses, press releases, and projects carried out, agricultural and environmental sustainability is emphasized and the importance of sustainability is explained.	

Independent Audit Report

Independent Auditor's Opinion.....	174
Consolidated Financial Statements and Footnotes.....	180



Table with 10 columns and 10 rows of data, including numerical values and some circled figures.

项目	单位	数量	金额	占比	备注	项目	单位	数量	金额
...
...
...
...
...
...
...
...
...



(CONVENIENCE TRANSLATION OF INDEPENDENT AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH)

INDEPENDENT AUDITOR'S REPORT

To the General Assembly of Hektaş Ticaret Türk Anonim Şirketi

A) Report on the Audit of the Consolidated Financial Statements

1) Opinion

We have audited the consolidated financial statements of Hektaş Ticaret Türk Anonim Şirketi (“the Company”) and its subsidiaries (“the Group”), which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

2) Basis for Opinion

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

3) **Emphasis of Matter**

Consolidated financial statements as of 31 December 2023 are subject to inflation adjustment in accordance with TAS 29 *“Financial Reporting in Hyperinflationary Economies”* within the scope of the *“Announcement on the Inflation Adjustment of Financial Statements of Companies Subject to Independent Audit”* dated 23 November 2023 published by the POA. Accordingly, we draw attention to Note 2 of the consolidated financial statements, which describes the transition to inflation accounting. Our opinion is not modified in respect of this matter.

4) **Key Audit Matters**

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

4) Key Audit Matters (continued)

Key Audit Matter	How the matter was addressed in the audit
<p>Revenue recognition</p> <p>Main operation of the Group comprises production and sale of products for plant nutrition, protection and animal health.</p> <p>The Group recognizes revenue according to the five-step model as described in TFRS 15 "Revenue from Contracts with Customers". Five step model comprises identification of contract, identification of performance obligations, determination and allocation of transaction price to performance obligations and recognition of revenue when these performance obligations are satisfied.</p> <p>As revenue is a measurement criterion for evaluating the results of the strategy implemented during the year and monitoring performance, and due to its unique nature, being susceptible to risks due to fraud and error, considered to be a material account balance. Determining when the related performance obligations are satisfied and recognition of revenue in the correct period has been identified as a key audit matter.</p> <p>The Group's accounting policies regarding revenue, revenue amounts, receivables and additional explanations regarding the risk levels of these receivables are presented in Note 2.5, Note 25, Note 8 and Note 35, respectively.</p>	<p>During our audit, the following audit procedures have been applied regarding the revenue recognition:</p> <p>The revenue process of the Group has been evaluated, the relevant controls within this process have been determined, and the design and implementation of these controls have been understood.</p> <p>Satisfaction of performance obligations are assessed based on the timing for transfer of control of goods to customers. Revenue amounts recognized closed to year end, are tested by selecting samples and controlling proof of deliveries from supporting documents.</p> <p>With the additional substantive procedures performed, completeness and accuracy of the revenue recognized in the consolidated financial statements have also been tested.</p> <p>In addition to the procedures mentioned above, the adequacy of the disclosures in Note 8, Note 25 and Note 35 has been evaluated within the scope of the relevant TFRSs.</p>

4) Key Audit Matters (continued)

<p>Recoverability of trade receivables</p>	
<p>In the consolidated financial statements as of 31 December 2023, the Group sets allowance for doubtful receivables amounting to TL 125.653.384, for the trade receivables from third parties amounting to TL 3.005.476.159.</p> <p>The Group management assesses recoverability of trade receivables and set allowance for the ones that there is collection risk. The allowance amount is based on expected loss to be incurred from the related receivable, as presented in Note 8. Due to the industry that the Group operates in, average collection days of the Group is 287 days and receivables are spread to many different customers. While assessing recoverability of these receivables, the Group management considers past payment performance, collateral levels, current financial strength based on market intelligence gathered, therefore the assessment is based on significant management estimates and assumptions.</p> <p>As trade receivables constitutes significant part of the total assets of the Group, as the average collection periods are long, as the period between financial statement and report dates is limited and accordingly subsequent collection from these receivables are also limited and as the recoverability assessment of trade receivables include significant management estimates and assumptions, recoverability of trade receivables has been identified as key audit matter.</p> <p>The Group's accounting policies regarding receivables, receivable amounts and additional explanations regarding the risk levels of these receivables are presented in Note 2.5, Note 8 and Note 35, respectively.</p>	<p>During our audit, the following audit procedures have been applied regarding the recoverability of trade receivables:</p> <p>The process and controls set for monitoring trade receivables have been evaluated.</p> <p>Aging of trade receivables and allowance calculation for doubtful trade receivables have been obtained from the Group management. Completeness and accuracy of the information used in these calculations have been controlled, assumptions used are evaluated and arithmetic accuracy has been tested.</p> <p>Considering long collection period of the receivables, a further assessment is made by analyzing opening balances, sales and collections throughout the year and collateral level for individual customer and for the ones that are assessed to be risky additional information has been asked from the Group management and subsequent collection is controlled on sampling basis.</p> <p>In addition to the procedures mentioned above, the adequacy of the disclosures in Note 8 and Note 35 has been evaluated within the scope of the relevant TFRSs.</p>

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

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

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

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

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

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

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

As part of an audit in accordance with the regulations of the Capital Markets Board and SIA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. (The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.)
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

6) Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

In accordance with paragraph four of the Article 398 of the Turkish Commercial Code No. 6102 (“TCC”), the auditor’s report on the system and the committee of early detection of risk has been submitted to the Board of Directors of the Company on 29 March 2024.

In accordance with paragraph four of the Article 402 of TCC, nothing has come to our attention that may cause us to believe that the Group’s set of accounts and financial statements prepared for the period 1 January-31 December 2023 does not comply with TCC and the provisions of the Company’s articles of association in relation to financial reporting.

In accordance with paragraph four of the Article 402 of TCC, the Board of Directors provided us all the required information and documentation with respect to our audit.

The engagement partner on the audit resulting in this independent auditor’s report is Volkan Becerik.

DRT BAĞIMSIZ DENETİM VE SERBEST MUHASEBECİ MALİ MÜŞAVİRLİK A.Ş.
Member of **DELOITTE TOUCHE TOHMATSU LIMITED**

Volkan Becerik
Partner

İstanbul, 29 March 2024

INDEX	PAGE
CONSOLIDATED STATEMENT OF FINANCIAL POSITION.....	1-2
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	3
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY.....	4
CONSOLIDATED STATEMENT OF CASH FLOWS.....	5
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS.....	6-80

HEKTAŞ GROUP

AUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2023

(Amounts expressed in thousands of Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 January 2024, unless otherwise indicated.)

	Notes	Current Period	Prior Period
		Audited 31 December 2023	Audited 31 December 2022
ASSETS			
Current Assets			
		15,129,705,656	15,444,424,164
Cash and Cash Equivalents	4	4,622,175,507	2,523,329,279
Financial Investments	5	970,858,747	268,026
Trade Receivables	8a	3,034,963,794	6,735,950,671
<i>From Related Parties</i>	34	29,487,635	241,382
<i>From Third Parties</i>		3,005,476,159	6,735,709,289
Other Receivables	10a	1,500,633,961	62,645,715
<i>From Related Parties</i>	34	1,492,187,616	-
<i>From Third Parties</i>		8,446,345	62,645,715
Derivative Instruments	6	-	48,039,917
Inventories	13	4,250,506,812	5,405,788,009
Prepaid Expenses	11	111,027,965	136,121,020
<i>From Related Parties</i>	34	1,500,568	6,257,525
<i>From Third Parties</i>		109,527,397	129,863,495
Current Tax Assets	21	59,757,193	105,002,617
Other Current Assets	23	579,781,677	427,278,910
Non-Current Assets			
		10,325,630,860	7,769,057,079
Trade Receivables	8a	-	2,481,983
Other Receivables	10a	4,206,751	2,484,647
Investment Properties	17	39,268,224	40,270,485
Property, Plant and Equipment	14	4,365,657,596	5,431,834,357
Intangible Assets		3,367,101,643	1,081,618,997
<i>Goodwill</i>	18	294,705,631	443,863,070
<i>Other</i>	16	3,072,396,012	637,755,927
Right-of-Use Assets	15	148,361,836	273,709,047
Prepaid Expenses	11	853,240,946	476,957,316
Deferred Tax Asset	32	1,547,793,864	459,700,247
TOTAL ASSETS		25,455,336,516	23,213,481,243

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

HEKTAŞ GROUP

AUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2023

(Amounts expressed in thousands of Turkish Lira (“TL”) in terms of the purchasing power of the TL at 31 January 2024, unless otherwise indicated.)

	Notes	Current Period	Prior Period
		Audited	Audited
		31 December 2023	31 December 2022
LIABILITIES AND EQUITY			
Current Liabilities		15,798,265,820	13,781,668,875
Short-Term Borrowings	7	13,432,489,358	11,583,672,420
Lease Liabilities	7	53,059,140	78,060,475
Trade Payables	8b	1,400,078,976	1,576,102,206
<i>To Related Parties</i>	34	172,312,155	101,079,848
<i>To Third Parties</i>		1,227,766,821	1,475,022,358
Payables Related to Employee Benefits	9	81,300,469	136,243,514
Other Payables	10b	758,741,816	43,991,812
<i>To Related Parties</i>	34	742,777,690	11,814,770
<i>To Third Parties</i>		15,964,126	32,177,042
Derivative Instruments	6	1,787,136	7,527,677
Deferred Income	12	27,873,085	324,455,331
Current Tax Liability	32	26,471,235	11,654,398
Short-Term Provisions	22a	16,464,605	19,961,042
<i>Related to Employee Benefits</i>	22a	13,246,800	15,855,824
<i>Other</i>	22a	3,217,805	4,105,218
Non-Current Liabilities		2,117,295,054	1,100,941,550
Long-Term Borrowings	7	913,189,540	227,386,628
Lease Liabilities	7	37,324,738	131,940,203
Other Payables	10b	111,954,399	116,625,112
<i>To Related Parties</i>	34	111,954,399	116,625,112
Long-Term Provisions	22b	73,865,372	94,912,389
<i>Related to Employee Benefits</i>		73,865,372	94,912,389
Deferred Tax Liability	32	980,961,005	530,077,218
EQUITY		7,539,775,642	8,330,870,818
Equity Attributable to the Parent		7,548,835,979	8,318,521,003
Paid-in Capital	24	2,530,000,000	2,530,000,000
Inflation Adjustment to Share Capital	24	4,239,263,374	4,239,263,374
Premiums/Discounts Related to Interests		50,040,977	50,040,977
Other Comprehensive Income (Expenses) that will be Reclassified to Profit or Loss		142,329,037	24,257,225
- <i>Hedging Gains (Losses)</i>		-	3,150,643
- <i>Foreign Currency Translation Differences</i>		142,329,037	21,106,582
Other Comprehensive Income (Expenses) that will not be Reclassified to Profit or Loss		(41,575,122)	(32,816,730)
- <i>Defined Benefit Plans Remeasurement Losses</i>	24c	(41,575,122)	(32,816,730)
Restricted Reserves Appropriated from Profit	24b	316,226,001	285,927,506
Prior Years' Profit/Losses		1,190,790,759	55,324,867
Net Profit/Loss for the Period		(878,239,047)	1,166,523,784
Non-Controlling Interests		(9,060,337)	12,349,815
TOTAL LIABILITIES AND EQUITY		25,455,336,516	23,213,481,243

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

HEKTAŞ GROUP

AUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2023

(Amounts expressed in thousands of Turkish Lira (“TL”) in terms of the purchasing power of the TL at 31 January 2024, unless otherwise indicated.)

		Current Period	Prior Period
		Audited	Audited
	Notes	1 January- 31 December 2023	1 January- 31 December 2022
PROFIT OR LOSS			
Revenue	25a	6,038,995,409	10,001,274,789
Cost of Sales (-)	25b	(5,223,402,568)	(6,973,894,150)
GROSS PROFIT/LOSS		815,592,841	3,027,380,639
General Administrative Expenses (-)	26b	(811,728,317)	(397,993,806)
Marketing Expenses (-)	26a	(595,185,392)	(451,979,081)
Research and Development Expenses (-)	26c	(208,192,131)	(179,185,298)
Other Income from Operating Activities	28	152,001,237	80,222,216
Other Expenses from Operating Expenses (-)	29	(809,940,124)	(414,731,965)
OPERATING PROFIT/LOSS		(1,457,451,886)	1,663,712,705
Income from Investing Activities	30a	1,269,902,029	13,960,325
Expenses from Investing Activities (-)	30b	(1,806,889)	(3,271,588)
OPERATING PROFIT/LOSS BEFORE FINANCE EXPENSES		(189,356,746)	1,674,401,442
Finance Income (+)	31a	1,627,399,948	457,022,477
Finance Expenses (-)	31b	(4,544,850,733)	(2,281,967,173)
Monetary Loss/ Gain		1,591,953,665	1,329,598,322
PROFIT/LOSS FROM CONTINUING OPERATIONS BEFORE TAX		(1,514,853,866)	1,179,055,068
Continuing Operations Tax (Expense) / Income		620,396,034	(34,349,604)
Current Tax Expense	32	(56,347,009)	(141,420,483)
Deferred Tax (Expense) / Income	32	676,743,043	107,070,879
PROFIT/LOSS FOR THE PERIOD		(894,457,832)	1,144,705,464
Distribution of Profit/Loss for the Period			
Non-Controlling Interests		(16,218,785)	(21,818,320)
Parent Shares		(878,239,047)	1,166,523,784
		(894,457,832)	1,144,705,464
Earnings / (loss) per share			
One Hundred Ordinary Stock (TL)	33	(0.35)	0.86
OTHER COMPREHENSIVE INCOME/ (EXPENSE):			
Items that will not be Reclassified Subsequently to Profit or Loss		(11,075,453)	(32,816,730)
Defined Benefit Plans Remeasurement Gains/Losses		(14,767,271)	(41,020,912)
Defined Benefit Plans Remeasurement Gains (Losses), Tax Impact		3,691,818	8,204,182
Items that will be Reclassified Subsequently to Profit or Loss		112,880,445	(55,492,778)
Other Comprehensive Income (Expense) Related to Cash Flow Hedging		(4,200,857)	(53,493,991)
Foreign Currency Translation Differences		116,031,088	(14,302,406)
Other Comprehensive Income (Expense) Related to Cash Flow Hedge, Tax Effect		1,050,214	12,303,619
OTHER COMPREHENSIVE INCOME/ (EXPENSE)		101,804,992	(88,309,508)
TOTAL COMPREHENSIVE INCOME		(792,652,840)	1,056,395,956
Distribution of Total Comprehensive Income:		(792,652,840)	1,056,395,956
Non-Controlling Interests		(21,410,152)	(33,379,053)
Parent Shares		(771,242,688)	1,089,775,009

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

HEKTAŞ GROUP

AUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2023

(Amounts expressed in thousands of Turkish Lira ("TL")) in terms of the purchasing power of the TL at 31 January 2024, unless otherwise indicated.)

Audited	Paid-in Capital	Inflation Adjustment to Share Capital	Share Issue Premiums / Discounts	Accumulated Remeasurement Gains/Losses of Defined Benefit Plans	Foreign Currency Translation Differences	Hedging Gains / Losses	Restricted Reserves Appropriated from Profit	Prior Years' Profit / Losses	Net Profit / Loss for the Period	Equity Attributable to the Parent	Non-Controlling Interests	Equity	Retained Earnings	
													Other Comprehensive Income and Expenses that will not be Reclassified Subsequently to Profit or Loss	Subsequently to Profit or Loss
Balances as of 1 January 2022	860,000,000	3,062,990,247	19,799,567	-	23,848,255	44,341,015	260,243,808	(103,813,944)	864,501,241	5,031,910,189	45,728,868	5,077,639,057	-	-
Transfers	-	-	-	-	-	-	25,683,698	83887,545	(864,301,241)	-	-	-	-	-
Effect of Mergers Involving Entities or Businesses Under Common Control (*)	-	-	-	-	-	-	-	(46,136,417)	-	(46,136,417)	-	-	-	-
Total Comprehensive Income / (Expense)	-	-	-	(32,816,730)	(2,741,673)	(41,190,372)	-	-	1,166,523,784	1,089,775,009	(33,379,053)	1,056,395,956	-	(46,136,417)
Profit / (Loss) for the Period	-	-	-	-	-	-	-	-	1,166,523,784	1,166,523,784	(21,818,320)	1,144,705,464	-	-
Other Comprehensive Income / (Expense)	-	-	-	(32,816,730)	(2,741,673)	(41,190,372)	-	-	-	(76,748,775)	(11,560,733)	(88,309,509)	-	-
Capital Increase	1,670,000,000	1,176,273,127	30,241,410	-	-	-	-	(63,542,115)	-	2,242,972,222	-	2,242,972,222	-	-
Balances as of 31 December 2022	2,530,000,000	4,239,263,374	50,040,977	(32,816,730)	21,106,582	3,150,643	285,927,506	55,324,867	1,166,523,784	8,318,521,003	12,349,815	8,330,870,818	-	-
Audited														
Balances as of 1 January 2023	2,530,000,000	4,239,263,374	50,040,977	(32,816,730)	21,106,582	3,150,643	285,927,506	55,324,867	1,166,523,784	8,318,521,003	12,349,815	8,330,870,818	-	-
Transfers	-	-	-	-	-	-	31,057,892	1,135,465,892	(1,166,523,784)	-	-	-	-	-
Total Comprehensive Income / (Expense)	-	-	-	(11,075,453)	121,222,455	(3,150,643)	-	-	(878,239,047)	(771,242,688)	(21,410,152)	(792,652,840)	-	-
Profit / (Loss) for the Period	-	-	-	-	-	-	-	-	(878,239,047)	(878,239,047)	(16,218,785)	(894,457,832)	-	-
Other Comprehensive Income / (Expense)	-	-	-	(11,075,453)	121,222,455	(3,150,643)	-	-	-	1,069,963,359	(5,191,367)	1,014,804,992	-	-
Subsidiary disposal effect	-	-	-	2,317,061	-	-	(759,397)	-	-	1,557,664	-	1,557,664	-	-
Balances as of 31 December 2023	2,530,000,000	4,239,263,374	50,040,977	(41,575,122)	143,329,037	-	316,226,001	1,190,790,759	(878,239,047)	7,548,835,979	(9,060,337)	7,539,775,642	-	-

(*) All shares representing the capital of Agriventis, whose field of activity is "agricultural seed technology development, seed breeding and production", controlled by our main partner's subsidiary Oyak Sermaye Yatırımları A.Ş., have been acquired for a price of 46,136,417 TL as of January 12, 2022.

(**) All shares of Arma İlaç Sanayi ve Ticaret A.Ş., a 100% subsidiary of the company, were transferred to Oyak Grıda ve Tarrm Holding A.Ş. as of December 29, 2023. (Note 38)

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

HEKTAŞ GROUP

AUDITED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2023

(Amounts expressed in thousands of Turkish Lira (“TL”) in terms of the purchasing power of the TL at 31 January 2024, unless otherwise indicated.)

	Notes	Current Period	Prior Period
		Audited	Audited
		1 January- 31 December 2023	1 January- 31 December 2022
CASH FLOWS FROM OPERATING ACTIVITIES		1,477,969,555	(2,094,130,897)
Profit/Loss for the Period		(894,457,832)	1,144,705,464
Adjustments Related to the Net Profit/Loss Reconciliation for the Period		22,721,228	2,426,836,505
Adjustments Related to Depreciation and Amortization	27	545,450,197	337,343,114
Adjustments Related to Impairment (Cancellation)		298,849,042	5,216,700
- Adjustments Related to Impairment of Receivables	8a	122,549,090	156,659
- Adjustments Related to Inventory Impairment	13	176,299,952	5,060,041
Adjustments Related to Provisions		32,329,513	19,624,208
- Provisions for Employee Benefits		29,792,587	18,763,586
- Litigation Provisions / (Cancellation)	22a	2,536,926	860,622
Adjustments Related to Interest (Income) / Expenses		2,278,740,019	1,814,769,593
- Adjustments Related to Interest Income	31	(752,582,209)	(160,872,010)
- Adjustments Related to Interest Expenses		3,031,322,228	1,975,641,603
Adjustment Related to Monetary Loss/ Gain		(1,375,447,049)	153,914,156
Adjustments Related to Unrealized Foreign Currency Translation Differences		130,955,268	64,381,334
Adjustments Related to Fair Value Losses/Gains		(5,740,541)	4,568,516
Adjustments Related to Tax Expense	32	(620,396,034)	34,349,604
Adjustments for Losses (Gains) from Disposals of Subsidiaries or Joint Operations		(446,633,173)	-
Adjustments Related to Loss/Gains on Disposal of Fixed Assets		(815,386,014)	(7,330,720)
Changes in working capital		1,734,707,057	(5,606,416,039)
Adjustments Related to Increase/Decrease in Trade Receivables		930,317,245	(3,998,278,745)
Adjustments Related to Increase/Decrease in Other Operating Receivables		(410,682,998)	(295,828,643)
Adjustments Related to Increase/Decrease in Inventories		920,920,971	(1,899,478,210)
Adjustments Related to Increase/Decrease in Trade Payables		452,054,818	230,256,092
Increase / (Decrease) in Payables Related to Employee Benefits		10,947,946	75,068,555
Adjustments Related to Increase/Decrease in Other Operating Payables		(168,850,925)	281,844,912
Cash Flows from Operations		614,999,102	(59,256,827)
Interest Received		731,151,039	144,026,327
Payments Related to Provisions for Employee Benefits		(30,635,005)	(3,579,941)
Collections from Doubtful Receivables	8a	282,053	238,387
Tax Payments / Refunds	32	(85,798,985)	(199,941,600)
CASH FLOWS FROM INVESTMENT ACTIVITIES		(2,335,113,377)	(2,703,241,867)
Cash Outflows for the Acquisition of Shares of Other Businesses or Funds or Debt Instruments	3	-	(46,136,417)
Cash Inflows from Sales of Property, Plant and Equipment and Intangible Assets		958,575,524	14,354,208
- Cash Inflows from Sales of Property, Plant and Equipment		940,886,280	14,354,208
- Cash Inflows from Sales of Intangible Assets		17,689,244	-
Cash Outflows from Purchase of Property, Plant and Equipment and Intangible Assets		(2,730,447,421)	(2,251,762,750)
- Cash Outflows from Purchase of Property, Plant and Equipment	11	(2,386,437,065)	(2,177,013,215)
- Cash Outflows from Purchase of Intangible Assets	12	(344,010,356)	(74,749,535)
Cash Advances Given and Payables		(563,777,532)	(419,964,934)
Other Cash Inflows / Outflows		536,052	268,026
CASH FLOWS FROM FINANCE ACTIVITIES		3,920,161,120	7,195,777,366
Cash Inflows / (Outflows) Arising from Borrowing to Related Parties		730,962,920	-
Cash Inflows from Borrowings	7	14,912,469,725	13,221,371,920
Cash Outflows Related to Debt Payments	7	(9,010,170,631)	(6,450,628,334)
Interest Paid	7	(2,622,452,491)	(1,707,945,311)
Cash Outflows Related to Debt Payments Arising from Lease Contracts	7	(90,648,403)	(109,993,132)
Cash Inflows from Shares Issues	24a	-	2,242,972,223
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS BEFORE THE EFFECT OF FOREIGN CURRENCY TRANSLATION DIFFERENCES		3,063,017,298	2,398,404,602
THE EFFECT OF FOREIGN CURRENCY CONVERSION DIFFERENCES ON CASH AND CASH EQUIVALENTS		(686,945)	-
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS		3,062,330,353	2,398,404,602
MONETARY GAIN/(LOSS) IMPACT ON CASH AND CASH EQUIVALENTS		(984,915,295)	(182,750,567)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	4	2,505,481,785	289,827,750
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	4	4,582,896,843	2,505,481,785

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

HEKTAŞ GROUP

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2023 AND FOR THE PERIOD THEN ENDED

(Amounts expressed in thousands of Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 January 2024, unless otherwise indicated.)

1. ORGANIZATION AND OPERATIONS OF THE GROUP

Hektaş was established for the purpose of producing, importing, and marketing agricultural and veterinary pesticides upon registration and entry in the trade registry in 1956. The main field of activity of the Company is the production, import and marketing of agricultural and veterinary pesticides. The main shareholder of the Company is the Turkish Armed Forces Pension Fund ("OYAK") which owns 55.4 per cent of the Company's shares. OYAK is an institution with legal personality, which is financially and administratively autonomous and subject to the provisions of private law, which was founded pursuant to the law no. 205 on 1 March 1961. As the "solidarity and pension fund" of the members of the Turkish Armed Forces ("TSK"), OYAK provides various services and benefits to its members in line with the social security approach envisaged by the constitution. OYAK has direct and indirect subsidiaries and associates operating in industry, finance and service sectors. Detailed information about OYAK is available on its official web site at the address (www.oyak.com.tr).

These consolidated financial statements include the Company and its subsidiaries. The Company and its subsidiaries will hereinafter be referred to as "the Group" or "Hektaş Group" collectively.

The Company acquired 100% of FNC Tarım Ticaret ve Sanayi Anonim Şirketi ("FNC") on 29 November 2017 at a price of Turkish Lira ("TL") 14,117,000 (US Dollar 3,600,000) and included FNC within the scope of the consolidation based on its periodic statements of 30 September 2017.

The main field of activity of FNC is the production, import and marketing of agricultural pesticides. FNC is headquartered in the district of Bor in Niğde and has a capital of TL 40,500,000.

FNC's title was changed as 'Ferbis Tarım Ticaret ve Sanayi Anonim Şirketi' ("Ferbis") as declared in the Trade Registry Gazette dated 7 July 2020 and by the Extraordinary General Assembly dated 30 June 2020.

On 22 February 2019, the Company acquired 100 percent of Akça Tohumculuk Arge Sanayi ve Dış Ticaret Anonim Şirketi ("Akça") at a price of TL 25,150,000 and included Akça within the scope of consolidation based on its financial statements pertaining to the period ending on 31 January 2019.

Akça's main field of activity is to engage in all kinds of seed production and development activities and to set up green houses and specially equipped areas for this purpose. Akça's headquarters are located in Antalya Technocity.

Akça's title was changed as 'Areo Tohumculuk Arge Sanayi ve Dış Ticaret Anonim Şirketi' ("Areo") as declared in the Trade Registry Gazette dated 6 October 2020 and by the Extraordinary General Assembly dated 25 September 2020. Its capital is in the amount of TL 95,750,000.

On 9 June 2020, the Company acquired 100 percent of Sunset Kimya Tarım Ürünleri ve Aletleri İmalat Pazarlama Sanayi ve Ticaret Anonim Şirketi ("Sunset") at a price of TL 65,000,000 and included Sunset within the scope of consolidation based on its financial statements pertaining to the period ending on 30 May 2020.

Sunset's main field of activity is the wholesale and retail trade, production, import and export and domestic and international marketing of all kinds of agricultural pesticides. Sunset is headquartered in the district of Bor in Niğde. Its capital is in the amount of TL 2,000,000.

Agriventis Technologies Pty Ltd ("Agriventis") was acquired by the OYAK group as of 18 September 2020. As of 12 January 2022, all the shares representing the 51% capital of Agriventis, field of activity of which is "agricultural seed technology development, seed improvement and production", controlled by Oyak Sermaye Yatırımları A.Ş., the subsidiary of the main shareholder, have been acquired for TL 28,000,000. Agriventis is headquartered in Sydney, Australia. Its capital is AUD 457,375.

Hektaş Asia LLC was established on 21 November 2022 in Tashkent, Uzbekistan, with 100% of its shares owned by HEKTAŞ Ticaret T.A.Ş. It was established to operate in export-oriented plant protection and plant nutrition fields. USD 20,040,000 has been paid for the capital of Hektaş Asia LLC and all of it has been registered.

The capital structure of Hektaş as of the related reporting dates is disclosed in Note 24.

The Company's shares have been quoted on Borsa İstanbul ("BİST") since 1986. The Group's main shareholder and principal controller is OYAK.

As of 31 December 2023, the number of employees of the Group is 621 in total, 211 of them being blue-collar and 410 being white-collar (31 December 2022: 879 employees).

The Company carries out its activities at its headquarters at the address Gebze Organize Sanayi Bölgesi, İhsandede Caddesi, 700. Sokak 41400 Gebze, Kocaeli.

HEKTAŞ GROUP

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2023 AND FOR THE PERIOD THEN ENDED

(Amounts expressed in thousands of Turkish Lira (“TL”) in terms of the purchasing power of the TL at 31 January 2024, unless otherwise indicated.)

1. ORGANIZATION AND OPERATIONS OF THE GROUP (cont’d)

Details of the types and fields of activity of the Company’s subsidiaries are as follows:

	Types and Subject of Activity
Takimsan Tarım Kimya Sanayi ve Ticaret Anonim Şirketi ("Takimsan")	Production, import and marketing of pesticides
Çantaş Çankırı Tuz Ürünleri Üretim ve Dağıtım Anonim Şirketi ("Çantaş")	Inactive
Ferbis	Production, import and marketing of pesticides
Areo	To carry out all kinds of seed production and development activities, to establish related greenhouses and specially equipped areas related to this.
Sunset	Wholesale and retail trade of all kinds of pesticides, import and export, marketing in domestic and foreign markets
Agriventis (*)	Agricultural seed technology development, seed breeding and production
Hektaş Asia	Production, sales, distribution and marketing of plant protection and plant nutrition products

(*)Agriventis, which the Company transferred from subsidiary of its parent on 12 January 2022, have been presented in the accompanying consolidated financial statements by applying the pooling of interest method in line with the POA’s policy decision numbered 75935942-050.01.04-[04/177] dated 11 October 2018 (“Principle Decision”).

2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

2.1 Basis of Presentation

Statement of Compliance with TFRS

The accompanying consolidated financial statements have been prepared in line with Capital Markets Board (“CMB”), Communiqué Serial: II, No. 14.1 on “Principles on Financial Reporting in Capital Market” (“the Communiqué”), promulgated in Official Gazette No. 28676 dated 13 June 2013. TFRSs include Standards and Interpretations published by POA under the names of Turkish Financial Reporting Standards (“TFRS”), Turkish Financial Reporting Standards, TAS Interpretations and TFRS Interpretations.

In addition, the consolidated financial statements are presented in accordance with the formats determined in the "Announcement on TFRS Taxonomy" published by the POA on 4 October 2022 and the Financial Statement Examples and User Guide published by the CMB.

Approval of consolidated financial statements:

The consolidated financial statements were approved by the Board of Directors of Hektaş on 29 March 2024. The General Assembly of Hektaş has the right to amend and the related regulatory authorities have the right to demand the amendment of these consolidated financial statements.

HEKTAŞ GROUP

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2023 AND FOR THE PERIOD THEN ENDED

(Amounts expressed in thousands of Turkish Lira (“TL”) in terms of the purchasing power of the TL at 31 January 2024, unless otherwise indicated.)

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

2.1 Basis of Presentation (cont’d)

Measurement Principles

The consolidated financial statements have been prepared at historical costs, except for the items measured at fair value differences, which are stated below:

Derivative financial instruments at fair value through profit or loss, fixed assets of through business,

The determination of historical cost is generally based on the fair value of the amount paid for the assets at the acquisition date. The consolidated financial statements have been prepared on the historical cost basis, adjusted for the effects of inflation as of 31 December 2004.

Fair value measurement principles are explained in Note 2.4.

Functional and Reporting Currency

The consolidated financial statements are submitted in TL, which is the functional currency of the Group. All financial information submitted in TL is submitted in full, unless otherwise stated.

Restatement of financial statements during periods of high inflation

The financial statements and related figures for previous periods have been restated for changes in the general purchasing power of the functional currency and, consequently, the financial statements and related figures for previous periods are expressed in terms of the measuring unit current at the end of the reporting period in accordance with TAS 29 Financial Reporting in Hyperinflationary Economies.

TAS 29 applies to the financial statements, including the consolidated financial statements, of each entity whose functional currency is the currency of a hyperinflationary economy. If an economy is subject to hyperinflation, TAS 29 requires an entity whose functional currency is the currency of a hyperinflationary economy to present its financial statements in terms of the measuring unit current at the end of the reporting period.

As at the reporting date, entities operating in Türkiye are required to apply TAS 29 "Financial Reporting in Hyperinflationary Economies" for the reporting periods ending on or after 31 December 2023, as the cumulative change in the general purchasing power of the last three years based on the Consumer Price Index (“CPI”) is more than 100%.

POA made an announcement on 23 November 2023 regarding the scope and application of TAS 29. It stated that the financial statements of the entities applying Turkish Financial Reporting Standards for the annual reporting period ending on or after 31 December 2023 should be presented in accordance with the related accounting principles in TAS 29, adjusted for the effects of inflation.

In accordance with the CMB's decision dated 28 December 2023 and numbered 81/1820, issuers and capital market institutions subject to financial reporting regulations applying Turkish Accounting/Financial Reporting Standards are required to apply inflation accounting by applying the provisions of TAS 29 to their annual financial statements for the accounting periods ending on 31 December 2023.

In this framework, while preparing the consolidated financial statements dated 31 December 2023, inflation adjustment has been made in accordance with TAS 29.

HEKTAŞ GROUP

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2023 AND FOR THE PERIOD THEN ENDED

(Amounts expressed in thousands of Turkish Lira (“TL”) in terms of the purchasing power of the TL at 31 January 2024, unless otherwise indicated.)

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

2.1 Basis of Presentation (cont’d)

Restatement of financial statements during periods of high inflation (cont’d)

The table below shows the inflation rates for the relevant years calculated by taking into account the Consumer Price Indices published by the Turkish Statistical Institute (TURKSTAT):

Date	Index	Adjustment coefficient	Three-year cumulative inflation rates
31.12.2023	1,859.38	1.00000	2,68000
31.12.2022	1,128.45	1.64773	1,56000
31.12.2021	686.95	2.70672	0,74000

The main lines of TAS 29 indexation transactions are as follows:

- As of the balance sheet date, all items other than those stated in terms of current purchasing power are restated by using the relevant price index coefficients. Prior year amounts are also restated in the same way.
- Monetary assets and liabilities are expressed in terms of the purchasing power at the balance sheet date and are therefore not subject to restatement. Monetary items are cash and items to be received or paid in cash.
- Fixed assets, subsidiaries and similar assets are indexed to their acquisition values, which do not exceed their market values. Depreciation has been adjusted in a similar manner. Amounts included in shareholders' equity have been restated by applying general price indices for the periods in which they were contributed to or arose within the Company.
- All items in the income statement, except for the effects of non-monetary items in the balance sheet on the income statement, have been restated by applying the multiples calculated over the periods when the income and expense accounts were initially recognised in the financial statements.
- The gain or loss arising on the net monetary position as a result of general inflation is the difference between the adjustments to non-monetary assets, equity items and income statement accounts. This gain or loss on the net monetary position is included in net profit.

The impact of the application of TAS 29 Inflation Accounting is summarised below:

Restatement of the Statement of Financial Position

Amounts in the statement of financial position that are not expressed in terms of the measuring unit current at the end of the reporting period are restated. Accordingly, monetary items are not restated because they are expressed in the currency of the reporting period. Non-monetary items are required to be restated unless they are expressed in terms of the currency in effect at the end of the reporting period.

The gain or loss on the net monetary position arising on restatement of non-monetary items is recognised in profit or loss and presented separately in the statement of comprehensive income.

Restatement of the Statement of Profit or Loss

All items in the statement of profit or loss are expressed in terms of the measuring unit current at the end of the reporting period. Therefore, all amounts have been restated by applying changes in the monthly general price index.

Cost of inventories sold has been restated using the restated inventory balance.

Depreciation and amortisation expenses have been restated using the restated balances of property, plant and equipment, intangible assets, investment property and right-of-use assets.

HEKTAŞ GROUP

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2023 AND FOR THE PERIOD THEN ENDED

(Amounts expressed in thousands of Turkish Lira (“TL”) in terms of the purchasing power of the TL at 31 January 2024, unless otherwise indicated.)

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

2.1 Basis of Presentation (cont’d)

Restatement of financial statements during periods of high inflation (cont’d)

Restatement of Statement of Cash Flows

All items in the statement of cash flows are expressed in terms of the measuring unit current at the end of the reporting period.

Consolidated financial statements

The financial statements of a subsidiary whose functional currency is the currency of a hyperinflationary economy are restated by applying the general price index before they are included in the consolidated financial statements prepared by the parent company. If the subsidiary is a foreign subsidiary, its restated financial statements are translated at the closing rate. When consolidating financial statements with different reporting period ends, all monetary and non-monetary items are restated in accordance with the measuring unit current at the date of the consolidated financial statements.

Comparative figures

Relevant figures for the previous reporting period are restated by applying the general price index so that the comparative financial statements are presented in the measuring unit applicable at the end of the reporting period. Information disclosed for prior periods is also expressed in terms of the measuring unit current at the end of the reporting period.

Basis of Consolidation

Business Combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred on the acquisition is generally accounted for at fair value, as with the identifiable net assets purchased. The resulting goodwill is tested for impairment annually. The gain or loss from the bargain purchase is recognized immediately in profit or loss. Transaction costs other than those associated with the issuance of debt or equity securities that the Group incurs in connection with a business combination are expensed as incurred.

The purchase price does not include amounts related to closing existing relationships. These amounts are generally recognized in profit or loss.

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured, and settlement is accounted for within equity.

If the retained share-based payment rights (acquired rights) of employees of the acquired business for past service are replaced by a new share-based payment rights (renewal rights), all or a portion of the market-based measurement of the changed benefits is added to the acquisition cost under the business combination. This amount is determined to the extent that renewed rights are associated with pre-combination services and by comparing a market-based measure of renewal rights with a market-based measure of acquiree's rights.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

HEKTAŞ GROUP

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2023 AND FOR THE PERIOD THEN ENDED

(Amounts expressed in thousands of Turkish Lira (“TL”) in terms of the purchasing power of the TL at 31 January 2024, unless otherwise indicated.)

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

2.1 Basis of Presentation (cont’d)

Basis of Consolidation (cont’d)

Business Combinations (cont’d)

Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the ‘measurement period’ (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognized at that date.

Business Combinations Under Common Control

Business combinations under common control transactions have been accounted by pooling of interest method, therefore no goodwill has been recognized due to these transactions. When applying pooling of interest method, the financial statements should be adjusted and presented comparatively starting from the beginning of the reporting period when the common control transaction was occurred, as if the businesses had always been combined. Pooling of interest method is applied from parent company perspective and financial statements are prepared in accordance with TFRS and all adjustments due to initial acquisition of the related entity are reflected. Differences in assets and liabilities resulting from combinations under common control transactions are presented under equity in the line item “Effect of Business Combination Under Common Control”.

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

As of 31 December 2023 and 2022, the details of the Company's subsidiaries and financial investments are as follows:

Bağı Ortaklıklar

Title of the Company	Location of activity	Functional curre	Group's share rate in capital and	
			31 December 2023	31 December 2022
Subsidiaries				
Takimsan	Kocaeli	TL	99.78	99.78
Ferbis	Niğde	TL	100.00	100.00
Areo	Antalya	TL	100.00	100.00
Sunset	Niğde	TL	100.00	100.00
Arma	Ankara	TL	-	100.00
Agriventis	Australia	AUD	51.00	51.00
Hektaş Asia	Uzbekistan	UZS	100.00	-
Financial investments				
Çantaş	Çankırı	TL	0.37	0.37

(*) Arma, which the Company transferred from its parent on 28 July 2021 and Agriventis, which the Company transferred from subsidiary of its parent on 12 January 2022, have been presented in the accompanying consolidated financial statements by applying the pooling of interest method in line with the POA’s policy decision numbered 75935942-050.01.04-[04/177] dated 11 October 2018 (“Principle Decision”).

(**)All shares of Arma İlaç Sanayi ve Ticaret A.Ş., a 100% subsidiary of the company, were transferred to Oyak Gıda ve Tarım Holding A.Ş. as of December 29, 2023.(Note 38)

HEKTAŞ GROUP

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2023 AND FOR THE PERIOD THEN ENDED

(Amounts expressed in thousands of Turkish Lira (“TL”) in terms of the purchasing power of the TL at 31 January 2024, unless otherwise indicated.)

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

2.1 Basis of Presentation (cont’d)

Non-controlling Interests

Non-controlling interests are measured over the proportional amount of the net asset value of the subsidiary at the date of acquisition. Changes in the Group’s interests in subsidiaries that do not result in a loss of control are accounted for as an equity transaction.

Loss of control

If the Group loses control over the subsidiary, it derecognises the assets and liabilities of the subsidiary, its non-controlling interests and the amounts under other equity related to the subsidiary. Any resulting gains or losses are recognized in profit or loss. The remaining interest in the previous subsidiary is measured at fair value as of the day of loss of control.

Elimination transactions in consolidation

During the preparation of the consolidated financial statements, intragroup balances, transactions and unrealized income and expenses arising from intragroup transactions are mutually eliminated. Unrealized income from transactions with investments accounted for using the equity method is written off in proportion to the Group’s share in the investment. If there is no impairment, unrealized losses are written off in the same way as unrealized income.

2.2 Changes in accounting estimates and errors

If the changes in accounting estimates are related with one period only, they are applied in the current period when the change is applied; if they are related with future periods, they are applied prospectively both in the period of change and in the future periods. Material accounting errors detected are executed retrospectively and the previous period’s financial statements are restated. There have been no significant changes in the Group’s accounting estimates in the current year.

2.3 Significant Changes Related to Current Period

The Group has reviewed the estimates and assumptions used in the preparation of the consolidated financial statements as of 31 December 2023. In this context, the Group has evaluated the possible impairments in trade receivables, inventories, property, plant and equipment and investment properties in its consolidated financial statements as of 31 December 2023 and no impairment has been detected.

HEKTAŞ GROUP

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2023 AND FOR THE PERIOD THEN ENDED

(Amounts expressed in thousands of Turkish Lira (“TL”) in terms of the purchasing power of the TL at 31 January 2024, unless otherwise indicated.)

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

2.4 Summary of Significant Accounting Policies

2.4 New and Amended Turkish Accounting Standards

a) Amendments that are mandatorily effective from 2023

Amendments to TAS 1	<i>Disclosure of Accounting Policies</i>
Amendments to TAS 8	<i>Definition of Accounting Estimates</i>
Amendments to TAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>
Amendments to TFRS 17	<i>Initial Application of TFRS 17 and TFRS 9 — Comparative Information (Amendment to TFRS 17)</i>
Amendments to TAS 12	<i>International Tax Reform — Pillar Two Model Rules</i>

Amendments to TAS 1 *Disclosure of Accounting Policies*

The amendments require that an entity discloses its material accounting policies, instead of its significant accounting policies.

Amendments to TAS 1 are effective for annual reporting periods beginning on or after 1 January 2023 and earlier application is permitted.

Amendments to TAS 8 *Definition of Accounting Estimates*

With this amendment, the definition of “a change in accounting estimates” has been replaced with the definition of “an accounting estimate”, sample and explanatory paragraphs regarding estimates have been added, and the differences between application of an estimate prospectively and correction of errors retrospectively have been clarified.

Amendments to TAS 8 are effective for annual reporting periods beginning on or after 1 January 2023 and earlier application is permitted.

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

The amendments clarify that the initial recognition exemption does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition.

Amendments to TAS 12 are effective for annual reporting periods beginning on or after 1 January 2023 and earlier application is permitted.

Amendments to TFRS 17 *Insurance Contracts and Initial Application of TFRS 17 and TFRS 9 — Comparative Information*

Amendments have been made in TFRS 17 in order to reduce the implementation costs, to explain the results and to facilitate the initial application.

The amendment permits entities that first apply TFRS 17 and TFRS 9 at the same time to present comparative information about a financial asset as if the classification and measurement requirements of TFRS 9 had been applied to that financial asset before.

Amendments are effective with the first application of TFRS 17.

Amendments to TAS 12 *International Tax Reform — Pillar Two Model Rules*

The amendments provide a temporary exception to the requirements regarding deferred tax assets and liabilities related to pillar two income taxes. Amendments to TAS 12 are effective for annual reporting periods beginning on or after 1 January 2023.

HEKTAŞ GROUP

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2023 AND FOR THE PERIOD THEN ENDED

(Amounts expressed in thousands of Turkish Lira (“TL”) in terms of the purchasing power of the TL at 31 January 2024, unless otherwise indicated.)

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

2.4 Summary of Significant Accounting Policies (cont’d)

2.4 New and Amended Turkish Accounting Standards (cont’d)

b) New and revised TFRSs in issue but not yet effective

The Group has not yet adopted the following standards and amendments and interpretations to the existing standards:

TFRS 17	<i>Insurance Contracts</i>
Amendments to TFRS 4	<i>Extension of the Temporary Exemption from Applying TFRS 9</i>
Amendments to TAS 1	<i>Classification of Liabilities as Current or Non-Current</i>
Amendments to TFRS 16	<i>Lease Liability in a Sale and Leaseback</i>
Amendments to TAS 1	<i>Non-current Liabilities with Covenants</i>
Amendments to TAS 7 and TFRS 7	<i>Supplier Finance Arrangements</i>
TSRS 1	<i>General Requirements for Disclosure of Sustainability-related Financial Information</i>
TSRS 2	<i>Climate-related Disclosures</i>

TFRS 17 *Insurance Contracts*

TFRS 17 requires insurance liabilities to be measured at a current fulfillment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. TFRS 17 supersedes TFRS 4 *Insurance Contracts* as of 1 January 2024 for insurance and reinsurance and pension companies.

Amendments to TFRS 4 *Extension of the Temporary Exemption from Applying TFRS 9*

The amendment changes the fixed expiry date for the temporary exemption in TFRS 4 *Insurance Contracts* from applying TFRS 9, so that insurance and reinsurance and pension companies would be required to apply TFRS 9 for annual periods beginning on or after 1 January 2024 with the deferral of the effective date of TFRS 17.

Amendments to TAS 1 *Classification of Liabilities as Current or Non-Current*

The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current.

Amendments to TAS 1 are effective for annual reporting periods beginning on or after 1 January 2024 and earlier application is permitted.

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

Amendments to TFRS 16 clarify how a seller-lessee subsequently measures sale and leaseback transactions that satisfy the requirements in TFRS 15 to be accounted for as a sale.

Amendments are effective from annual reporting periods beginning on or after 1 January 2024.

HEKTAŞ GROUP

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2023 AND FOR THE PERIOD THEN ENDED

(Amounts expressed in thousands of Turkish Lira (“TL”) in terms of the purchasing power of the TL at 31 January 2024, unless otherwise indicated.)

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

2.4 Summary of Significant Accounting Policies (cont'd)

2.4 New and Amended Turkish Accounting Standards (cont'd)

b) New and revised TFRSs in issue but not yet effective (cont'd)

Amendments to TAS 1 *Non-current Liabilities with Covenants*

Amendments to TAS 1 clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability.

Amendments are effective from annual reporting periods beginning on or after 1 January 2024.

The Group evaluates the effects of these standards, amendments and improvements on the consolidated financial statements.

Amendments to TAS 7 and TFRS 7 *Supplier Finance Arrangements*

The amendments add disclosure requirements, and ‘signposts’ within existing disclosure requirements that ask entities to provide qualitative and quantitative information about supplier finance arrangements. Amendments are effective from annual reporting periods beginning on or after 1 January 2024.

TSRS 1 *General Requirements for Disclosure of Sustainability-related Financial Information*

TSRS 1 sets out overall requirements for sustainability-related financial disclosures with the objective to require an entity to disclose information about its sustainability-related risks and opportunities that is useful to primary users of general-purpose financial reports in making decisions relating to providing resources to the entity. The application of this standard is mandatory for annual reporting periods beginning on or after 1 January 2024 for the entities that meet the criteria specified in POA's announcement dated 5 January 2024 and numbered 2024-5 and for banks regardless of the criteria. Other entities may voluntarily report in accordance with TSRS.

TSRS 2 *Climate-related Disclosures*

TSRS 2 sets out the requirements for identifying, measuring and disclosing information about climate-related risks and opportunities that is useful to primary users of general-purpose financial reports in making decisions relating to providing resources to the entity. The application of this standard is mandatory for annual reporting periods beginning on or after 1 January 2024 for the entities that meet the criteria specified in POA's announcement dated 5 January 2024 and numbered 2024-5 and for banks regardless of the criteria. Other entities may voluntarily report in accordance with TSRS.

HEKTAŞ GROUP

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2023 AND FOR THE PERIOD THEN ENDED

(Amounts expressed in thousands of Turkish Lira (“TL”) in terms of the purchasing power of the TL at 31 January 2024, unless otherwise indicated.)

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

2.4 Summary of Significant Accounting Policies (cont’d)

Inventories

Inventories are valued at the lower of cost or net realizable value. Costs, including some of the fixed and variable general production expenses, are valued according to the method appropriate to the class of the inventories and mostly according to the weighted average cost method. The net realizable value is the value of an asset that can be realized by a company or entity upon the sale of the asset, less a reasonable prediction of the costs associated with either the eventual sale or the disposal of the asset in question. When the net realizable value of the inventories is less than its cost, inventories reduced to its net realizable value and the irrecoverable amount is charged as an expense in the year when the write-down incurred. If the circumstances that caused the write-down cease to exist or if there is clear evidence that the net realizable value has increased because of change in economic circumstances, the write down is reversed to that extent. The reversal amount is limited to the amount of the original write-down.

Segment Reporting

The Group's operations are defined as the geographic operating segment. However, considering the nature of the products and production processes, the type of customers for their products and services, and the methods they use to distribute their products or provide their services, the segments have been combined into a single operating segment with similar economic characteristics.

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and any impairment losses.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Gains or losses on disposals of property, plant and equipment are accounted in profit or loss.

Subsequent expenditure is capitalised only when it is probable that the future economic benefits associated with the expenditure will flow to the Group.

Items of property, plant and equipment are depreciated from the date that they are available for use, or in respect of self-constructed assets, from the date that the asset is completed and ready for use. Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property and equipment. Depreciation is generally recognized in profit or loss unless it is included in the carrying amount of another asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated.

The estimated useful lives of property, plant and equipment items in the current and comparative periods are as follows:

	<u>Useful Life</u>
Lands and land improvements	4-50 years
Buildings	10-50 years
Plant, machinery and equipment	2-15 years
Vehicles	2-5 years
Furniture and fixtures	2-24 years

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

Intangible assets

Goodwill

Goodwill arising from the acquisition of subsidiaries is measured at cost less accumulated impairment losses.

Subsequent costs

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenses are recognized in profit or loss when incurred, including internally generated goodwill and trademarks.

HEKTAŞ GROUP

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2023 AND FOR THE PERIOD THEN ENDED

(Amounts expressed in thousands of Turkish Lira (“TL”) in terms of the purchasing power of the TL at 31 January 2024, unless otherwise indicated.)

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

2.4 Summary of Significant Accounting Policies (cont’d)

Intangible assets (cont’d)

Trademarks, licenses and drug registrations

Acquired trademarks, licenses and drug registrations are shown at historical cost. Trademarks, licenses and drug registrations have a finite useful life and are carried at cost less accumulated amortization. Amortization is calculated using the straight-line method to allocate the cost of trademarks, licenses and drug registrations over their estimated useful lives (3 – 15 years).

Computer software

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized over their estimated useful lives (5 years).

Research and Development

Expenditure on research activities is recognized as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognized if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development

The amount initially recognized for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognized, development expenditure is recognized in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Amortization is calculated using the straight-line method over the estimated useful lives of items of intangible assets, less their estimated residual values, and is generally recognized in profit or loss. Goodwill is not subject to depreciation.

The amortization periods used for intangible assets are as follows:

	Useful Life
Rights	3-20 years
Other Intangible Assets	5 years
Development Costs	5 years

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

HEKTAŞ GROUP

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2023 AND FOR THE PERIOD THEN ENDED

(Amounts expressed in thousands of Turkish Lira (“TL”) in terms of the purchasing power of the TL at 31 January 2024, unless otherwise indicated.)

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

2.4 Summary of Significant Accounting Policies (cont’d)

Impairment of assets

Non-financial assets

At each reporting period, the Group reviews the carrying amounts of its non-financial assets (excluding investment property, inventories, contract assets and deferred tax assets) to determine if there are any signs of impairment. If such an indicator exists, the asset's recoverable amount is estimated. Goodwill is tested for impairment annually.

For impairment testing, assets are grouped by the smallest group of assets generating cash inflows, regardless of continued use, cash inflows from other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or CGU groups that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGUs is the higher of its value in use and its GUD to be sold at lower costs. Value in use is based on estimated future cash flows discounted to present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset or CGU.

If the recoverable amount of an asset or CGU is less than its carrying amount, the carrying amount of that asset or CGU is reduced to its recoverable amount.

Impairment losses are recognized in profit or loss. It is distributed first, which will reduce the carrying amount of any goodwill distributed to the CGU, and then reduced by the carrying amount of the other assets in the CGU.

An impairment loss recognized for goodwill is not reversed. For other assets, an impairment loss is reversed only if the carrying amount of the asset, after deducting any impairment or amortization, does not exceed its determined carrying amount if no impairment has been identified.

Financial instruments and contractual assets

The Group recognizes a loss allowance for expected credit losses (“ECL”) on the following items:

- Financial assets measured at amortized cost;

The Group measures the loss allowance at the amount equal to lifetime ECLs, as indicated below.

- Debt instruments determined to have low credit risk at the reporting date, and
- Other debt instruments and bank balances for which the credit risk (ie, the risk of default over the expected life of the financial instrument) has not increased significantly since initial recognition.

The Group has chosen lifetime ECLs in calculating the impairment of trade receivables and contract assets.

In determining whether a financial asset's credit risk has increased significantly since initial recognition and in estimating its ECLs, the Group considers reasonable and supportable information available without undue cost or effort regarding the estimation of expected credit losses, including the effects of expected prepayments. This information includes quantitative and qualitative information and analysis based on the Group's past experience of credit losses and forward-looking information.

HEKTAŞ GROUP

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2023 AND FOR THE PERIOD THEN ENDED

(Amounts expressed in thousands of Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 January 2024, unless otherwise indicated.)

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

2.4 Summary of Significant Accounting Policies (cont'd)

Impairment of assets (cont'd)

Non-financial assets (cont'd)

The Group assumes that the credit risk on a financial asset increases significantly when it is 360 days past due.

The Group considers a financial asset in default if:

- The debtor's failure to fully fulfill its loan obligation without resorting to actions such as the use of collateral (if any) by the Group, or
- The financial instrument is past due 360 days.

The Group considers bank balances to have low credit risk if they are equal to the international definition of risk assessments "investment grade".

Lifetime ECLs are expected credit losses arising from all possible default events over the expected life of the financial instrument.

The 12-month ECLs are the portion of the expected credit losses arising from possible default events on the financial instrument within 12 months of the reporting date.

The maximum period for which ECLs will be measured is the maximum contractual period for which the Group is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. In other words, it is the credit losses that are measured on the present value of all the cash deficits (for example, the difference between the cash inflows to the entity and the cash flows expected by the entity to be collected based on the contract).

The cash deficit is the difference between the cash flows to be incurred and the cash flows expected to be received by the entity. As the amount and timing of payments are considered in expected credit losses, a credit loss occurs even if the entity expects to receive the full payment in the contract with the maturity specified in the contract.

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

Credit impaired financial assets

At the end of each reporting period, the Group assesses whether financial assets carried at amortised cost. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- breach of contract such as a default or 90 days even after past due;
- the restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

Presentation of impairment

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

Write-off

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

HEKTAŞ GROUP

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2023 AND FOR THE PERIOD THEN ENDED

(Amounts expressed in thousands of Turkish Lira (“TL”) in terms of the purchasing power of the TL at 31 January 2024, unless otherwise indicated.)

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

2.4 Summary of Significant Accounting Policies (cont’d)

Investment properties

Property held by the Group to earn rental income or for capital appreciation and not used by the Group is classified as investment property. Investment properties consist of land, buildings, and land improvements. Investment properties are shown over their remaining values after deducting depreciation expenses and impairment losses, if any, from their acquisition costs. Buildings and land improvements are depreciated over their expected useful life (50 years) using the straight-line method. Investment properties are derecognised if they are disposed of or are completely out of use and no future economic benefits are expected from disposal. Income or loss resulting from the disuse or disposal of investment property is shown in the profit or loss statement of that year.

Transactions in foreign currency

Transactions in foreign currency are translated into TL at the exchange rate on the date of the transaction.

Monetary assets and liabilities in foreign currencies are translated into functional currency at the exchange rates at the end of the reporting period. Currency differences on reconversion are generally recognized in profit or loss. Non-monetary items measured at historical cost in a foreign currency are translated at the exchange rate at the date of the transaction.

Date	TL/US Dollar	TL/Euro	TL/AUD
31 December 2023	29.4382	32.5739	20.0213
31 December 2022	18.6983	19.9349	12.6670

Lease transactions

(i) As a lessee

At the actual commencement date of the lease or at the date of the change in the contract containing the lease component, the Group allocates to each lease component based on the relative stand-alone price of the lease component and the total stand-alone price of the non-lease components.

The Group has chosen not to separate the non-lease components from the lease components, but instead to account for each lease component and its associated non-lease components as a single lease component.

The Group has reflected right-of-use assets and lease liabilities in its financial statements at the commencement date of the lease. The initial measurement of the liability for the cost of the right-of-use asset consists of all lease payments made at or before the commencement of the lease, less any lease incentives received, plus all initial direct costs and disassembly and relocation of the asset, estimated future costs of restoring the site in which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

If the lease transfers ownership of the underlying asset to the lessee at the end of the lease term, or if the cost of the right-of-use asset indicates that the lessee will exercise a call option, the right-of-use asset is depreciated from the date the lease actually began to the end of the useful life of the underlying asset. In other cases, the right-of-use asset is depreciated over the shorter of the asset's useful life or the lease term, starting from the date the lease actually commenced. In addition, the value of the right-of-use asset is periodically reduced, less any impairment losses, and adjusted for remeasurement of the lease liability.

At the commencement date of the lease, the lease liability is measured at the present value of the lease payments not paid at that date. Lease payments are discounted using that rate if the implied interest rate on the lease can be easily determined. If this rate cannot be easily determined, the Group's alternative borrowing interest rate is used.

The Group determines the alternative borrowing interest rate by taking into account the interest rates it will pay for the debts to be used from various external financing sources and makes some adjustments to reflect the lease terms and the type of the leased asset.

HEKTAŞ GROUP

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2023 AND FOR THE PERIOD THEN ENDED

(Amounts expressed in thousands of Turkish Lira (“TL”) in terms of the purchasing power of the TL at 31 January 2024, unless otherwise indicated.)

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

2.4 Summary of Significant Accounting Policies (cont’d)

Lease transactions (cont’d)

(i) *As a lessee (cont’d)*

The lease payments included in the measurement of the lease liability consist of:

- Fixed payments (including fixed payments in substance);
- Variable lease payments based on an index or rate, initially measured using an index or rate at the commencement date of the lease;
- Amounts expected to be paid by the lessee under residual value commitments;
- Payment of termination penalties if the exercise price and lease term of the option indicate that the Group will exercise an option to terminate the lease if there is reasonable confidence that the option to call will be exercised.

The lease liability is measured by discounting lease payments with a discount rate. The Group considers renewal, termination and purchase options if there is a change in these payments as a result of a change in an index or rate used to determine future lease payments and if there is a change in the amounts expected to be paid under the residual value commitment.

In case of re-measurement of the lease liability, it is reflected to the financial statements as an adjustment to the right-of-use asset according to the newly found debt amount. However, if the carrying amount of the right-of-use asset is reduced to zero and there is a further reduction in the measurement of the lease liability, the remaining remeasurement amount is recognized in profit or loss.

The Group presents right-of-use assets and lease liabilities that do not meet the definition of investment property in the statement of financial position as “Financial Liabilities”.

Short-term leases and low value leases

The Group has chosen not to recognize right-of-use assets and lease liabilities for short-term leases of machinery with lease terms of 12 months or less, and leases of low-value assets, including IT equipment. The Group has recognized the lease payments related to these leases as an expense on a straight-line basis over the lease term.

(ii) *As a lessor*

For a contract with a lease component and one or more additional lease components or non-lease components, the Group allocates the contract price on the basis of the relative stand-alone price, at the inception of the contract or when the contract with a lease component is modified.

When the Group is a lessor, it classifies each of the leases as operating or finance leases.

To classify each lease, the Group makes an overall assessment of whether the lease essentially transfers all the risks and rewards of ownership of the asset. A lease is a finance lease when it transfers risks and rewards; otherwise, it is an operating lease. As part of this assessment, the Group considers certain other indicators, such as whether the lease term covers most of the economic life of the underlying asset.

If the lease includes a lease component and one or more additional lease components or non-lease components, the Group allocates the contract value by applying TFRS 15 Revenue from Contracts with Customers.

The Group applies the derecognition and impairment provisions in TFRS 9 to the net lease investment. The Group regularly reviews the estimated residual uncommitted values used in calculating the gross lease investment.

In general, accounting policies applied to the Group as a lessor in the comparative period are not different from TFRS 16, except for the classification of a sublease entered in the current reporting period resulting in a finance lease classification.

HEKTAŞ GROUP

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2023 AND FOR THE PERIOD THEN ENDED

(Amounts expressed in thousands of Turkish Lira (“TL”) in terms of the purchasing power of the TL at 31 January 2024, unless otherwise indicated.)

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

2.4 Summary of Significant Accounting Policies (cont’d)

Provisions, contingent liabilities and contingent assets

Provisions

Provisions are recognized only if the Group has a past and present obligation (legal or structural), there is a possibility of disposal of resources that provide economic benefits to the business due to this obligation, and the amount of the obligation can be determined reliably. When the depreciation of money over time becomes significant, provisions are reflected with the discounted value of the expenses that may occur in the future at the reporting date. When discounted value is used, increases in provisions due to the passage of time are recognized as interest expense.

Contingent assets and liabilities

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

Contingent liabilities are disclosed in the notes to the financial statements, except when the probability of an outflow of resources embodying economic benefits is remote. If the situation requiring resource transfer is probable, contingent liabilities are reflected in the financial statements. Contingent assets, on the other hand, are not reflected in the financial statements and are disclosed in the notes if they are likely to generate economic returns.

Income tax

As Turkish Tax Legislation does not allow the parent company and its subsidiary to prepare consolidated tax returns, tax provisions have been calculated on a separate-entity basis, as reflected in the accompanying consolidated financial statements.

Income tax expense is the sum of current tax and deferred tax expense.

Income tax is recognized in profit or loss, except when associated with business combinations or directly in equity or other comprehensive income.

Current tax

Current tax is the expected tax liability or receivable on taxable profit or loss in the current year and includes adjustments to previous years' tax liabilities.

It is calculated by taking into account the tax rates that are in force as of the end of the reporting period or that are almost certain to enter into force.

Deferred tax

Deferred tax is calculated over the temporary differences between the book values of assets and liabilities in the financial statements and the values used in the tax base. Deferred tax is not recognized for temporary differences in the following cases:

- Temporary differences in the initial recognition of assets or liabilities resulting from a transaction that is not a business combination and does not affect either accounting profit or taxable profit or loss;
- Temporary differences related to investments in subsidiaries, associates and jointly controlled entities that are not likely to reverse in the foreseeable future and for which the Group has control over the reversal time, and
- Taxable temporary differences during the initial recognition of goodwill.

Deferred tax assets are recognized if it is probable that taxable profits will be sufficient to offset unused tax losses, tax benefits and deductible temporary differences in the future. Taxable profit is determined according to the business plans of each subsidiary in the Group. Deferred tax assets are reviewed at each reporting date and if it is probable that taxable profits will be generated in the future, deferred tax assets that have not been previously recognized are recognized, limited to these amounts.

The Group measures deferred tax liabilities and deferred tax assets in a manner consistent with the tax consequences of its expectations at the end of the reporting period regarding how its assets will recover or pay their liabilities. Deferred tax asset and deferred tax liability are offset only when certain conditions are met.

HEKTAŞ GROUP

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2023 AND FOR THE PERIOD THEN ENDED

(Amounts expressed in thousands of Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 January 2024, unless otherwise indicated.)

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

2.4 Summary of Significant Accounting Policies (cont'd)

Provisions for Employee Benefits

a) Provision for employment termination benefit

The provision for employment termination benefits represents the present value of the estimated total provision of the Group's future probable obligation arising from the retirement of the personnel in accordance with the Turkish Labor Law. According to Turkish Labor Law and other laws applicable in Türkiye, the Group is obliged to pay employment termination benefits to all personnel in cases of termination of employment without due cause, call for military service, be retired or death upon the completion of a minimum one-year service. The provision for the present value of the defined social assistance obligation is calculated using the projected liability method. All actuarial gains and losses are recognized in other comprehensive income/expense.

b) Provision for seniority incentive bonus

The Group has a benefit paid to its personnel named as "Seniority Incentive Premium" who served over a definite year. The seniority incentive premium accrued in the financial statements represents the present value of the estimated total reserve of possible future liabilities.

c) Defined contribution plans

The Group has to pay contributions to the Social Security Institution on a mandatory basis. The Group has no further payment obligations once the contributions have been paid. These contributions are recognized as an employee benefit expense when they are accrued.

d) Unused vacation

In accordance with Labor Law in Türkiye, it is obliged to pay for any reason claimed by the employee if the ending, but unused annual leave belonging fee gross salary at the date when the contract expires and contractual other interests him or rights to their owners over the total. Unused leave is the total undiscounted liability amount that all employees deserve but correspond to the days of leave they have not yet used as of the reporting date. Obligations arising from unused leave rights are accrued at the time they are entitled.

Revenue

Revenues are measured at the fair value of the amount of receivables collected or to be collected. Net sales are shown by deducting estimated and realized returns, discounts, commissions, turnover premiums and sales-related taxes from the sales amount of the goods.

In accordance with TFRS 15, a five-stage approach is followed in the recognition of revenue for all contracts with customers.

Step 1: Definition of the contract

When a contract is only legally enforceable, collectible, rights and payment terms for goods and services are identifiable, the contract is considered to be in accordance with TFRS 15 if the terms of the contract have been met, the contract has been approved by the parties and the parties have fulfilled all the obligations under which they are committed.

When contracts are negotiated as a single business package, or if a contract is bound to other contract or goods or services (or part of the goods or services), the Group considers the contracts as a single contract.

Step 2: Definition of performance obligations

The Group determines a "performance obligation" as a unit of account for revenue recognition. The Group evaluates the goods or services promised in a contract with the customer and determines each commitment to the customer to transfer one of the following as a performance obligation:

- (a) good or service (or a bundle of goods or services) that is distinct; or
- (b) series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer.

HEKTAŞ GROUP

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2023 AND FOR THE PERIOD THEN ENDED

(Amounts expressed in thousands of Turkish Lira (“TL”) in terms of the purchasing power of the TL at 31 January 2024, unless otherwise indicated.)

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

2.4 Summary of Significant Accounting Policies (cont’d)

Revenue (cont’d)

Step 2: Definition of performance obligations (cont’d)

The Group defines a good or service in the contract separately from other commitments in the contract and defines it as a different good or service if it enables the customer to benefit from the said good or service alone or in combination with other resources available for use. A contract may include commitments to provide a number of different goods or services that are essentially the same. At contract inception, an entity determines whether the series of goods or services is a single performance obligation.

Step 3: Determine the transaction price

To determine the transaction price, the Group evaluates how much it expects to receive after fulfilling its contractual obligation. In making the assessment, it considers elements of variable amounts and whether the contract includes a significant financing component.

Significant financing component

The Group reviews the amount that reflects the cash selling price of the promised good or service with the amount promised to pay for the effect of a significant financing component. As a practical application, the Group does not adjust the transaction price for the effects of a significant financing component if, at contract inception, the period between customer payment and transfer of goods or services is expected to be one year or less. Where the Group's obligations during the period and the advances received and the payment schedule are broadly compatible, the Group considers that the period between the fulfillment of the obligation and the payment should never exceed 12 months.

Variable consideration

The Group determines whether there are items in the customer contract that may result in price concessions, incentives, performance bonuses, early completion bonuses, price adjustment clauses, penalties, discounts or similar variable charges.

Step 4: Distribution of transaction price to performance obligations

In the event that different goods or services are delivered in accordance with a single contract, the contract price shall be distributed on the basis of the individual sales prices of the individual goods or services (different performance obligations). If no direct observable sales prices are available, the total price in contracts is distributed on the basis of the expected cost-plus profit margin.

Step 5: Revenue recognition

The Group recognizes revenue over time when any of the following conditions are met:

- If the customer is simultaneously using the benefits of the business and consuming these benefits;
- In the event that the entity has passed the control of the asset that has been created or developed at the same time as the entity creates or develops it, or
- If the Group fulfills its obligation, the Group does not create an asset with alternative use for the Group and the Group has the right to a legally enforceable payment on the payment to be made against the obligation completed until that date.

For each performance obligation fulfilled over time, the Group selects a single measure of progress that represents transferring control of the goods or services to the customer. The Group uses a method that reliably measures the work performed. The Group uses the costs made to measure progress towards completion of the project using the input method and uses the units transferred to measure progress towards completion of the project using the output method.

If a performance obligation is not satisfied over time, then the Group recognizes revenue when it transfers control of the goods or service to the customer.

In cases where the cost that must be incurred by the Group to fulfill its obligations under the contract exceeds the economic benefit expected to be obtained under the contract, a provision is made in accordance with TAS 37 “Provisions, Contingent Liabilities and Contingent Assets”.

HEKTAŞ GROUP

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2023 AND FOR THE PERIOD THEN ENDED

(Amounts expressed in thousands of Turkish Lira (“TL”) in terms of the purchasing power of the TL at 31 January 2024, unless otherwise indicated.)

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

2.4 Summary of Significant Accounting Policies (cont’d)

Contract changes

If the Group commits to offer additional goods or services, it accepts the contract change as a separate contract. In case of the termination of the existing contract and the creation of a new contract, if the goods or services offered are different, they shall recognize the related changes. If the amendment to the contract does not create separate goods or services, the entity shall, with the first contract, recognize by combining additional goods or services as if it were a part of the initial contract.

Sales of goods

The transfer of the control of the products is realized with the invoice and revenue is recognized as revenue. For goods or services sold together as a package, revenue is recognized when the goods or services are considered to be of a different nature – for example, if the good or service is identifiable separately from other contractual commitments and the customer can benefit from the good or service alone or in combination with other readily available resources. The contract price is distributed to the goods and services that are evaluated as different in a package, on the basis of stand-alone sales prices. Stand-alone selling prices are determined on the basis of the list prices at which the Group sells these goods and services alone. Stand-alone selling prices for goods and services that are not stand-alone are estimated using the expected cost-plus margin approach. The cost of products and services is recognized as an expense when the relevant revenue is recognized.

Related parties

a) A person or a close member of that person's family is related to the Group if that person:

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

(b) An entity is related to the Group if any of the following conditions exist:

- (i) the entity and the Group are members of the same group.
- (ii) the entity is an associate or joint venture of the other entity (or a member of a group of which the other entity is a member)
- (iii) both entities are joint ventures of the same third party.
- (iv) one of the entities is a joint venture of a third entity and the other entity is an associate of that third entity.
- (v) the entity, the Group, or an entity associated with the Group is a post-employment benefit plans for employees. If the Group itself has such a plan, the sponsoring employers are also related to the Group.
- (vi) the entity is controlled or jointly controlled by a person identified in (a).
- (vii) a person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of that entity (or of a parent of the entity).

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

Earnings per share

Earnings per share disclosed in the statement of comprehensive income are determined by dividing net earnings by the weighted average number of shares that have been outstanding during the related period.

In Türkiye, companies can increase their share capital by making a pro-rata distribution of shares (“bonus shares”) to existing shareholders from retained earnings on equity items. Such kind of bonus shares are taken into consideration in the computation of earnings per share as issued share certificates. Therefore, the weighted average stock share, which is used in the calculation of earnings per share, is determined by retrospective application of bonus share issue.

Events after the reporting date

Events that occur after the reporting date and may affect the Group's position at the reporting date are reflected in the financial statements. Non-adjusting events are disclosed in the notes according to their materiality.

HEKTAŞ GROUP

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2023 AND FOR THE PERIOD THEN ENDED

(Amounts expressed in thousands of Turkish Lira (“TL”) in terms of the purchasing power of the TL at 31 January 2024, unless otherwise indicated.)

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

2.4 Summary of Significant Accounting Policies (cont’d)

Financial instruments

i. Recognition and initial measurement

The Group’s trade receivables and debt instruments are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

ii. Reclassification and subsequent measurement

On initial recognition, a financial instrument is classified as specified; measured at amortized cost; those measured at fair value through other comprehensive income—investments in debt instruments, investments in equity instruments measured at fair values in other comprehensive income—or those measured at fair value through profit or loss. After initial recognition, financial instruments are not reclassified unless the Group changes the business model used for the management of financial assets.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets - Evaluation of the business model

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management’s strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realizing cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group’s management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g., whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group’s continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

HEKTAŞ GROUP

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2023 AND FOR THE PERIOD THEN ENDED

(Amounts expressed in thousands of Turkish Lira (“TL”) in terms of the purchasing power of the TL at 31 January 2024, unless otherwise indicated.)

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

2.4 Summary of Significant Accounting Policies (cont’d)

Financial instruments (cont’d)

Financial assets – Assessment whether contractual cash flows are solely payments of principal and interest:

Principal is defined as the fair value of the financial asset on initial recognition. Interest is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable rate features;
- prepayment and extension features; and
- terms that limit the Group’s claim to cash flows from specified assets (e.g., non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract.

Additionally, for a financial asset acquired at a significant discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Financial assets – Subsequent measurement and gains and losses

Financial assets measured at amortized cost

These assets are subsequently measured at amortized cost using the effective interest method. Amortized costs, if any, are reduced by the amount of impairment losses. Interest income, foreign currency gains and losses and impairments are recognized in profit or loss. Gains or losses on derecognition are recognized in profit or loss. For derivatives defined as hedging instruments, see section (iii) below.

Debt instruments measured at FVOCI

These assets are subsequently measured at their fair value. Interest income, foreign currency gains and losses and impairments calculated using the effective interest method are recognized in profit or loss. Other gains and losses are recognized in other comprehensive income. When financial assets are derecognised, total gains or losses previously recognized in other comprehensive income are reclassified to profit or loss.

Equity instruments at FVOCI

These assets are subsequently measured at their fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss.

HEKTAŞ GROUP

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2023 AND FOR THE PERIOD THEN ENDED

(Amounts expressed in thousands of Turkish Lira (“TL”) in terms of the purchasing power of the TL at 31 January 2024, unless otherwise indicated.)

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

2.4 Summary of Significant Accounting Policies (cont’d)

Financial instruments (cont’d)

(i) *Derecognition*

Financial assets

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

The Group enters into transactions whereby it transfers assets recognised in its statement of financial position but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

Financial liabilities – Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortized cost or FVTPL.

(ii) *Offsetting of financial assets and liabilities*

Financial assets and financial liabilities are offset, and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

(iii) *Derivative financial instruments and hedge accounting*

The Group holds derivative financial instruments to hedge its foreign currency and interest rate risk exposures. Embedded derivatives are separated from the host contract and accounted for separately if the host contract is not a financial asset and certain criteria are met.

Derivative instruments are initially recognized at their fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognised in profit or loss.

The Group designates certain derivatives as hedging instruments to hedge the variability in cash flows associated with highly probable forecast transactions arising from changes in foreign exchange rates and interest rates and certain derivatives and non-derivative financial liabilities as hedges of foreign exchange risk on a net investment in a foreign operation.

At the inception of the hedge relationship, the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. The Group also documents the economic relationship between the hedged item and the hedging instrument, including whether changes in the cash flows of the hedged item and the hedging instrument are expected to offset each other.

HEKTAŞ GROUP

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2023 AND FOR THE PERIOD THEN ENDED

(Amounts expressed in thousands of Turkish Lira (“TL”) in terms of the purchasing power of the TL at 31 January 2024, unless otherwise indicated.)

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

2.4 Summary of Significant Accounting Policies (cont’d)

Financial instruments (cont’d)

(iii) *Derivative financial instruments and hedge accounting (cont’d)*

Cash flow hedges

When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognised in OCI and accumulated in the hedging reserve. The ineffective portion of the change in the derivative's fair value is recognized directly in profit or loss. The effective portion of the change in the fair value of the derivative instrument determined on the present value basis from the inception of the hedging relationship recognized in other comprehensive income is limited to the cumulative effect of the change in the fair value of the hedging instrument.

The Group designates only the change in fair value of the spot element of forward exchange contracts as the hedging instrument in cash flow hedging relationships.

The change in fair value of the forward element of forward exchange contracts (forward points) is separately accounted for as a cost of hedging and recognised in a cost of hedging reserve within equity.

When the hedged forecast transaction subsequently results in the recognition of a non-financial item such as inventory, the amount accumulated in the hedging reserve and the cost of hedging reserve is included directly in the initial cost of the non-financial item when it is recognised.

For all other hedged forecast transactions, the amount accumulated in the hedging reserve and the cost of hedging reserve is reclassified to profit or loss in the same period or periods during which the hedged expected future cash flows affect profit or loss.

If the hedge no longer meets the criteria for hedge accounting or the hedging instrument is sold, expires, is terminated or is exercised, then hedge accounting is discontinued prospectively. When hedge accounting for cash flow hedges is discontinued, the amount that has been accumulated in the hedging reserve remains in equity until, for a hedge of a transaction resulting in the recognition of a non-financial item, it is included in the non-financial item's cost on its initial recognition or, for other cash flow hedges, it is reclassified to profit or loss in the same period or periods as the hedged expected future cash flows affect profit or loss.

If the hedged future cash flows are no longer expected to occur, then the amounts that have been accumulated in the hedging reserve and the cost of hedging reserve are immediately reclassified to profit or loss.

Capital

Ordinary shares

Transaction costs arising from equity transactions are accounted for as a deduction from the related equity item. Income taxes on distributions to shareholders of equity instruments and transaction costs arising from equity transactions are accounted for in accordance with TAS 12 Income Taxes.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of the relevant qualifying asset, and other borrowing costs are recognized as an expense in the period in which they are incurred.

Government incentives

Unconditional government grants received by the Group are recognized under other income in profit or loss if these grants become receivables. Other government grants are recorded as deferred income at their fair value if there is sufficient assurance that the Group will meet the necessary conditions for the grant and that the grant will be received, and are then systematically recognized in profit or loss under other income over the useful life of the asset.

Government grants that cover the expenses incurred by the Group are systematically recognized in profit or loss in the periods in which such expenses are recognized.

HEKTAŞ GROUP

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2023 AND FOR THE PERIOD THEN ENDED

(Amounts expressed in thousands of Turkish Lira (“TL”) in terms of the purchasing power of the TL at 31 January 2024, unless otherwise indicated.)

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

2.4 Summary of Significant Accounting Policies (cont’d)

Finance income and finance expenses

Financial income consists of bank deposit interest income which is part of the cycle used for financing purposes, receivables from related parties from interest income from invested funds, foreign exchange gains on financial assets and liabilities (other than trade receivables and payables) and gains on derivative instruments recorded in profit or loss.

Financial expenses include interest expenses on bank loans, credit cards and letters of guarantee, commission expenses, exchange rate expenses on financial assets and liabilities (other than trade receivables and debts), and gains on derivative instruments and recorded in profit or loss. Borrowing costs that cannot be directly associated with the acquisition, construction or production of an asset are accounted for in profit or loss using the effective interest rate.

Exchange rate incomes and expenses on financial assets and liabilities (other than trade receivables and debts) are reported separately in financing income or financing expenses according to the net position of the currency difference movements. Exchange rate difference and rediscount income on trade receivables and debts are reported in other income from operating activities, exchange rate difference and rediscount expenses are reported in other expenses from operating activities.

Interest income is calculated using the effective interest method. This income is calculated by applying the effective interest rate to the gross book value of the financial asset, except for:

(a) Financial assets with credit-impairment when purchased or created. For these types of financial assets, the entity applies the effective interest rate corrected according to credit to the amortized cost of the financial asset since it was first included in the financial statements.

(b) Financial assets that are not financial assets with credit-impairment when purchased or created, but subsequently become financial-impaired financial assets. For such financial assets, the entity applies the effective interest rate to the amortized cost of the asset in subsequent reporting periods.

An entity that calculates interest income by applying an effective interest method to the amortized cost of the financial asset in a reporting period, in the event that the credit risk in the financial instrument improves in a way that the financial asset is no longer deemed to be impaired as a credit-impairment, and this improvement can be attributed to an objectively occurring event (a debtor's credit rating increase) calculates the interest income in the next reporting periods by applying the effective interest rate to the gross book value.

Dividend income is recognized in profit or loss on the date the Group is entitled to receive payment.

Cash flow statement

In the statement of cash flows, cash flows are classified according to operating, investing and financing activities. The Group presents cash flows from operating activities using the indirect method, where net profit or loss is adjusted for the effects of non-cash transactions, accruals or deferrals of cash inflows and outflows related to past or future transactions, and items of income or expense related to investment or financing cash flows.

2.5 Significant accounting judgments, estimates and assumptions

In the preparation of the consolidated financial statements, the Group Management makes assumptions and estimations that will affect the reported assets and liabilities, determine the possible liabilities and commitments as of the reporting date and the income and expense amounts as of the reporting period. Actual results may differ from estimates and assumptions. These estimations and assumptions are reviewed regularly, and when the need for correction arises, the corrections are reflected in the relevant period's operating result.

Considering the interpretations that may have a material effect on the amounts reflected in the consolidated financial statements and the main sources of the existing or future estimates at the reporting date, the important assumptions and assessments are presented below:

- a) Provisions for doubtful receivables reflect the amounts that the Group management believes will cover the future losses of the receivables that exist as of the reporting date but have the risk of being uncollectible within the current economic conditions. While evaluating whether the receivables are impaired or not, the past performance of the debtors other than the related parties and key customers, their credibility in the market, the guarantees received, their performance from the balance sheet date to the approval date of the financial statements and the renegotiated conditions are taken into account. As of the relevant reporting dates, the Group's provision for doubtful receivables is included in Note 8. Actual results may differ from assumptions.

HEKTAŞ GROUP

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2023 AND FOR THE PERIOD THEN ENDED

(Amounts expressed in thousands of Turkish Lira (“TL”) in terms of the purchasing power of the TL at 31 January 2024, unless otherwise indicated.)

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

2.5 Significant accounting judgments, estimates and assumptions (cont’d)

- b) The Group management made various assumptions in line with the experiences of the technical team, especially in determining the useful economic life of buildings and machinery.
- c) The amount of provisions for litigation, the probability of losing the relevant lawsuits and the probable consequences to be incurred in case of loss are determined through the estimations made by the Group Management in line with the opinions of the Group’s Legal advisors (Note 22a).
- d) In the calculation of severance pay and severance incentive obligations, the Group makes various assumptions such as discount rate, inflation rate, real salary increase rate, possibility of voluntary resignation, etc. The assumptions used in the calculation of the liability are provided in detail in Note 22b.
- e) In the calculation of the provisions for the decline in the value of inventories, the Group makes various assumptions such as estimated sales price, estimated completion costs and the estimated costs required to perform sales (Note 13). Actual results may differ from the assumptions.
- f) The Group subjects the goodwill amount to impairment test every year. The recoverable amounts of cash generating units are determined based on the calculations of value in use. These calculations require the use of estimates (Note 18). The use value of the cash generating unit is calculated using the discounted cash flow method. Discounted cash flows are based on projections made in TL, which is the functional currency of the cash-generating unit. During the calculation of the projections, some assumptions and estimations have been used by the Group Management. If actual results differ from estimates, the attached consolidated financial statements may be affected.
- g) The Group recognizes deferred tax assets and liabilities for temporary timing differences arising from the differences between the tax base legal financial statements and the financial statements prepared in accordance with TFRS. The Group's subsidiaries have deferred tax assets consisting of other deductible temporary differences. The partially or wholly recoverable amount of deferred tax assets has been estimated under current conditions. In the light of the data obtained, if the future taxable profit of the Group is not sufficient to cover all deferred tax assets, a provision is made for all and part of the deferred tax asset.
- h) The Group calculates the fair values of financial instruments that do not have an active market, using market data, using arm's-length similar transactions, taking the fair values of similar instruments as a reference, and discounted cash flow analysis (Note 6).

HEKTAŞ GROUP

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2023 AND FOR THE PERIOD THEN ENDED

(Amounts expressed in thousands of Turkish Lira (“TL”) in terms of the purchasing power of the TL at 31 January 2024, unless otherwise indicated.)

3. BUSINESS COMBINATIONS

Subsidiaries acquired

The Group took over 51 percent of Agriventis, which was purchased by OYAK Sermaye Yatırımları A.Ş., a subsidiary of OYAK, the parent company, on 18 September 2020, for a consideration of TL 28,000,000 on 12 January 2022 and this transaction was accounted by pooling of interests method in line with the POA’s policy decision on business combinations under common control. Due to this, in order to maintain comparability with the current year financial statements, prior period consolidated financial statements are restated as explained in Note 2.4. In line with POA’s above mentioned policy decision, identifiable assets and liabilities due to initial acquisition by OYAK in line with TFRS 3 are also recognized by the transferor in the consolidated financial statements. Details about initial acquisition by OYAK is presented in the table below.

	<u>Ana Faaliyet Konusu</u>	<u>Alın Tarihi</u>	<u>Alınan Sermayedeki Pay (%)</u>	<u>Transfer edilen bedel (Nakit) (*)</u>
Agriventis	Tohum	18 Eylül 2020	51	27,865,968

(*) It is the purchase price of OYAK Sermaye Yatırımları, a subsidiary of OYAK.

Assets and liabilities as of the date of acquisition

	<u>Total</u>
Cash and cash equivalents	161,990
Inventories	1,288,000
Other current assets	52,881
Current Assets	1,502,871
Other receivables	14,449
Property, plant and equipment	249,166
Intangible assets	84,953,969
Non-Current Assets	85,217,584
Trade and other payables	104,975
Current Liabilities	104,975
Other payables	15,143,972
Deferred tax liability	16,832,356
Non-Current Liabilities	31,976,328
Net Asset Value	54,639,152
Non-controlling interests	26,773,184
Parent shares	27,865,967
Goodwill arising at the time of purchase	
Amount paid in cash	27,865,968
Less: Value of net assets of the acquired company	(27,865,968)
Goodwill	-

HEKTAŞ GROUP

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2023 AND FOR THE PERIOD THEN ENDED

(Amounts expressed in thousands of Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 January 2024, unless otherwise indicated.)

4. CASH AND CASH EQUIVALENTS

	31 December 2023	31 December 2022
Cash	272,923	303,115
Cash at banks	4,464,898,602	2,381,216,729
<i>Demand deposits</i>	633,163,251	25,245,740
<i>Time deposits with a maturity of less than three months</i>	3,831,735,351	2,355,970,989
Other current assets (*)	157,003,982	141,809,435
Cash and cash equivalents in the consolidated statement of financial position	4,622,175,507	2,523,329,279
Less : interest accruals	(39,278,664)	(17,847,494)
Cash and cash equivalents according to the cash flow statements	4,582,896,843	2,505,481,785

(*) Other cash and cash equivalents consist of checks and promissory notes and credit card receivables due as of 31 December 2023 and 2022.

As of 31 December 2023, the Group's USD time deposits amount to TL 846,957,620 with an interest rate of 2.00 percent and 5.00 percent and a maturity of less than 3 months (As of 31 December 2022, the Group has USD time deposits amounting to TL 185,315,389 with an interest rate of 2.00 percent and maturities of less than 3 months).

As of 31 December 2023, the Group's time deposit amount in TL is TL 2,984,777,731 and the interest rate is between 37.00 and 47.00 percent. Their maturities are less than 3 months (As of 31 December 2022, TL time deposits amount to TL 2,170,655,600 the interest rate is 13.00 to 28.00 percent. and their maturities are less than 3 months.)

5. FINANCIAL INVESTMENTS

Financial investments at fair value through other comprehensive income:

Company Title	Share Rate %	31 December 2023	Share Rate %	31 December 2022
Çantaş	0.37	512,040	0.37	512,040
		512,040		512,040
Provision for impairment		(512,040)		(512,040)
		-		-

	31 December 2023	31 December 2022
Other	493,747	268,026
Restricted bank deposits	970,365,000	-
	970,858,747	268,026

As of 31 December 2023, blocked cash and cash equivalents amounting to 970,365,000 TL (31 December 2022: There is no blockage.) are classified separately within "Financial Investments" since their use in the Group's ongoing activities and fulfillment of its obligations is restricted.

HEKTAŞ GROUP

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2023 AND FOR THE PERIOD THEN ENDED

(Amounts expressed in thousands of Turkish Lira (“TL”) in terms of the purchasing power of the TL at 31 January 2024, unless otherwise indicated.)

6. DERIVATIVE INSTRUMENTS

	31 December 2023		31 December 2022	
	Asset	Liability	Asset	Liability
Derivative that are designated and effective as hedging instruments carried at fair value:				
<i>Cross currency swap contracts</i>	-	-	48,039,917	-
Held for trading derivatives that are not designated in hedge accounting relationship				
<i>Forward contracts</i>	-	1,787,136	-	7,527,677
	<u>-</u>	<u>1,787,136</u>	<u>48,039,917</u>	<u>7,527,677</u>

Derivative instruments that are held for speculative purposes and that do not meet hedge accounting requirements are classified as “trading” and the fair value changes of these instruments are recognized in profit or loss.

As of 31 December 2023, the details of cross currency swap, option and forward transactions are as follows;

	Assets		Liabilities	
	Nominal Amount	Fair Value	Nominal Amount	Fair Value
<u>Forward contracts</u>				
<i>USD Collection / TL Payment</i>	-	-	5,250,000	1,787,136
		<u>-</u>		<u>1,787,136</u>

As of 31 December 2022, the details of cross currency swap, option and forward transactions are as follows;

	Assets		Liabilities	
	Nominal Amount	Fair Value	Nominal Amount	Fair Value
<u>Cross currency swap contracts</u>				
<i>EUR Collection / TL Payment</i>	2,000,000	48,039,917	-	-
<u>Forward contracts</u>				
<i>USD Collection / TL Payment</i>	-	-	15,242,800	7,527,677
		<u>48,039,917</u>		<u>7,527,677</u>

HEKTAŞ GROUP

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2023 AND FOR THE PERIOD THEN ENDED

(Amounts expressed in thousands of Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 January 2024, unless otherwise indicated.)

7. FINANCIAL LIABILITIES

	31 December 2023	31 December 2022
Short-Term Financial Liabilities		
Issued borrowing instruments	2,496,302,404	2,147,278,052
Bank loans	10,441,192,335	8,799,107,274
Lease liabilities	53,059,140	78,060,475
Other Financial Liabilities	494,994,619	637,287,094
	<u>13,485,548,498</u>	<u>11,661,732,895</u>
	31 December 2023	31 December 2022
Long-Term Financial Liabilities		
Bank loans	913,189,540	227,386,628
Lease liabilities	37,324,738	131,940,203
	<u>950,514,278</u>	<u>359,326,831</u>

Short-term Bank Loans:

Currency	Weighted Average Interest Rate %	31 December 2023 Short-term
TL	44.33	10,049,664,275
USD	9.22	391,528,060
		<u>10,441,192,335</u>
	Weighted Average Interest Rate %	31 December 2022 Short-term
TL	19.27	8,733,412,641
Euro	3.00	65,694,633
		<u>8,799,107,274</u>

HEKTAŞ GROUP

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2023 AND FOR THE PERIOD THEN ENDED

(Amounts expressed in thousands of Turkish Lira (“TL”) in terms of the purchasing power of the TL at 31 January 2024, unless otherwise indicated.)

7. FINANCIAL LIABILITIES (cont’d)

Details of the Short-Term Debt Instruments Issued are as follows;

Currency	Weighted Average Interest Rate %	31 December 2023 Short-term
TL	36.29	2,496,302,404
		<u>2,496,302,404</u>

On 07 July 2023, the Group issued a single coupon payment financial bond with a discounted fixed interest rate, quoted on Borsa Istanbul, amounting to TL 850 million. The maturity of the bond is 05 January 2024 and the coupon interest rate is 41.50%.

On 09 August 2023, the Group issued a single coupon payment financial bond with a discounted fixed interest rate, quoted on Borsa Istanbul, amounting to TL 1 billion. The maturity of the bond is 02 February 2024 and the coupon interest rate is 36.00%.

On 09 August 2023, the Group issued a single coupon payment financing bond with a discounted fixed interest rate, quoted on Borsa Istanbul, amounting to TL 500 million. The maturity of the bond is 07 August 2024 and the coupon interest rate is 36.00%.

Currency	Weighted Average Interest Rate %	31 December 2022 Short-term
TL	24.30	2,147,278,052
		<u>2,147,278,052</u>

On 16 August 2022, the Group issued a total amount of 165 million TL (100 million TL nominal), discount fixed interest single coupon payment financing bills, listed on Borsa Istanbul. The maturity of the bond is February 10, 2023, and the coupon interest rate is 28%.

On September 5, 2022, the Group issued a total amount of 741 million TL (450 million TL nominal), discount fixed interest single coupon payment financing bills, listed on Borsa Istanbul. The maturity of the bill is January 18, 2023, and the coupon interest rate is 23.50%.

On September 28, 2022, the Group issued a total amount of 847 million TL (514 million TL nominal), listed on Borsa Istanbul, with discount fixed interest, single coupon payment financing bills. The maturity of the bond is January 4, 2023, and the coupon interest rate is 23.25%.

On September 28, 2022, the Group issued a total amount of 430 million TL (261 million TL nominal), listed on Borsa Istanbul, with a discount fixed interest rate and single coupon payment. The maturity of the bond is 24 March 2023 and the coupon interest rate is 26.50%.

Details of Other Financial Liabilities are as follows;

Currency	Weighted Average Interest Rate %	31 December 2023 Short-term
TL	40.34	494,994,619
		<u>494,994,619</u>

Currency	Weighted Average Interest Rate %	31 December 2022 Short-term
TL	24.25	637,287,094
		<u>637,287,094</u>

HEKTAŞ GROUP

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2023 AND FOR THE PERIOD THEN ENDED

(Amounts expressed in thousands of Turkish Lira (“TL”) in terms of the purchasing power of the TL at 31 January 2024, unless otherwise indicated.)

7. FINANCIAL LIABILITIES (cont’d)

Details of Long-Term Bank Loans are as follows;

Currency	Weighted Average Interest Rate %	31 December 2023 Long-term
TL	14.15	38,875,000
USD	10.33	874,314,540
		<u>913,189,540</u>
Currency	Weighted Average Interest Rate %	31 December 2022 Long-term
TL	20.30	227,386,628
		<u>227,386,628</u>

The maturities of the lease obligations are as follows;

	31 December 2023	31 December 2022
To be paid within 1 year	53,059,140	78,060,475
To be paid within 1-5 years	<u>37,324,738</u>	<u>131,940,203</u>
	<u>90,383,878</u>	<u>210,000,678</u>

The maturities of bank loans, issued debt instruments and other financial liabilities are as follows:

	31 December 2023	31 December 2022
To be paid within 1 year	13,432,489,358	11,583,672,420
To be paid within 1-6 years	218,500,453	227,386,628
To be paid within 2-3 years	208,958,787	-
To be paid within 3-4 years	194,292,120	-
To be paid within 4-5 years	194,292,120	-
5 years and more	97,146,060	-
	<u>14,345,678,898</u>	<u>11,811,059,048</u>

As of 31 December, bank loans have spot, fixed and floating interest rates and due to their short original maturities, it is assumed that their fair values and book values are close.

As of 1 January - 31 December 2023 and 2022, the reconciliation of liabilities arising from financing activities is as follows;

	31 December 2023	31 December 2022
Financial liabilities as of 1 January	12,021,059,726	6,147,701,514
Capital inflow within the period	14,912,469,725	13,221,371,920
Payments within the period	(9,100,819,034)	(6,450,628,334)
Non-cash movements	10,146,551	2,946,988
Interest expense	3,031,322,228	1,975,641,603
Paid interest expense	(2,622,452,491)	(1,707,945,311)
Consolidation disposal effect	(38,062,394)	-
Inflation effect	(3,777,601,535)	(1,168,028,654)
	<u>14,436,062,776</u>	<u>12,021,059,726</u>

HEKTAŞ GROUP

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2023 AND FOR THE PERIOD THEN ENDED

(Amounts expressed in thousands of Turkish Lira (“TL”) in terms of the purchasing power of the TL at 31 January 2024, unless otherwise indicated.)

8. TRADE RECEIVABLES AND PAYABLES

a) Trade Receivables

As of 31 December 2023 and 2022, the details of the Group's trade receivables are as follows;

	31 December 2023	31 December 2022
Short-term trade receivables		
Trade receivables	1,490,314,241	2,927,959,201
Notes receivables	1,640,811,404	3,824,362,003
Trade receivables from related parties (Note 34)	29,487,635	241,382
Provision for doubtful trade receivables (-)	(125,653,384)	(16,611,915)
	<u>3,034,963,794</u>	<u>6,735,950,671</u>
	31 December 2023	31 December 2022
Long-term trade receivables		
Notes receivable	-	2,481,983
	<u>-</u>	<u>2,481,983</u>

As of 31 December 2023, the Group has deducted the amount of TL 500,000,000 collected from factoring companies within the scope of irrevocable factoring from its trade receivables (31 December 2022: TL 823,864,593).

As of 31 December 2023 and 2022, the aging of trade receivables is as follows:

	31 December 2023	31 December 2022
Not overdue and impaired	2,878,051,832	6,624,373,072
Overdue for 1-30 days, not impaired	39,264,106	66,369,260
Overdue for 1-3 months, not impaired	73,294,162	22,163,231
Overdue for 3-12 months, not impaired	43,380,115	25,294,577
Overdue for 1-5 years, not impaired	973,579	232,514
	<u>3,034,963,794</u>	<u>6,738,432,654</u>

The Group has evaluated the collateral status of the overdue receivables mentioned above, the current financial position of the related customers and the collections after the reporting date and concluded that there is no impairment on these receivables.

The average maturity applied by the Group for its sales is 287 days (31 December 2022: 200 days)

The provision for doubtful receivables for trade receivables is determined based on the future collection expectation and past experience of uncollectibility. The movement of the Group's provision for doubtful trade receivables is as follows:

	1 January- 31 December 2023	1 January- 31 December 2022
Provision for doubtful receivables movements		
Opening balance	16,611,915	27,164,600
Charge for the period	122,549,090	261,852
Collections	(282,053)	(238,387)
Reversed provisions	-	70,058
Disposals from consolidation	(84,374)	-
Inflation effect	(13,141,194)	(10,646,208)
Closing balance	<u>125,653,384</u>	<u>16,611,915</u>

The nature and level of risks related to trade receivables are disclosed in Note 35.

HEKTAŞ GROUP

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2023 AND FOR THE PERIOD THEN ENDED

(Amounts expressed in thousands of Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 January 2024, unless otherwise indicated.)

8. TRADE RECEIVABLES AND PAYABLES (cont'd)

b) Trade Payables

As of 31 December 2023 and 2022, the details of the Group's trade payables are as follows:

	31 December 2023	31 December 2022
Short-term trade payables		
Trade payables (*)	1,176,116,072	1,470,323,188
Trade payables to related parties (Note 34)	172,312,155	101,079,848
Expense accruals	51,650,749	4,699,170
	<u>1,400,078,976</u>	<u>1,576,102,206</u>

(*) As of 31 December 2023, letters of credit amounting to TL 329,199,761 are included in trade payables (31 December 2022: TL 928,618,033).

The average payment period of trade payables for the purchase of goods is 124 days (31 December 2022: 103)

9. PAYABLES FOR EMPLOYEE BENEFITS

	31 December 2023	31 December 2022
Payables to personnel	130,975	80,960
Premium provisions to payable personnel	64,705,940	125,496,872
Social security premiums payable	16,463,554	10,665,682
	<u>81,300,469</u>	<u>136,243,514</u>

10. OTHER RECEIVABLES AND PAYABLES

a) Other Receivables

	31 December 2023	31 December 2022
Other Short-Term Receivables		
Other receivables from related parties (Note 34)	1,492,187,616	-
Refund receivable of special consumption tax ("SCT") (*)	238,159	244,749
Deposits and guarantees given	466,012	544,996
Advance tax refund receivable	1,122,358	15,553
VAT and Other Refund Receivables	6,619,816	61,817,299
Other	-	23,118
	<u>1,500,633,961</u>	<u>62,645,715</u>

(*) In case the raw materials subject to SCT are used in the production of goods that are not subject to SCT, the Special Consumption Tax paid for the purchase of such raw materials can be refunded if the issues specified in the Special Consumption Tax Communiqué numbered 25 are fulfilled. In this context, the SCT amount requested for refund is TL 238,159 (31 December 2022: TL 244,749).

	31 December 2023	31 December 2022
Other Long-Term Receivables		
Deposits and guarantees given	4,206,751	2,484,647
	<u>4,206,751</u>	<u>2,484,647</u>

HEKTAŞ GROUP

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2023 AND FOR THE PERIOD THEN ENDED

(Amounts expressed in thousands of Turkish Lira (“TL”) in terms of the purchasing power of the TL at 31 January 2024, unless otherwise indicated.)

10. OTHER RECEIVABLES AND PAYABLES (cont’d)

b) Other Payables

	31 December 2023	31 December 2022
<u>Other Short-Term Payables</u>		
Other payables to related parties (Note 34)	742,777,690	11,814,770
Taxes and funds payable	12,571,170	27,184,635
Other miscellaneous liabilities	3,392,956	4,992,407
	<u>758,741,816</u>	<u>43,991,812</u>

(*) Consists of the portion of previous years' dividend payments that have not yet been completed as of 31 December 2023.

	31 December 2023	31 December 2022
<u>Other Long-Term Payables</u>		
Other payables to related parties (Note 34)	111,954,399	116,625,112
	<u>111,954,399</u>	<u>116,625,112</u>

11. PREPAID EXPENSES

	31 December 2023	31 December 2022
<u>Short-Term Prepaid Expenses</u>		
Order advances given	49,002,389	99,648,477
Prepaid expenses	60,525,008	30,215,018
Advances given to related parties (Note 34)	1,500,568	6,257,525
	<u>111,027,965</u>	<u>136,121,020</u>

	31 December 2023	31 December 2022
<u>Long-Term Prepaid Expenses</u>		
Advances given for the purchase of fixed assets	853,240,946	476,957,316
	<u>853,240,946</u>	<u>476,957,316</u>

HEKTAŞ GROUP

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2023 AND FOR THE PERIOD THEN ENDED

(Amounts expressed in thousands of Turkish Lira (“TL”) in terms of the purchasing power of the TL at 31 January 2024, unless otherwise indicated.)

12. DEFERRED INCOME

	31 December 2023	31 December 2022
Short-Term Deferred Income		
Order advances received	27,873,085	9,397,468
Deferred income	-	315,057,863
	<u>27,873,085</u>	<u>324,455,331</u>

13. INVENTORIES

	31 December 2023	31 December 2022
Raw material	1,868,408,590	1,982,047,104
Work in-process	405,828,816	447,561,374
Finished goods	1,112,227,826	772,612,920
Trade goods	802,293,840	765,009,636
Other inventories (*)	243,940,647	1,444,449,930
Provision for impairment on inventories (-)	(182,192,907)	(5,892,955)
	<u>4,250,506,812</u>	<u>5,405,788,009</u>

(*) As of 31 December 2023, TL 238,607,051 (31 December 2022: TL 1,439,222,658) of other inventories consist of goods in transit.

	1 January- 31 December 2023	1 January- 31 December 2022
Movement of allowance for impairment on inventory		
Opening balance	(5,892,955)	(832,914)
Charge for the period	(179,133,893)	(5,892,955)
Provision used/reversed	646,133	507,041
Inflation effect	2,187,808	325,873
Closing balance	<u>(182,192,907)</u>	<u>(5,892,955)</u>

HEKTAŞ GROUP

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2023 AND FOR THE PERIOD THEN ENDED

(Amounts expressed in thousands of Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 January 2024, unless otherwise indicated.)

14. PROPERTY, PLANT AND EQUIPMENT

Property, Plant and Equipment

Cost Value	Lands	Land improvements	Buildings	Plant, machinery and equipment	Vehicles	Furniture and fixtures	Construction in progress (**)	Total
Opening balance as of 1 January 2023	57,015,712	175,470,517	708,464,637	1,317,566,674	33,450,353	259,223,780	3,747,467,413	6,298,659,086
Foreign currency translation differences	-	-	-	(117,533)	(164,526)	(9,195)	-	(291,254)
Additions	-	2,192,301	118,400,300	275,978,770	8,845,797	151,171,597	1,829,848,300	2,386,437,065
Disposals	(47,955)	(164,778,783)	(578,135,813)	(20,705)	(1,958,222)	(28,967,480)	-	(773,908,958)
Disposals from consolidation	(7,808,686)	(2,300,711)	(32,348,279)	(446,542,113)	(2,361,567)	(11,675,552)	-	(503,036,908)
Transfers (*)	-	-	205,955,306	842,968,999	-	20,503,390	(3,437,842,160)	(2,368,414,465)
Closing balance as of 31 December 2023	49,159,071	10,583,324	422,336,151	1,989,834,092	37,811,835	390,246,540	2,139,473,553	5,039,444,566
Accumulated Depreciation								
Opening balance as of 1 January 2023	-	(88,898,191)	(254,428,837)	(382,173,357)	(14,801,297)	(126,523,047)	-	(866,824,729)
Foreign currency translation differences	-	-	-	(246,694)	(91,468)	(29,363)	-	(367,525)
Charge for the period	-	(4,341,423)	(12,080,157)	(162,821,202)	(6,918,713)	(50,567,754)	-	(236,729,249)
Disposals	-	90,485,407	219,000,549	-	1,203,478	25,219,258	-	335,908,692
Disposals from consolidation	-	127,534	6,304,656	80,967,515	2,279,475	4,546,661	-	94,225,841
Closing balance as of 31 December 2023	-	(2,626,673)	(41,203,789)	(464,273,738)	(18,328,525)	(147,354,245)	-	(673,786,970)
Carrying value as of 31 December 2023	49,159,071	7,956,651	381,132,362	1,525,560,354	19,483,310	242,892,295	2,139,473,553	4,365,657,596

(*) TL 2,368,414,465 has been transferred from construction in progress to intangible assets (Note 16).

HEKTAŞ GROUP

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2023 AND FOR THE PERIOD THEN ENDED

(Amounts expressed in thousands of Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 January 2024, unless otherwise indicated.)

14. PROPERTY, PLANT AND EQUIPMENT (cont'd)

a) Property, Plant and Equipment (cont'd)

Cost Value	Lands	Land improvements	Buildings	Plant, machinery and equipment	Vehicles	Furniture and fixtures	Construction in progress (**)	Total
Opening balance as of 1 January 2022	10,126,268	163,399,408	600,676,045	1,055,482,889	38,069,374	203,005,904	2,130,969,115	4,201,729,003
Foreign currency translation differences	-	-	-	(1,791,026)	(1,082,850)	(57,567)	-	(2,931,443)
Additions	46,889,444	12,272,872	90,851,846	174,767,069	7,695,872	60,829,419	1,783,706,693	2,177,013,215
Disposals	-	(201,763)	-	(537,923)	(11,232,043)	(4,533,976)	-	(16,525,705)
Transfers (*)	-	-	16,936,746	89,645,665	-	-	(167,208,395)	(60,625,984)
Closing balance as of 31 December 2022	57,015,712	175,470,517	708,464,637	1,317,566,674	33,450,353	259,223,780	3,747,467,413	6,298,659,086
Accumulated Depreciation								
Opening balance as of 1 January 2022	-	(83,544,653)	(233,541,056)	(278,868,409)	(15,085,790)	(101,938,355)	-	(712,978,263)
Foreign currency translation differences	-	-	-	(54,098)	25,942	(22,267)	-	(50,423)
Charge for the period	-	(5,431,139)	(20,887,781)	(103,592,330)	(5,079,573)	(28,307,437)	-	(163,298,260)
Disposals	-	77,601	-	341,480	5,338,124	3,745,012	-	9,502,217
Closing balance as of 31 December 2022	-	(88,898,191)	(254,428,837)	(382,173,357)	(14,801,297)	(126,523,047)	-	(866,824,729)
Carrying value as of 31 December 2022	57,015,712	86,572,326	454,035,800	935,393,317	18,649,056	132,700,733	3,747,467,413	5,431,834,357

(*) TL 60,625,984 has been transferred from construction in progress to intangible assets (Note 16).

HEKTAŞ GROUP

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2023 AND FOR THE PERIOD THEN ENDED

(Amounts expressed in thousands of Turkish Lira (“TL”) in terms of the purchasing power of the TL at 31 January 2024, unless otherwise indicated.)

15. RIGHT-OF-USE ASSETS

<u>Cost Value</u>	Properties	Vehicles	Total
Opening balance as of 1 January 2023	279,730,293	230,685,424	510,415,717
Additions	38,223,126	34,052,413	72,275,539
Disposals	<u>(35,711,277)</u>	<u>(43,740,622)</u>	<u>(79,451,899)</u>
Closing balance as of 31 December 2023	<u>282,242,142</u>	<u>220,997,215</u>	<u>503,239,357</u>
<u>Accumulated Amortization</u>			
Opening balance as of 1 January 2023	(159,031,556)	(77,675,114)	(236,706,670)
Charge for the period	(84,299,917)	(71,073,700)	(155,373,617)
Disposals	<u>13,944,904</u>	<u>23,257,862</u>	<u>37,202,766</u>
Closing balance as of 31 December 2023	<u>(229,386,569)</u>	<u>(125,490,952)</u>	<u>(354,877,521)</u>
Carrying value as of 31 December 2023	<u>52,855,573</u>	<u>95,506,263</u>	<u>148,361,836</u>

<u>Cost Value</u>	Properties	Vehicles	Total
Opening balance as of 1 January 2022	238,709,597	58,691,072	297,400,669
Additions	<u>41,020,696</u>	<u>171,994,352</u>	<u>213,015,048</u>
Closing balance as of 31 December 2022	<u>279,730,293</u>	<u>230,685,424</u>	<u>510,415,717</u>
<u>Accumulated Amortization</u>			
Opening balance as of 1 January 2022	(99,156,671)	(33,440,308)	(132,596,979)
Charge for the period	<u>(59,874,885)</u>	<u>(44,234,806)</u>	<u>(104,109,691)</u>
Closing balance as of 31 December 2022	<u>(159,031,556)</u>	<u>(77,675,114)</u>	<u>(236,706,670)</u>
Carrying value as of 31 December 2022	<u>120,698,737</u>	<u>153,010,310</u>	<u>273,709,047</u>

Amortisation periods of right of use assets are as follows:

	<u>Useful Life</u>
Properties	1-10 years
Vehicles	1-3 years

HEKTAŞ GROUP

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2023 AND FOR THE PERIOD THEN ENDED

(Amounts expressed in thousands of Turkish Lira (“TL”) in terms of the purchasing power of the TL at 31 January 2024, unless otherwise indicated.)

16. INTANGIBLE ASSETS

Cost Value	Rights	Development costs	Other intangible assets	Total
Opening balance as of 1 January 2023	747,027,943	89,956,357	26,041,964	863,026,264
Foreign currency translation differences	(7,201,962)	-	3,109,020	(4,092,942)
Additions	254,775,123	-	89,235,233	344,010,356
Disposals	(708,726)	(96,319)	(17,599,941)	(18,404,986)
Disposals from consolidation (Note 38)	(19,549,334)	-	(92,362,523)	(111,911,857)
Transfers from construction in-progress	18,100,354	7,685,242	2,342,628,869	2,368,414,465
Closing balance as of 31 December 2023	992,443,398	97,545,280	2,351,052,622	3,441,041,300
Accumulated Amortization				
Opening balance as of 1 January 2023	(168,145,224)	(51,862,745)	(5,262,368)	(225,270,337)
Foreign currency translation differences	(1,596,166)	-	(372,890)	(1,969,056)
Charge for the period	(64,780,417)	(10,043,266)	(77,521,387)	(152,345,070)
Disposals	653,514	-	62,228	715,742
Disposals from consolidation (Note 38)	7,374,014	-	2,849,419	10,223,433
Closing balance as of 31 December 2023	(226,494,279)	(61,906,011)	(80,244,998)	(368,645,288)
Carrying value as of 31 December 2023	765,949,119	35,639,269	2,270,807,624	3,072,396,012
Cost Value				
Opening balance as of 1 January 2022	692,589,671	77,009,725	17,564,429	787,163,825
Foreign currency translation differences	(55,340,723)	-	(4,177,552)	(59,518,275)
Additions	62,003,323	96,320	12,655,087	74,754,730
Transfers from construction in-progress	47,775,672	12,850,312	-	60,625,984
Closing balance as of 31 December 2022	747,027,943	89,956,357	26,041,964	863,026,264
Accumulated Amortization				
Opening balance as of 1 January 2022	(124,886,124)	(39,776,597)	(2,246,703)	(166,909,424)
Foreign currency translation differences	9,583,659	-	716,460	10,300,119
Charge for the period	(52,842,759)	(12,086,148)	(3,732,125)	(68,661,032)
Closing balance as of 31 December 2022	(168,145,224)	(51,862,745)	(5,262,368)	(225,270,337)
Carrying value as of 31 December 2022	578,882,719	38,093,612	20,779,596	637,755,927

HEKTAŞ GROUP

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2023 AND FOR THE PERIOD THEN ENDED

(Amounts expressed in thousands of Turkish Lira (“TL”) in terms of the purchasing power of the TL at 31 January 2024, unless otherwise indicated.)

17. INVESTMENT PROPERTIES

Cost Value	Lands	Land and land improvements	Buildings	Total
Opening balance as of 1 January 2023	2,221,580	9,559,949	53,752,144	65,533,673
Closing balance as of 31 December 2023	2,221,580	9,559,949	53,752,144	65,533,673
Accumulated Depreciation				
Opening balance as of 1 January 2023	-	(4,509,107)	(20,754,081)	(25,263,188)
Charge for the period	-	(191,198)	(811,063)	(1,002,261)
Closing balance as of 31 December 2023	-	(4,700,305)	(21,565,144)	(26,265,449)
Carrying value as of 31 December 2023	2,221,580	4,859,644	32,187,000	39,268,224
Cost Value	Lands	Land and land improvements	Buildings	Total
Opening balance as of 1 January 2022	2,221,580	9,559,949	53,752,144	65,533,673
Closing balance as of 31 December 2022	2,221,580	9,559,949	53,752,144	65,533,673
Accumulated Depreciation				
Opening balance as of 1 January 2022	-	(4,317,908)	(19,671,149)	(23,989,057)
Charge for the period	-	(191,199)	(1,082,932)	(1,274,131)
Closing balance as of 31 December 2022	-	(4,509,107)	(20,754,081)	(25,263,188)
Carrying value as of 31 December 2022	2,221,580	5,050,842	32,998,063	40,270,485

The Group has rented out factory buildings in Şanlıurfa and Adana that are not actively used in production. For this reason, the relevant assets are accounted for as investment property. The rental income obtained from these real estates in the current period is 2,454,324 TL (31 December 2022: 2,156,807 TL rental income) (Note 30a).

HEKTAŞ GROUP

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2023 AND FOR THE PERIOD THEN ENDED

(Amounts expressed in thousands of Turkish Lira (“TL”) in terms of the purchasing power of the TL at 31 January 2024, unless otherwise indicated.)

17. INVESTMENT PROPERTIES (cont’d)

Fair value measurements of the Group's investment properties

As of 31 December 2023 and 2022, the fair value of the Group's investment properties has been evaluated by an independent valuation firm authorized by Yetkin Gayrimenkul ve Değerleme Danışmanlık Anonim Şirketi. The relevant company is authorized by the CMB and provides real estate valuation services in accordance with the capital market legislation and has sufficient experience and qualifications in measuring the fair value of real estates in the relevant regions. The fair value of the freehold land was determined based on the market comparable approach that reflects recent transaction prices for similar properties. No different valuation technique has been used in the current period.

As of 31 December 2023 and 2022, the Group's investment properties and the fair value hierarchy of the said assets are shown in the table below:

	Level 1	Level 2	Level 3
	TL	TL	TL
2023			
Land and Land Improvements and Building	-	87,061,000	-
	Level 1	Level 2	Level 3
	TL	TL	TL
2022			
Land and Land Improvements and Building	-	40,594,000	-

18. GOODWILL

Company	Date of Purchase	31 December 2023	31 December 2022
Ferbis	2017	59,020,774	59,020,775
Sunset	2020	235,684,857	235,684,856
Arma	2020	-	149,157,439
		<u>294,705,631</u>	<u>443,863,070</u>

(*) All shares of Arma İlaç Sanayi ve Ticaret A.Ş., a 100% subsidiary of the company, were transferred to Oyak Gıda ve Tarım Holding A.Ş. as of December 29, 2023.(Note 38)

In accordance with the accounting policy set out in Note 2, the Group tests annually or more frequently for any impairment on goodwill. The impairment test for cash-generating units was performed as of 31 December 2023. The test was conducted in accordance with the discounted cash flow method, taking into account the “net fair value less cost to sell”.

The Group Management has calculated the value in use of the cash-generating unit to which the goodwill amount is linked in the impairment study of the goodwill arising from the acquisition of Ferbis, Sunset and Arma.

The estimated fair value calculated according to the discounted cash flow method exceeds the recoverable amount as of 31 December. No impairment provision was made during 2023 and 2022.

HEKTAŞ GROUP

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2023 AND FOR THE PERIOD THEN ENDED

(Amounts expressed in thousands of Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 January 2024, unless otherwise indicated.)

18. GOODWILL (cont'd)

The important assumptions used in the calculation of recoverable amounts are discount rates, final growth rates and EBITDA (Earnings before interest, depreciation and tax) growth rates. The values used in the assumptions are based on Group Management's assessment of future trends in the pesticide market and internal and external sources (historical data). The main assumptions reflecting the weighted average of all cash-generating units included in the relevant operating segments are as follows:

<u>Weighted average</u>	<u>31 December 2023</u>	<u>31 December 2022</u>
Discount rate, gross	%37-%39	%24-%25
Final growth rate	%5	%5
Budgeted EBITDA growth rate (average of the next five years)	%15-%54	%22-%45

In the discounted cash flow model, estimated cash flows during the license period are included. The long-term growth rate has been determined based on the long-term compound EBITDA growth rate estimated by Group Management and believed to be consistent with the assumptions made by a market participant.

Budgeted EBITDA has been determined based on expected future results, taking into account past experience, and has been adjusted for the following factors.

After determining the basic revenue figures, it is assumed that these prices will increase in line with the estimated inflation in the first five years.

The Group compared the estimated recoverable amount of the cash-generating unit with its carrying amount and concluded that there was no impairment.

19. GOVERNMENT GRANTS AND INCENTIVES

The Company benefited from VAT Exemption, Insurance Premium Employer's Share Support, Tax Reduction, Customs Duty Exemption support element investment incentive certificate and tax reduction amounting to TL 253,738,635 from the TR Ministry of Economy within the scope of the production of Pesticides (Pesticide) and Other Agricultural - Chemical Products that dated 1 May 2020 and numbered 510660, starting at 30 April 2020 and ending at 28 October 2024, dated 24 May 2019 and numbered 503711, starting at 24 May 2019 and ending at 23 November 2026, dated 31 December 2019 and numbered 507656, starting at 26 December 2019 and ending at 26 December 2024, dated 3 November 2020 and numbered 516676, starting at 3 November 2020 and ending at 3 November 2026, dated 1 October 2021 and numbered 528148, starting at 29 September 2021 and ending at 29 September 2025, dated 4 October 2022 dated and numbered 542168, starting at 29 September 2022 and ending at 29 September 2025, dated 13 May 2019 dated and numbered 506178, starting at 13 May 2019 and ending at 12 November 2023.

As of 31 December 2023, the Company has a tax advantage of TL 253,738,635 that can be used in the following years regarding the incentive. All of the related balance is included in the deferred tax calculation. (31 December 2022:160.253.034 TL)

HEKTAŞ GROUP

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2023 AND FOR THE PERIOD THEN ENDED

(Amounts expressed in thousands of Turkish Lira (“TL”) in terms of the purchasing power of the TL at 31 January 2024, unless otherwise indicated.)

20. GUARANTEES, PLEDGE AND MORTGAGES

The details of the Company’s Guarantees/Pledge/Mortgages (“GPM”) are as follows:

31 December 2023	TL equivalent	TL	US Dollar	Euro
A. GPMs Given for Company’s Own Legal Personality				
-Guarantee	235,496,363	235,496,363	-	-
-Pledge	-	-	-	-
-Mortgage	-	-	-	-
B. GPMs Given on Behalf of Fully Consolidated Companies				
-Guarantee	-	-	-	-
-Pledge	-	-	-	-
-Mortgage	-	-	-	-
-Other (*)	2,000,000,000	2,000,000,000	-	-
C. GPMs Given in the Normal Course of Business Activities on Behalf of Third Parties				
-Guarantee	-	-	-	-
-Pledge	-	-	-	-
-Mortgage	-	-	-	-
D. Total Amount of Other GPMs				
i. Total Amount of GPMs Given on Behalf of the Parent				
-Guarantee	-	-	-	-
-Pledge	-	-	-	-
-Mortgage	-	-	-	-
ii. Total Amount of GPMs Given to on Behalf of Other Group Companies which are not in Scope of B and C				
-Guarantee	-	-	-	-
-Pledge	-	-	-	-
-Mortgage	-	-	-	-
iii. Total Amount of GPMs Given on Behalf of Third Parties which are not in Scope of C				
-Guarantee	-	-	-	-
-Pledge	-	-	-	-
-Mortgage	-	-	-	-
Total	2,235,496,363	2,235,496,363	-	-

(*) The balance consists of guarantees given on behalf of the Group’s subsidiaries for their financial borrowings as of 31 December 2023.

HEKTAŞ GROUP

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2023 AND FOR THE PERIOD THEN ENDED

(Amounts expressed in thousands of Turkish Lira (“TL”) in terms of the purchasing power of the TL at 31 January 2024, unless otherwise indicated.)

20. GUARANTEES, PLEDGE AND MORTGAGES (cont'd)

31 December 2022	TL equivalent	TL	US Dollar	Euro
A. GPMs Given for Company’s Own Legal Personality				
-Guarantee	175,257,175	172,711,058	82,640	-
-Pledge	-	-	-	-
-Mortgage	-	-	-	-
B. GPMs Given on Behalf of Fully Consolidated Companies				
-Guarantee	-	-	-	-
-Pledge	-	-	-	-
-Mortgage	-	-	-	-
-Other (*)	3,821,015,437	3,295,458,372	-	16,000,000
C. GPMs Given in the Normal Course of Business Activities on Behalf of Third Parties				
-Guarantee	-	-	-	-
-Pledge	-	-	-	-
-Mortgage	-	-	-	-
D. Total Amount of Other GPMs				
i. Total Amount of GPMs Given on Behalf of the Parent				
-Guarantee	-	-	-	-
-Pledge	-	-	-	-
-Mortgage	-	-	-	-
ii. Total Amount of GPMs Given to on Behalf of Other Group Companies which are not in Scope of B and C				
-Guarantee	-	-	-	-
-Pledge	-	-	-	-
-Mortgage	-	-	-	-
iii. Total Amount of GPMs Given on Behalf of Third Parties which are not in Scope of C				
-Guarantee	-	-	-	-
-Pledge	-	-	-	-
-Mortgage	-	-	-	-
Total	3,996,272,612	3,468,169,430	82,640	16,000,000

(*) The balance consists of guarantees given on behalf of the Group’s subsidiaries for their financial borrowings as of 31 December 2022.

(**) Relevant amounts are shown in the original currency and TL equivalentents are shown on a purchasing power basis.

As of 31 December, there are no guarantees, pledges and mortgages given on behalf of its own legal entity, apart from the letters of guarantee presented above.

The ratio of the Group's other GPMs to equity is 0% as of 31 December 2023 (2022: 0%).

21. CURRENT TAX ASSETS

	31 December 2023	31 December 2022
Current tax assets		
Other prepaid taxes and funds	59,757,193	105,002,617
	<u>59,757,193</u>	<u>105,002,617</u>

HEKTAŞ GROUP

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2023 AND FOR THE PERIOD THEN ENDED

(Amounts expressed in thousands of Turkish Lira (“TL”) in terms of the purchasing power of the TL at 31 January 2024, unless otherwise indicated.)

22. SHORT-TERM AND LONG-TERM PROVISIONS

a) Short-term Provisions

Short-term provisions	31 December 2023	31 December 2022
Provisions for legal cases (*)	3,217,805	4,105,218
Provision for unused vacation	13,246,800	15,855,824
	<u>16,464,605</u>	<u>19,961,042</u>

(*) Contains possible liabilities of reemployment and commercial lawsuits.

The movements of the provisions for litigation in the accounting period ending on 31 December 2023 and 2022 are as follows:

	1 January- 31 December 2023	1 January- 31 December 2022
Provision as of 1 January	4,105,218	4,427,689
Provision expense for the period	2,536,926	2,047,106
Provisions released	-	(629,034)
Inflation effect	(3,424,339)	(1,740,543)
Provision as of 31 December	<u>3,217,805</u>	<u>4,105,218</u>

The movements of the provision for unused vacation for the period ending on 31 December 2023 and 2022 are as follows:

	1 January- 31 December 2023	1 January- 31 December 2022
Provision as of 1 January	15,855,824	11,806,057
Provision expense for the period	5,014,209	8,145,569
Disposal from consolidation	(646,136)	-
Foreign currency translation difference	184,374	523,254
Inflation effect	(7,161,471)	(4,619,056)
Provision as of 31 December	<u>13,246,800</u>	<u>15,855,824</u>

b) Long-Term Provisions

Long-term provisions for employee benefits as of 31 December 2023 and 2022 are presented below:

Long-term provisions	31 December 2023	31 December 2022
Provision for employment termination benefit	66,038,748	84,979,802
Seniority incentive premium provision	7,826,624	9,932,587
	<u>73,865,372</u>	<u>94,912,389</u>

Provision for Severance Incentive Bonus:

The Group provides a benefit in the name of “Seniority Incentive Bonus” to its employees with a certain seniority. In this respect, the Group pays one salary equivalent of seniority incentive bonus for each work period of 10 years. The current value of the severance incentive premium liability has been calculated by an independent actuary in the current year and the assumptions used in the calculation of provisions for severance pay were used.

HEKTAŞ GROUP

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2023 AND FOR THE PERIOD THEN ENDED

(Amounts expressed in thousands of Turkish Lira (“TL”) in terms of the purchasing power of the TL at 31 January 2024, unless otherwise indicated.)

22. SHORT-TERM AND LONG-TERM PROVISIONS (cont’d)

b) Provisions for Employee Benefits (cont’d)

Provision for Severance Incentive Bonus (cont’d):

Transactions of the provisions for severance incentive premium in the fiscal period ending on 31 December 2023 and 2022 are presented below:

	1 January- 31 December 2023	1 January- 31 December 2022
Provision as of 1 January	9,932,587	7,023,304
Service cost	1,709,273	5,017,553
Interest cost	1,575,163	998,242
Amount paid during the period	(589,450)	(358,683)
Earnings / (loss) from reducing benefits / layoffs	369,280	-
Disposal from consolidation	(655,159)	-
Inflation effect	(4,515,070)	(2,747,829)
Provision as of 31 December	7,826,624	9,932,587

Provision for employment termination benefit:

Under the Effective Labor Law provisions, employees whose employment contract is terminated with eligibility for severance pay must be paid the statutory severance pays for which they are eligible. Furthermore, under the provision of the article 60 of the Social Security Law no. 506 which is still effective, amended by the laws no. 2422 dated 6 March 1981 and no. 4447 dated 25 August 1999, statutory severance pay must also be paid to those who are eligible for resigning with severance pay.

The employment termination benefit payable as of 31 December 2023 is subject to a monthly cap of TL 23,489.83 (31 December 2022: TL 15,371.40). The severance pay liability is not legally subject to any funding.

The severance pay liability is calculated according to the estimation of the current value of the future probable obligation of the Group arising from the retirement of the employees. TAS 19 (“Benefits Provided to Employees”) prescribes that the Group’s liabilities are developed by using actuarial valuation methods within the scope of defined benefit plans. The severance pay liability was calculated by an independent actuary and the Projected Unit Credit Method was used in the calculation. The actuarial assumptions used in the calculation of the current value of the liabilities are specified below.

	31 December 2023	31 December 2022
Discount rate	24.27%	16.19%
Inflation rate	21.02%	14.23%

The estimated rate of employment termination benefit amounts which will not be paid as a result of voluntary resignations and which will remain within the Group has been taken into account as well. It has been assumed that the voluntary resignation rates of employees would depend on their past service period; the past experience was analyzed and the assumed voluntary resignations expected prospectively were reflected in the calculation in order to calculate the total severance pay liability. In the actuarial calculations made, the voluntary resignation possibility of employees was included in the calculation at the rates which decline as the previous service period increases. Accordingly, the possibility of voluntary resignation is between 11 per cent and 0 per cent for personnel whose previous service period is between 0 and 15 years and above.

The important estimates used in the calculation of the severance pay liability are the discount rate and the probability of voluntary dismissal.

- If the discount rate is increased by 1 percent annually, the amount of severance pay decreases by 8.8 percent.
- If the discount rate is decreased by 1 percent annually, the amount of severance pay increases by 10.6 percent.
- If the annual inflation rate is increased by 1 percent, the amount of severance pay increases by 10.8 percent.
- If the annual inflation rate is decreased by 1 percent, the amount of severance pay decreases by 9.1 percent.
- If the possibility of voluntary departure is not used, the amount of severance pay increases by 8.2 percent.

HEKTAŞ GROUP

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2023 AND FOR THE PERIOD THEN ENDED

(Amounts expressed in thousands of Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 January 2024, unless otherwise indicated.)

22. SHORT-TERM AND LONG-TERM PROVISIONS (cont'd)

b) Provisions for Employee Benefits (cont'd)

The movement of provision for employee termination benefits for the accounting period ending on 31 December 2023 and 2022 is presented below:

	1 January- 31 December 2023	1 January- 31 December 2022
Provision as of 1 January	84,979,802	50,837,265
Service cost	14,485,804	6,895,638
Interest cost	10,476,106	7,451,003
Employment termination benefits paid	(30,045,555)	(3,221,258)
Disposal from consolidation	(3,364,304)	-
Earnings / (loss) from reducing benefits / layoffs	8,853,004	1,886,049
Actuarial loss/gain	14,767,271	41,020,912
Inflation effect	(34,113,380)	(19,889,807)
Provision as of 31 December	66,038,748	84,979,802

23. OTHER ASSETS AND LIABILITIES

	31 December 2023	31 December 2022
<u>Other Current Assets</u>		
Deferred VAT	567,047,379	407,782,153
Other miscellaneous current assets	12,734,298	19,496,757
	579,781,677	427,278,910

24. EQUITY

a) Share Capital

The paid-in capital structure of the Company as of 31 December 2023 and 2022 is as follows:

Shareholders	%	31 December 2023	%	31 December 2022
Ordu Yardımlaşma Kurumu	55.4	1,400,773,362	58.8	1,488,146,000
Public	44.6	1,129,226,638	41.2	1,041,854,000
		2,530,000,000		2,530,000,000
Capital Adjustments Differences		4,239,263,374		4,239,263,374
		6,769,263,374		6,769,263,374

The registered capital ceiling of the Company is TL 3,000,000,000 (31 December 2022: TL 3,000,000,000).

(*) The Company decided to increase the registered capital ceiling from TL 1,000,000,000 to TL 3,000,000,000 with the Board of Directors decision dated 15 April 2022 and this decision was registered on 24 October 2022.

On accordance with the decision of the Board of Directors on the 'Capital Increase with and without Bonus' taken at the meeting numbered 63 on 15 April 2022, based on the authority in Article 7 of the Company's Articles of Association, within the registered capital ceiling of TL 3,000,000,000 of Hektaş, TL 380,000,000 of the issued capital of TL 860,000,000 without bonus, TL 1,670,000,000 with an increase of 194 percent, covering 1,290,000,000 Turkish Liras in cash has been increased to TL 2,530,000,000. Registered on 24 October 2022

The capital consists of 2,530,000,000,000 shares with a nominal value of TL 0.01 and there are no preferred shares.

HEKTAŞ GROUP

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2023 AND FOR THE PERIOD THEN ENDED

(Amounts expressed in thousands of Turkish Lira (“TL”) in terms of the purchasing power of the TL at 31 January 2024, unless otherwise indicated.)

24. EQUITY (cont’d)

a) Share Capital (cont’d)

After the exercise of new share purchase rights (pre-emptive rights), the shares corresponding to the unused new share purchase rights and with a total nominal value of TL 637,847 are exchanged on Borsa Istanbul A.Ş. for 2 (two) business days on 31 October-1 November 2022 in the Primary Market, and all of the remaining shares were sold for TL 18,268,091 and the capital increase was completed on 01 November 2022. Our company provided funds amounting to TL 2.22.972.223 (Nominal TL 1,307,630,440.29) in total due to the capital increase.

b) Restricted Reserves Appropriated from Profit

	31 December 2023	31 December 2022
Legal Reserves	316,226,001	285,927,506
	<u>316,226,001</u>	<u>285,927,506</u>

In accordance with Turkish Commercial Law, legal reserves are classified as first and second reserves. The Group reserves 5% of the historical statutory profit as first legal reserve, until the total reserve reaches 20% of the historical paid in share capital. The other legal reserve is appropriated at the rate of 10% per annum of all cash dividend distributions after the payment of dividends to the shareholders at a rate of 5%. According to Turkish Commercial Law, general legal reserves cannot be distributed unless it exceeds 50% of the issued capital yet can be used to close the losses when the profit reserves are insufficient.

Publicly traded companies distribute their dividends in this way: in accordance with the CMB decision dated 25 February 2005 and numbered 7/242; if the entire profit distribution amount calculated in accordance with the regulations of the CMB regarding the minimum profit distribution obligation over the net distributable profit found in accordance with the CMB regulations can be met from the distributable profit in the legal records, the whole of this amount, and if not, the entire net distributable profit in the legal records will be distributed. If there is a period loss in the financial statements prepared in accordance with the CMB regulations or in any of the legal records, profit distribution will not be made.

With the decision of the Capital Markets Board dated 27 January 2010, no minimum profit distribution obligation was introduced for the dividend distribution to be made for publicly held joint stock companies whose shares are traded on the stock exchange.

Equity inflation adjustment differences and registered values of extraordinary reserves, bonus issue capital increase; cash can be used for profit distribution or loss offset. However, if the equity inflation adjustment differences are used in cash profit distribution, they will be subject to corporate tax.

HEKTAŞ GROUP

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2023 AND FOR THE PERIOD THEN ENDED

(Amounts expressed in thousands of Turkish Lira (“TL”) in terms of the purchasing power of the TL at 31 January 2024, unless otherwise indicated.)

24. EQUITY (cont’d)

c) Actuarial loss and gain fund for employee benefits

	31 December 2023	31 December 2022
Defined benefit plans remeasurement losses	(55,788,183)	(41,020,912)
Deferred tax	11,896,000	8,204,182
Subsidiary disposal effect	2,317,061	-
	<u>(41,575,122)</u>	<u>(32,816,730)</u>

d) Information on Capital, Reserves and Other Equity Items

The comparison of the related equity items presented as adjusted for inflation in the consolidated financial statements as of 31 December 2023, with the adjusted for inflation amounts in the financial statements prepared in accordance with the Tax Procedure Law is as follows:

31 December 2023	Adjusted for inflation amount in financial statements prepared in accordance with the Tax Procedure Law	Adjusted for inflation amount in financial statements prepared in accordance with TAS/IFRS Financial Statements	Difference in previous year losses
Inflation Adjustment to Share Capital	5,511,030,911	4,239,263,374	1,271,767,537
Premiums on shares/discounts	30,190,148	27,206,773	2,983,375
Restricted Reserves Appropriated from Profit	371,676,735	235,822,003	135,854,732

HEKTAŞ GROUP

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2023 AND FOR THE PERIOD THEN ENDED

(Amounts expressed in thousands of Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 January 2024, unless otherwise indicated.)

25 SALES AND COST OF SALES

a) Revenue

	1 January- 31 December 2023	1 January- 31 December 2022
Domestic sales	6,594,051,803	10,286,975,841
Foreign sales	252,935,240	355,070,976
Other sales	2,065,254	278,087
Sales returns (-)	(330,165,803)	(30,153,360)
Sales discounts (-)	(439,553,182)	(610,896,755)
On-time payment premium (-)	(40,337,903)	-
	<u>6,038,995,409</u>	<u>10,001,274,789</u>

b) Cost of Sales

	1 January- 31 December 2023	1 January- 31 December 2022
Raw material expenses	(3,480,031,332)	(3,345,600,992)
Personnel expenses	(283,456,241)	(227,578,685)
Production overheads	(209,332,761)	(225,200,125)
Depreciation and amortization expenses	(211,433,320)	(150,298,959)
Transportation expenses	(273,918,955)	(250,519,109)
Changes in work in-process inventories	134,205,677	302,088,179
Changes in finished goods inventories	645,221,437	310,850,514
	<u>(3,678,745,495)</u>	<u>(3,586,259,177)</u>
Cost of goods sold	(3,678,745,495)	(3,586,259,177)
Cost of trade goods sold and other sales	(1,544,657,073)	(3,387,634,973)
	<u>(5,223,402,568)</u>	<u>(6,973,894,150)</u>

HEKTAŞ GROUP

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2023 AND FOR THE PERIOD THEN ENDED

(Amounts expressed in thousands of Turkish Lira (“TL”) in terms of the purchasing power of the TL at 31 January 2024, unless otherwise indicated.)

26. MARKETING EXPENSES, GENERAL ADMINISTRATIVE EXPENSES, RESEARCH AND DEVELOPMENT EXPENSES

	1 January- 31 December 2023	1 January- 31 December 2022
General administrative expenses (-)	(811,728,317)	(397,993,806)
Marketing expenses (-)	(595,185,392)	(451,979,081)
Research and development expenses (-)	(208,192,131)	(179,185,298)
	<u>(1,615,105,840)</u>	<u>(1,029,158,185)</u>

a) Marketing Expenses

	1 January- 31 December 2023	1 January- 31 December 2022
Personnel expenses	(237,365,579)	(225,350,399)
Advertisement expenses	(118,886,603)	(67,214,222)
Depreciation expenses	(114,133,101)	(56,779,650)
Transportation expenses	(17,527,462)	(27,270,439)
Travel expenses	(13,634,662)	(11,736,518)
Dealer meeting expense	(12,492,106)	(8,801,369)
Exhibition and fair expenses	(10,953,931)	(11,261,794)
Insurance expenses	(10,653,617)	(2,893,788)
Rent expenses	(9,102,456)	(1,742,296)
Cleaning Expenses	(7,768,814)	(4,388,339)
Energy and maintenance expenses	(4,082,816)	(10,457,017)
Outsourced security costs	(3,680,992)	(2,149,306)
Litigation and consultancy expenses	(3,534,291)	(2,239,404)
Tax duty fees	(2,905,541)	(2,131,949)
Representation expenses	(2,597,356)	(2,268,753)
Information technologies expenses	(889,124)	(866,017)
Telephone Expenses	(545,470)	(638,502)
Other	(24,431,471)	(13,789,319)
	<u>(595,185,392)</u>	<u>(451,979,081)</u>

HEKTAŞ GROUP

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2023 AND FOR THE PERIOD THEN ENDED

(Amounts expressed in thousands of Turkish Lira (“TL”) in terms of the purchasing power of the TL at 31 January 2024, unless otherwise indicated.)

26. MARKETING EXPENSES, GENERAL ADMINISTRATIVE EXPENSES, RESEARCH AND DEVELOPMENT EXPENSES (cont'd)

b) General Administrative Expenses

	1 January- 31 December 2023	1 January- 31 December 2022
Personnel expenses	(176,197,589)	(162,904,776)
Repair maintenance cleaning expense	(164,567,207)	(46,007,621)
Depreciation expenses	(143,489,203)	(67,608,644)
Provision for doubtful receivable (net)	(122,267,037)	(23,465)
Tax duty fees	(30,537,266)	(4,632,717)
Consultancy expenses	(24,962,007)	(21,319,553)
Energy expenses	(23,880,710)	(23,613,861)
Oursourced security costs	(14,141,621)	(7,910,094)
Transportation expenses	(6,672,115)	(10,126,003)
Travel expenses	(6,595,575)	(6,427,630)
Insurance expenses	(4,733,976)	(1,802,250)
Rent expenses	(3,714,680)	(1,423,037)
Ligitatiton and consultancy expenses	(3,377,473)	(20,010,343)
Information technologies expenses	(1,601,950)	(679,416)
Representation expenses	(1,229,512)	(621,690)
Announcement and general assembly expenses	(868,306)	(1,820,001)
Stationery expenses	(749,454)	(678,721)
Dues expenses	(491,560)	(449,639)
PTT expense	(195,290)	(155,473)
Meeting expenses	(97,457)	(307,043)
Other	(81,358,329)	(19,471,829)
	<u>(811,728,317)</u>	<u>(397,993,806)</u>

c) Research and Development Expenses

	1 January- 31 December 2023	1 January- 31 December 2022
Depreciation expenses	(75,392,312)	(61,381,730)
Personnel expenses	(54,034,194)	(51,187,363)
License and License Usage Expenses	(17,574,906)	(11,955,766)
Information technologies expense	(15,237,862)	(12,630,523)
Repair maintenance cleaning expense	(13,909,595)	(10,539,677)
Transportation expenses	(8,945,573)	(8,394,755)
Consultancy expenses	(4,902,995)	(10,798,878)
Oursourced security costs	(1,131,003)	(815,117)
Energy expenses	(715,661)	(1,120,991)
Incusance expenses	(704,848)	(616,785)
Tax duty fees	(373,961)	(456,126)
PTT expense	(166,326)	(160,299)
Stationary expenses	(150,385)	(224,819)
Other	(14,952,510)	(8,902,469)
	<u>(208,192,131)</u>	<u>(179,185,298)</u>

HEKTAŞ GROUP

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2023 AND FOR THE PERIOD THEN ENDED

(Amounts expressed in thousands of Turkish Lira (“TL”) in terms of the purchasing power of the TL at 31 January 2024, unless otherwise indicated.)

27. EXPENSES BY NATURE

For the periods ended 31 December 2023 and 2022, details of depreciation and amortisation expenses are as follows:

a) Depreciation and Amortization Expenses

	1 January- 31 December 2023	1 January- 31 December 2022
Tangible and right-of-use assets	(392,102,866)	(267,407,951)
Production cost	(187,797,381)	(131,973,058)
Marketing expenses	(62,569,364)	(44,859,961)
General administrative expenses	(107,756,058)	(65,777,544)
Research and development expenses	(33,980,063)	(24,797,388)
Intangible assets	(152,345,070)	(68,661,032)
Production cost	(23,635,939)	(18,325,901)
Marketing expenses	(51,563,737)	(11,919,689)
General administrative expenses	(35,733,145)	(1,831,100)
Research and development expenses	(41,412,249)	(36,584,342)
Investment properties	(1,002,261)	(1,274,131)
Expenses from investing activities	(1,002,261)	(1,274,131)
	<u>(545,450,197)</u>	<u>(337,343,114)</u>

b) Employee Benefits

	1 January- 31 December 2023	1 January- 31 December 2022
Personnel Expenses		
Salary and wages	(498,998,583)	(489,751,643)
Social insurance expenses	(70,360,136)	(52,426,353)
Other benefit and services	(181,694,884)	(124,843,227)
	<u>(751,053,603)</u>	<u>(667,021,223)</u>

HEKTAŞ GROUP

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2023 AND FOR THE PERIOD THEN ENDED

(Amounts expressed in thousands of Turkish Lira (“TL”) in terms of the purchasing power of the TL at 31 January 2024, unless otherwise indicated.)

28. OTHER OPERATING INCOME

Other operating income for the years ended 31 December 2023 and 2022 is as follows:

	1 January- 31 December 2023	1 January- 31 December 2022
Exchange difference income (*)	94,411,329	59,670,296
Service income	18,087,570	-
Scrap, waste and recycling revenues	7,478,534	6,929,222
Interest income from sales	809,872	917,461
Damage compensation income	1,125,778	455,256
Other income	30,088,154	12,249,981
	<u>152,001,237</u>	<u>80,222,216</u>

(*) It arises from trade receivables and trade payables.

29. OTHER OPERATING EXPENSES

Other operating expenses for the years ended 31 December 2023 and 2022 are as follows:

	1 January- 31 December 2023	1 January- 31 December 2022
Exchange difference expense (*)	(710,818,901)	(396,868,560)
Rediscount expense related to other payables	-	(1,005,705)
Other expense and losses	(99,121,223)	(16,857,700)
	<u>(809,940,124)</u>	<u>(414,731,965)</u>

(*) It arises from trade receivables and trade payables.

HEKTAŞ GROUP

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2023 AND FOR THE PERIOD THEN ENDED

(Amounts expressed in thousands of Turkish Lira (“TL”) in terms of the purchasing power of the TL at 31 January 2024, unless otherwise indicated.)

30. INCOME AND EXPENSES FROM INVESTING ACTIVITIES

a) Income from Investing Activities

The details of income from investing activities for the year ended 31 December 2023 and 2022 are as follows:

	1 January- 31 December 2023	1 January- 31 December 2022
Fixed asset sales profit	816,050,803	8,334,943
Rents received	2,454,324	2,156,807
Associate sales profit	446,633,173	-
Other (*)	4,763,729	3,468,575
	<u>1,269,902,029</u>	<u>13,960,325</u>

(*) Consists of currency hedged deposits and investment fund income.

b) Expenses from Investing Activities

The details of expenses from investing activities for the year ended 31 December 2023 and 2022 are as follows:

	1 January- 31 December 2023	1 January- 31 December 2022
Fixed asset sales loss	(664,789)	(1,004,223)
Depreciation of investment properties (Note 17)	(1,002,261)	(1,274,131)
Other	(139,839)	(993,234)
	<u>(1,806,889)</u>	<u>(3,271,588)</u>

HEKTAŞ GROUP

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2023 AND FOR THE PERIOD THEN ENDED

(Amounts expressed in thousands of Turkish Lira (“TL”) in terms of the purchasing power of the TL at 31 January 2024, unless otherwise indicated.)

31. FINANCE INCOME AND EXPENSES

a) Finance Income

The details of financing income for the years ended 31 December 2023 and 2022 are as follows:

	1 January- 31 December 2023	1 January- 31 December 2022
Interest income	752,582,209	160,872,010
Exchange difference income	774,123,401	243,865,350
Option transactions income	100,694,338	52,285,117
	<u>1,627,399,948</u>	<u>457,022,477</u>

b) Finance Expenses

The details of financing expenses for the years ended 31 December 2023 and 2022 are as follows:

	1 January- 31 December 2023	1 January- 31 December 2022
Bank loan interest expenses	(2,024,592,005)	(1,711,920,279)
Interest expense related to bond and bill transactions	(984,247,340)	(238,825,118)
Interest expenses related to lease liabilities	(22,482,883)	(24,896,206)
Employment termination benefit interest expenses	(12,051,269)	(8,449,245)
Banking transaction expenses	(314,131,226)	(152,298,513)
Interest expenses	(174,882,767)	-
Factoring expenses	(680,232,488)	122,416,773
Option transactions expenses	(30,393,541)	(23,090,555)
Exchange difference expense	(301,837,214)	(70,484)
	<u>(4,544,850,733)</u>	<u>(2,281,967,173)</u>

32. INCOME TAXES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES)

Corporate Tax

The Group is subject to the corporate tax effective in Turkey. The necessary provisions were set aside in the attached financial statements for the Group’s estimated tax liabilities pertaining to the current period’s operating results. Turkish tax legislation does not allow the parent company to file a tax return based on the consolidated financial statements of its subsidiaries. Therefore, tax liabilities reflected in these consolidated financial statements were calculated separately for all companies included in the scope of consolidation.

The corporate tax rate to be accrued on the taxable corporate profits is calculated over the tax base remaining after addition of non-deductible expenses that are booked as expense in the determination of business profits and after deduction of non-taxable incomes and other deductions (previous years’ losses, if any, and investment allowances used if preferred).

The effective tax rate applied in 2023 is 25% (2022: 23% and 22%).

The “Law on the Amendment of Certain Tax Laws and Certain Other Laws” no. 7061 was published in the Official Gazette dated 5 December 2017 numbered 30261. Under the article 89 of this Law, the article 5 titled “Exemptions” of the Corporate Tax Law is amended. Pursuant to the clause (a) of the first paragraph of the article, the 75% exemption applied to the earnings arising from the sales of immovable property retained for two full years in the assets of corporations is reduced to 50 per cent. This regulation became effective as of 5 December 2017.

HEKTAŞ GROUP

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2023 AND FOR THE PERIOD THEN ENDED

(Amounts expressed in thousands of Turkish Lira (“TL”) in terms of the purchasing power of the TL at 31 January 2024, unless otherwise indicated.)

32. INCOME TAXES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (cont'd)

Corporate Tax (cont'd)

	31 December 2023	31 December 2022
Provision for current corporate tax	(55,121,474)	(103,834,221)
Less: Prepaid taxes and funds	88,407,432	197,182,440
Current tax assets / (liabilities)	<u>33,285,958</u>	<u>93,348,219</u>

Deferred Tax:

The Group recognizes deferred tax assets and liabilities based upon temporary differences arising between its financial statements as reported for TFRS purposes and its statutory tax financial statements. These differences usually result in the recognition of revenue and expenses in different reporting periods for TFRS and tax purposes and they are given below.

The tax rate used in the calculation of deferred tax assets and liabilities is 25% for the temporary timing differences expected to reverse (2022: 25%, 23% and 20%).

Subsidiaries with deferred tax assets are not netted off with subsidiaries with deferred tax liabilities and are shown separately, as businesses in Turkey cannot declare consolidated tax returns.

	1 January- 31 December 2023	1 January- 31 December 2022
<u>Tax (expense) / income consists of:</u>		
Current tax (expense)	(56,347,009)	(141,420,483)
Deferred tax (expense) / income	676,743,043	107,070,879
Total tax (expense) / income	<u>620,396,034</u>	<u>(34,349,604)</u>

	31 December 2023	31 December 2022
<u>Deferred tax assets / (liabilities) :</u>		
Tax advantage from investment discount	253,738,635	160,253,034
Accumulated financial loss tax advantage	503,052,480	-
Employment termination benefit and severance incentive premium provisions	18,466,344	18,982,480
Provision for unused vacation and premium	19,274,167	28,165,891
Differences in book values of inventories	(302,375,723)	(121,365,620)
Depreciation of property, plant and equipment/amortization of other intangible assets	28,254,041	(123,564,795)
Fair value differences of derivative instruments	446,784	697,678
Other	45,976,131	(33,545,639)
	<u>566,832,859</u>	<u>(70,376,971)</u>

HEKTAŞ GROUP

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2023 AND FOR THE PERIOD THEN ENDED

(Amounts expressed in thousands of Turkish Lira (“TL”) in terms of the purchasing power of the TL at 31 January 2024, unless otherwise indicated.)

32. INCOME TAXES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (cont'd)

Movement of deferred tax assets/(liabilities) for the year ended 31 December 2023 and 2022 is as follows:

	1 January- 31 December 2023	1 January- 31 December 2022
Movement of deferred tax asset / (liability):		
Opening balance as of 1 January	(70,376,971)	(259,105,866)
(Expense) / income recognized in statement of income	676,743,043	107,070,879
Income recognized in the statement of other comprehensive income	4,742,032	20,507,801
Consolidation disposal effect (Note 38)	12,290,044	-
Inflation accounting effect	(44,378,119)	69,703,594
Foreign currency translation differences	(12,187,170)	(8,553,379)
Closing balance as of 31 December	<u>566,832,859</u>	<u>(70,376,971)</u>
	1 January- 31 December 2023	1 January- 31 December 2022
<u>Reconciliation of tax provision:</u>		
Profit before tax	(1,514,853,866)	1,179,055,068
Income tax rate of 25% (2022: 23% - 22%)	25%	22%
Expected tax expense	<u>378,713,467</u>	<u>(259,392,115)</u>
Tax effects of:		
- non-deductible expenses	154,375,806	6,515,859
- non-deductible expenses	(130,836,080)	(34,583,982)
- change of tax rate from 20% to 25% and 23%	-	-
- additional tax	(55,782,342)	-
- tax ledger inflation adjustment	1,027,732,042	-
- non-taxable inflation adjustments	(1,129,384,264)	(386,737,824)
- effect of revaluation of property, plant and equipment and intangible assets	33,647,411	375,730,114
- investment incentive discount	156,481,734	255,559,182
- cash capital interest discount	184,036,850	28,800,179
- effect of other non-taxable items	1,411,410	(20,241,017)
Tax provision income / (expense) in the statement of profit or loss	<u>620,396,034</u>	<u>(34,349,604)</u>

(*) As of 31 December 2023, the Group has accumulated tax losses amounting to TL 94,891,020 (31 December 2022: TL 76,985,634). Tax advantage of these losses amounting to TL 23,722,755 is not included in the deferred tax calculation (31 December 2022: TL 15,397,127)

HEKTAŞ GROUP

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2023 AND FOR THE PERIOD THEN ENDED

(Amounts expressed in thousands of Turkish Lira (“TL”) in terms of the purchasing power of the TL at 31 January 2024, unless otherwise indicated.)

33. EARNINGS PER SHARE

Earnings / (loss) per share	1 January- 31 December 2023	1 January- 31 December 2022
	Weighted average number of shares outstanding during the period (*)	253,000,000,000
Parent net profit/loss for the period	(878,239,047)	1,166,523,784
Profit/loss per share from continuing operations		
-one hundred shares of common stock (TL)	-0.35	0.86

(*) The weighted average number of shares is calculated by taking into account the retrospective effects of these share distributions.

In the current fiscal period ending as of 31 December 2023, it has been decided that the distributable profit for the 2022 accounting period will not be distributed, and the remaining amount will be recorded in extraordinary reserves, after the first legal reserves have been set aside, by evaluating the conditions stipulated in the Company's profit distribution policy. Dividends from previous periods, which have not yet been requested by the partners, are also followed under the other payables account.

34. RELATED PARTY DISCLOSURES

Details of the balances and transactions between the Group and other related parties are explained below:

Balances with related parties	Receivables	Payables	Receivables	Payables
OYAK İnşaat A.Ş. (*)	-	64,063,873	-	31,721,543
OYAK Pazarlama Hizmet Turizm A.Ş. (*)	3,394,773	4,620,197	-	10,423,566
OYAK Biyoteknoloji San.ve Ticaret A.Ş. (*)	-	11,108,712	-	4,975,023
OYAK Savunma ve Güvenlik Hiz. A.Ş. (*)	-	11,479,276	-	11,413,342
Omsan Lojistik A.Ş. (*)	-	5,371,658	-	5,686,941
İndisol Bilişim ve Teknoloji A.Ş. (*)	-	1,675,300	-	-
OYAK Yatırım Menkul Değerler A.Ş. (*)	-	-	-	-
OYAK Akaryakıt ve LPG Yatırımları A.Ş. (*)	-	4,767,388	-	3,488,592
Güzel Enerji Akaryakıt A.Ş. (*)	-	1,525,463	1,328	2,266,707
OYAK Grup Sigorta ve Reasürans Brokerliği A.Ş. (*)	-	46,897,351	-	16,204,823
OYAK Elektrik Enerjisi Toptan Satış A.Ş. (*)	-	-	-	-
Tamek Grup Gıda Üretim A.Ş. (*)	-	541,895	56,385	16,858
Ataer Holding A.Ş. (*)	-	989,330	-	186,449
Satem Grup Gıda Dağıtım ve Pazarlama A.Ş. (*)	25,608,743	75,917	81,673	25,736
Likitgaz Dağıtım Ve Endüstri A.Ş. (*)	356	-	-	-
Doco Petrol Ve Danışmanlık A.Ş. (*)	-	145,309	-	564
OYAK (**)	-	19,050,486	-	14,669,704
OYAK Gıda Ve Tarım Holding Anonim Şirketi (*)	57,272	-	43,012	-
Kümaş Manyezit San.A.Ş. (*)	-	-	2,597	-
Sagra Grup Gıda A.Ş. (*)	426,491	-	56,387	-
	<u>29,487,635</u>	<u>172,312,155</u>	<u>241,382</u>	<u>101,079,848</u>

(*) Companies managed by the parent

(**) Parent of the Company

Trade receivables from related parties arise from sales of goods and services and their average maturity is 2 months. The aforementioned receivables are unsecured and no interest is charged.

Trade payables to related parties generally arise from purchase of goods and services and their average maturity is 1 month. No interest is charged for these payables.

HEKTAŞ GROUP

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2023 AND FOR THE PERIOD THEN ENDED

(Amounts expressed in thousands of Turkish Lira (“TL”) in terms of the purchasing power of the TL at 31 January 2024, unless otherwise indicated.)

34. RELATED PARTY DISCLOSURES (cont’d)

	31 December 2023	31 December 2022
Short-term advances given to related parties		
OYAK Elektrik Enerjisi Toptan Satış A.Ş. (*)	1,500,568	6,257,525
	<u>1,500,568</u>	<u>6,257,525</u>
	31 December 2023	31 December 2022
Other short-term receivables from related parties		
Arma İlaç Sanayi ve Ticaret A.Ş. (*)	723,653,016	-
OYAK Gıda Ve Tarım Holding Anonim Şirketi (*)	456,034,600	-
OYAK (**)	312,500,000	-
	<u>1,492,187,616</u>	<u>-</u>

(*) The maturity of other short-term receivables from related parties is less than one year and no interest is charged on the relevant receivables. Arma İlaç Sanayi ve Ticaret A.Ş. and OYAK receivables are related to fixed asset sales. The receivables of Oyak Gıda ve Tarım Holding Anonim Şirketi consist of the balance related to the sale of the subsidiary.

	31 December 2023	31 December 2022
Other short-term payables to related parties		
OYAK Akaryakıt ve LPG Yatırımları A.Ş. (*)	428,452,105	-
OYAK (**)	307,200,000	-
Founder's Shares of Dividends to be Paid	7,125,585	11,814,770
	<u>742,777,690</u>	<u>11,814,770</u>
	31 December 2023	31 December 2022
Other long-term payables to related parties		
OYAK Sermaye Yatırımları A.Ş. (*)	111,954,399	116,625,112
	<u>111,954,399</u>	<u>116,625,112</u>

Other short and long-term payables to related parties consist of amounts received for financing purposes and interest is charged. The interest rate for other short-term debts to related parties is in the range of 48% - 45%. For other long-term debts to related parties, a 2% interest rate in AUD is used.

	31 December 2023	31 December 2022
Other long-term payables to related parties		
OYAK Sermaye Yatırımları A.Ş. (*)	111,954,399	116,625,112
	<u>111,954,399</u>	<u>116,625,112</u>

HEKTAŞ GROUP

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2023 AND FOR THE PERIOD THEN ENDED

(Amounts expressed in thousands of Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 January 2024, unless otherwise indicated.)

	31 December 2023	31 December 2022
<u>Maturity difference expenses to related parties</u>		
OYAK Akaryakıt ve LPG Yatırımları A.Ş. (*)	94,105,179	-
OYAK (**)	80,777,588	-
	<u>174,882,767</u>	<u>-</u>

(*) Companies managed by the parent company

(**) Main partner of the Company

(***) It consists of the portion of previous years' dividend payments that have not yet been completed as of December 31, 2023.

HEKTAŞ GROUP

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2023 AND FOR THE PERIOD THEN ENDED

(Amounts expressed in thousands of Turkish Lira (“TL”) in terms of the purchasing power of the TL at 31 January 2024, unless otherwise indicated.)

34. RELATED PARTY DISCLOSURES (cont’d)

Transactions with related parties	1 January - 31 December 2023		1 January - 31 December 2022	
	Purchases	Sales	Purchases	Sales
OYAK İnşaat A.Ş. (*)	1,202,379,878	-	510,158,635	8,332
OYAK Pazarlama Hizmet Turizm A.Ş. (*)	87,185,154	16,276,459	38,381,647	7,754
OYAK Biyoteknoloji Sanayi ve Tic.A.Ş. (*)	71,356,937	2,003,005	55,265,978	1,470
OYAK Savunma ve Güvenlik Hiz. A.Ş. (*)	70,280,801	-	20,172,223	-
OYAK Elektrik Enerjisi Toptan Satış A.Ş. (*)	41,639,474	-	30,910,124	-
OYAK Yatırım Menkul Değerler A.Ş. (*)	32,183,848	-	10,992,151	-
Omsan Lojistik A.Ş. (*)	33,611,642	-	45,709,500	-
Güzel Enerji Akaryakıt A.Ş. (*)	22,229,649	-	14,885,792	17,359
Doco Petrol ve Danışmanlık A.Ş. (*)	3,283,198	-	3,895,902	6,658
İndisol Bilişim ve Teknoloji A.Ş. (*)	4,754,717	-	-	-
OYAK Yenilenebilir Enerji A.Ş. (*)	4,196,853	-	-	-
Mais Motorlu Araçlar İmal ve Satış A.Ş. (*)	28,783	-	15,326	15,073
Likitgaz Dağıtım Ve Endüstri A.Ş. (*)	-	-	-	44,762
OYAK Sermaye Yatırımları A.Ş. (*)	4,471,878	-	1,306,497	-
Ordu Yardımlaşma Kurumu (**)	-	-	366,245	11,080
Satem Grup Gıda Dağıtım ve Pazarlama A.Ş. (*)	-	21,595,953	64,805	2,866
Tamek Grup Gıda Üretim A.Ş. (*)	-	5,576,475	-	3,707,488
Ereğli Demir ve Çelik Fabrikaları T.A.Ş. (*)	-	-	-	260,793
İskenderun Demir Ve Çelik A.Ş. (*)	-	-	-	41,164
Akdeniz Chemson Kimya Sanayi ve Ticaret A.Ş. (*)	-	-	-	23,366
OYAK Denizcilik ve Liman İşletmeleri A.Ş. (*)	-	-	-	17,315
Erdemir Çelik Servis Merkezi San. ve Tic. A.Ş. (*)	-	4,988	-	15,698
OYAK Çimento Fabrikaları A.Ş. (*)	-	-	-	7,188
Erdemir Madencilik San Ve Tic. A.Ş. (*)	-	-	-	5,158
Other (*)	-	-	-	36,913
	<u>1,577,602,812</u>	<u>45,456,880</u>	<u>732,124,825</u>	<u>4,230,437</u>

(*) Companies managed by the parent

Key management personnel consist of the Members of the Board of Directors, the General Manager and the Deputy General Managers. The salaries and similar benefits paid to key management personnel for their services are as follows.

	1 January- 31 December 2023	1 January- 31 December 2022
Salaries and other short-term benefits	<u>52,219,031</u>	<u>54,374,511</u>
	<u>52,219,031</u>	<u>54,374,511</u>

HEKTAŞ GROUP

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2023 AND FOR THE PERIOD THEN ENDED

(Amounts expressed in thousands of Turkish Lira (“TL”) in terms of the purchasing power of the TL at 31 January 2024, unless otherwise indicated.)

35. NATURE AND LEVEL OF THE RISKS ARISING FROM FINANCIAL INSTRUMENTS

Capital risk management

While trying to ensure the continuity of its activities in capital management, the Group also aims to increase its profits by using the debt and equity balance in the most efficient way.

The capital structure of the Group consists of debts including the loans disclosed in Note 4 and Note 7, cash and cash equivalents, and equity items including issued capital, reserves and previous year profits disclosed respectively in Note 24.

The Board of Directors of the Group convenes regularly, reviewing the capital structure and indebtedness of the Group. During these reviews, the Board evaluates the risks associated with each capital class together with the cost of capital. The Group aims to maintain the balance of its capital structure by obtaining new loans or repaying the existing debts, based on the recommendations of the Board.

The general strategy of the Group does not differ from the previous period.

Financial risk factors

The Group is exposed to market risk (exchange rate risk and price risk), credit risk and liquidity risk due to its activities. The Group’s risk management program is generally focused on minimizing the potential negative impacts of the uncertainty in the financial markets on the Group’s financial performance. The Group also uses derivative products occasionally as protection against financial risks.

HEKTAŞ GROUP

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2023 AND FOR THE PERIOD THEN ENDED

(Amounts expressed in thousands of Turkish Lira (“TL”) in terms of the purchasing power of the TL at 31 January 2024, unless otherwise indicated.)

35. NATURE AND LEVEL OF THE RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

Credit risk management

Credit risks exposed in terms of financial instruments

	Trade Receivables		Receivables		Deposits at Banks	Other Cash Equivalents	Financial Investments	Derivative Instruments
	Related Party	Other Party	Related Party	Other Party				
31 December 2023								
Maximum credit risk exposed as of reporting date (A+B+C+D) (*)	29,487,635	3,005,476,159	1,492,187,616	12,653,096	4,464,898,602	157,003,982	970,858,747	-
- Secured portion of the maximum risk with guarantee etc (**)	-	1,011,758,957	-	-	-	-	-	-
A. Financial assets not past due nor impaired instruments	29,487,635	2,848,423,084	1,492,187,616	12,653,096	4,464,898,602	157,003,982	970,858,747	-
B. Assets past due but not impaired	-	156,911,962	-	-	-	-	-	-
- Secured portion with guarantee etc	-	83,178,545	-	-	-	-	-	-
C. Net book value of impaired assets	-	125,794,497	-	-	-	-	-	-
- Past due (gross book value)	-	(125,653,384)	-	-	-	-	-	-
- Impairment (-)	-	141,113	-	-	-	-	-	-
- Secured portion of the net value with guarantee etc	-	-	-	-	-	-	-	-
- Not past due (gross book value)	-	-	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-	-	-
- Secured portion of the net value with guarantee etc	-	-	-	-	-	-	-	-
D. Items including off-balance sheet risk	-	-	-	-	-	-	-	-

(*) The factors that increase the credit reliability, such as guarantee received are not considered in the determination of the balance.

(**) Guarantees consist of the letters of guarantee, guarantee notes and mortgages received from customers.

HEKTAŞ GROUP

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2023 AND FOR THE PERIOD THEN ENDED

(Amounts expressed in thousands of Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 January 2024, unless otherwise indicated.)

35. NATURE AND LEVEL OF THE RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

Credit risk management (cont'd)

Credit risks exposed in terms of financial instruments

31 December 2022	Receivables						Deposits at Banks	Other Cash Equivalents	Financial Investments	Derivative Instruments
	Trade Receivables	Other Receivables								
	Related Party	Other Party	Related Party	Other Party						
Raporlama tarihi itibarıyla maruz kalınan azami kredi riski (A+B+C+D) (*)	241,382	6,738,191,272	-	65,130,362	2,381,216,729	141,809,435	268,026	48,039,917		
- Secured portion of the maximum risk with guarantee etc (**)	-	1,410,591,579	-	-	-	-	-	-		
A. Financial assets not past due nor impaired instruments	241,382	6,623,990,577	-	65,130,362	2,381,216,729	141,809,435	268,026	48,039,917		
B. Assets past due but not impaired	-	114,059,582	-	-	-	-	-	-		
- Secured portion with guarantee etc	-	53,119,739	-	-	-	-	-	-		
C. Net book value of impaired assets	-	16,753,028	-	-	-	-	-	-		
- Past due (gross book value)	-	-	-	-	-	-	-	-		
- Impairment (-)	-	(16,611,915)	-	-	-	-	-	-		
- Secured portion of the net value with guarantee etc	-	141,113	-	-	-	-	-	-		
- Not past due (gross book value)	-	-	-	-	-	-	-	-		
- Impairment (-)	-	-	-	-	-	-	-	-		
- Secured portion of the net value with guarantee etc	-	-	-	-	-	-	-	-		
D. Items including off-balance sheet risk	-	-	-	-	-	-	-	-		

(*) The factors that increase the credit reliability, such as guarantee received are not considered in the determination of the balance.

(**) Guarantees consist of the letters of guarantee, guarantee notes and mortgages received from customers.

HEKTAŞ GROUP

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2023 AND FOR THE PERIOD THEN ENDED

(Amounts expressed in thousands of Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 January 2024, unless otherwise indicated.)

35. NATURE AND LEVEL OF THE RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

Credit risk management (cont'd)

Credit risk is defined as the risk of financial loss to the Group due to the failure of one of the parties to the financial instrument to fulfill its contractual obligations. The Group tries to conduct transactions only with parties with credit reliability and to reduce its credit risk by obtaining sufficient guarantee, where possible. The credit risks to which the Group is exposed and the credit ratings of customers are constantly monitored.

Trade receivables cover many customers distributed to various industries and geographical areas. Credit assessments are continuously carried out on customers' trade receivable balances and guarantees are received where deemed necessary. Guarantees are primarily received as letters of guarantee and mortgage.

Overdue receivables are aged as follows:

	<u>31 December 2023</u>	<u>31 December 2022</u>
	<u>Trade</u>	<u>Trade</u>
	<u>Receivables</u>	<u>Receivables</u>
1-30 days overdue	39,264,106	66,369,260
1-3 months overdue	73,294,162	22,163,231
3-12 months overdue	43,380,115	25,294,577
1-5 years overdue	126,768,076	16,985,542
Total overdue receivables	<u>282,706,459</u>	<u>130,812,610</u>
Secured portion with guarantee etc.	<u>83,319,658</u>	<u>53,260,852</u>

Provisions made for TL 125,653,384 of the overdue receivables, as of the balance sheet date. (31 December 2022: TL 16,611,915). The guarantees received for the overdue trade receivables for which no provisions were set aside are as follows:

	<u>31 December</u>	<u>31 December</u>
	<u>2023</u>	<u>2022</u>
Letters of guarantee	<u>83,319,658</u>	<u>53,260,852</u>
	<u>83,319,658</u>	<u>53,260,852</u>

HEKTAŞ GROUP

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2023 AND FOR THE PERIOD THEN ENDED

(Amounts expressed in thousands of Turkish Lira (“TL”) in terms of the purchasing power of the TL at 31 January 2024, unless otherwise indicated.)

35. NATURE AND LEVEL OF THE RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont’d)

Liquidity risk management

The main responsibility regarding liquidity risk management belongs to the Board of Directors. The Board of Directors has established a suitable liquidity risk management for the short, medium and long-term funding and liquidity requirements of the Group Management. The Group manages the liquidity risk by regularly monitoring the estimated and actual cash flows and ensuring the continuity of sufficient funds and borrowing reserves, by matching the maturities of financial assets and liabilities.

The following table demonstrates the maturity distribution of the Group’s financial liabilities which are not in the nature of derivatives. The following tables have been prepared based on the earliest dates when payment should be made and without discounting the Group’s liabilities. Interests payable over the liabilities in question are included in the table below. Derivative financial liabilities on the other hand have been arranged according to undiscounted net cash inflows and outflows. Forward instruments are paid as net amounts for future transactions which must be paid as gross amounts and are realized over the undiscounted, gross cash inflows and outflows. The amount disclosed when the receivables or payables are not fixed is determined by using the interest rate derived from the yield curves on the report date.

31 December 2023

<u>Contractual maturities</u>	<u>Book Value</u>	<u>Total contractual</u>	<u>Less than 3</u>	<u>Between 3-12</u>	<u>Between 1-6</u>
		<u>cash outflows</u>			
		<u>(I+II+III)</u>			
Non-derivative financial liabilities					
Financial liabilities	14,436,062,776	17,020,350,365	4,448,651,025	11,360,842,873	1,210,856,467
Trade payables	1,400,078,976	1,400,078,976	1,159,920,303	240,158,673	-
Payables related to employee benefits	81,300,469	81,300,469	16,594,529	64,705,940	-
Other payables	870,696,215	977,315,312	341,137,082	524,223,831	111,954,399
	16,788,138,436	19,479,045,122	5,966,302,939	12,189,931,317	1,322,810,866
Derivative financial liabilities					
Derivative cash inflows	(1,787,136)	154,550,550	-	154,550,550	-
Derivative cash outflows	-	(172,725,000)	-	(172,725,000)	-
	(1,787,136)	(18,174,450)	-	(18,174,450)	-

31 December 2022

<u>Contractual maturities</u>	<u>Book Value</u>	<u>Total contractual</u>	<u>Less than 3</u>	<u>Between 3-12</u>	<u>Between 1-6</u>
		<u>cash outflows</u>			
		<u>(I+II+III)</u>			
Non-derivative financial liabilities					
Financial liabilities	12,021,059,726	12,463,730,538	5,828,250,174	6,593,843,866	41,636,498
Trade payables	1,576,102,206	1,576,102,206	661,830,249	914,271,957	-
Payables related to employee benefits	136,243,514	136,243,514	10,752,084	125,491,430	-
Other payables	160,616,924	160,616,924	27,184,633	16,807,179	116,625,112
	13,894,022,370	14,336,693,182	6,528,017,140	7,650,414,432	158,261,610
Derivative financial liabilities					
Derivative cash inflows	40,512,240	537,286,697	10,013,165	527,273,532	-
Derivative cash outflows	-	(483,622,835)	(10,512,100)	(473,110,735)	-
	40,512,240	53,663,862	(498,935)	54,162,797	-

HEKTAŞ GROUP

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2023 AND FOR THE PERIOD THEN ENDED

(Amounts expressed in thousands of Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 January 2024, unless otherwise indicated.)

35. NATURE AND LEVEL OF THE RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

Market risk

The Group's activities are primarily exposed to the financial risks related with the changes in foreign exchange rates. The Group occasionally uses forward foreign exchange purchase / sale contracts in order to keep the risks associated with foreign exchange rates under control.

In the current year, there has been no changes in the market risk to which the Group is exposed or the management and measurement methods for the risks, compared to the previous year.

Exchange rate risk management

Transactions in foreign currency result in exchange rate risks. Exchange rate risk is managed through the forward foreign exchange purchase / sale contracts concluded based on approved policies. Distribution of the Group's monetary assets and monetary liabilities in foreign currency as of the reporting date is as follows:

35. NATURE AND LEVEL OF THE RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

Exchange rate risk management (cont'd)

	31 December 2023		
	TL Equivalent (Functional currency)	US Dollar	Euro
Trade Receivable	58,296,674	1,980,307	-
Monetary Financial Assets	1,451,258,678	49,201,455	87,690
Non-Monetary Financial Assets	82,674,244	2,437,659	335,052
Other	1,107,791,233	9,465	34,000,000
CURRENT ASSETS	2,700,020,827	53,628,886	34,422,742
Non-Monetary Financial Assets	-	-	-
NON-CURRENT ASSETS	-	-	-
TOTAL ASSETS	2,700,020,827	53,628,886	34,422,742
Financial Liabilities	391,528,060	13,300,000	-
Trade Payables	461,496,099	14,597,756	975,150
CURRENT LIABILITIES	853,024,159	27,897,756	975,150
Financial Liabilities	874,314,540	29,700,000	-
NON-CURRENT LIABILITIES	874,314,540	29,700,000	-
TOTAL LIABILITIES	1,727,338,699	57,597,756	975,150
Net asset/ liability position of off-balance sheet derivative instruments	-	-	-
Amount of active off-balance sheet foreign currency derivatives	-	-	-
Net foreign currency asset liability position	972,682,128	(3,968,870)	33,447,592
Fair value of financial instruments used for foreign currency hedging	-	-	-
Amounts of hedged portion of foreign currency assets	-	-	-
Export	199,368,342	8,768,519	2,061
Import	2,680,672,429	119,178,950	7,117,716

HEKTAŞ GROUP

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2023 AND FOR THE PERIOD THEN ENDED

(Amounts expressed in thousands of Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 January 2024, unless otherwise indicated.)

35. NATURE AND LEVEL OF THE RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

Exchange rate risk management (cont'd)

	31 December 2022		
	TL Equivalent (Functional currency)	US Dollar	Euro
Trade Receivable	132,976,140	4,316,043	-
Monetary Financial Assets	193,833,684	6,278,690	11,840
Non-Monetary Financial Assets	76,477,849	2,425,155	53,565
CURRENT ASSETS	403,287,673	13,019,888	65,405
Non-Monetary Financial Assets	-	-	-
NON-CURRENT ASSETS	-	-	-
TOTAL ASSETS	403,287,673	13,019,888	65,405
Financial Liabilities	65,694,633	-	2,000,000
Trade Payables	1,172,070,876	34,329,659	3,482,269
CURRENT LIABILITIES	1,237,765,509	34,329,659	5,482,269
Financial Liabilities	-	-	-
NON-CURRENT LIABILITIES	-	-	-
TOTAL LIABILITIES	1,237,765,509	34,329,659	5,482,269
Net asset/ liability position of off-balance sheet derivative instruments	535,321,256	15,242,800	2,000,000
Amount of active off-balance sheet foreign currency derivatives	535,321,256	15,242,800	2,000,000
Net foreign currency asset liability position	(299,156,580)	(6,066,971)	(3,416,864)
Fair value of financial instruments used for foreign currency hedging	37,361,597	-	-
Amounts of hedged portion of foreign currency assets	65,694,633	-	2,000,000
Export	296,690,416	10,419,154	860
Import	4,730,641,315	163,256,545	11,715,355

HEKTAŞ GROUP

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2023 AND FOR THE PERIOD THEN ENDED

(Amounts expressed in thousands of Turkish Lira (“TL”) in terms of the purchasing power of the TL at 31 January 2024, unless otherwise indicated.)

35. NATURE AND LEVEL OF THE RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

Sensitivity to exchange rate risk

The Group is exposed to exchange rate risk, primarily in USD and Euro.

The following table shows the Group’s sensitivity to a 10% increase and decrease in USD and Euro rates. The 10% rate refers to the rate used while reporting the exchange rate risk to senior managers within the Group. The sensitivity analysis only covers the monetary items in open foreign currency at the end of the year and shows the effects of the 10% change in exchange rates at the end of the year for these items. A negative value signifies a decline in the profit/loss and other equity items.

	31 December 2023	
	Profit / Loss	
	Appreciation of foreign currency	Depreciation of foreign currency
In case USD appreciates 10% against TL		
Net asset/liability of USD	(11,683,639)	11,683,639
Portion hedged from USD risk (-)	-	-
USD net effect	(11,683,639)	11,683,639
In case EUR appreciates 10% against TL		
Net asset/liability of EUR	108,951,852	(108,951,852)
Portion hedged from EUR risk (-)	-	-
EUR net effect	108,951,852	(108,951,852)
TOTAL	97,268,213	(97,268,213)

	31 December 2022	
	Profit / Loss	
	Appreciation of foreign currency	Depreciation of foreign currency
In case USD appreciates 10% against TL		
Net asset/liability of USD	(65,654,840)	65,654,840
Portion hedged from USD risk (-)	46,962,663	(46,962,663)
USD net effect	(18,692,177)	18,692,177
In case EUR appreciates 10% against TL		
Net asset/liability of EUR	(17,792,944)	17,792,944
Portion hedged from EUR risk (-)	6,569,463	(6,569,463)
EUR net effect	(11,223,481)	11,223,481
TOTAL	(29,915,658)	29,915,658

HEKTAŞ GROUP

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2023 AND FOR THE PERIOD THEN ENDED

(Amounts expressed in thousands of Turkish Lira (“TL”) in terms of the purchasing power of the TL at 31 January 2024, unless otherwise indicated.)

35. NATURE AND LEVEL OF THE RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont’d)

Interest rate risk management

The Group keeps its risk related with the changes in the interest rate very low in order to provide financing. The financial liabilities of the Group consist of fixed-interest instruments. Therefore, the Group does not have any risks which may be from fluctuations in the interest rate.

Price risk

Price risk is a combination of foreign currency, interest and market risk and is naturally managed by the Group by matching its payables and receivables in the same currency with the assets and liabilities bearing interest. Market risk is closely monitored by the Group by reviewing market information and through suitable valuation methods.

36. FINANCIAL INSTRUMENTS

Fair value measurements hierarchy table

The Group classifies the fair value measurements of financial instruments, which are reflected in the financial statements at fair value, as follows, by using a three-level hierarchy, depending on the source of inputs of each financial instrument class.

Level 1: Valuation techniques where market prices traded (unadjusted) in an active market are used for the designated financial instruments.

Level 2: Other valuation techniques that include direct or indirect observable input.

Level 3: Valuation techniques that do not include observable market input

HEKTAŞ GROUP

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2023 AND FOR THE PERIOD THEN ENDED

(Amounts expressed in thousands of Turkish Lira (“TL”) in terms of the purchasing power of the TL at 31 January 2024, unless otherwise indicated.)

36. FINANCIAL INSTRUMENTS (cont’d)

Fair value measurements hierarchy table (cont’d)

Classes and fair values of financial instruments

	Financial assets at amortized cost	Financial assets at fair value through other comprehensive income	Financial assets at fair value through profit or loss	Financial liabilities at amortized cost	Note
31 December 2023					
<u>Financial assets</u>					
Cash and cash equivalents	4,622,175,507	-	-	-	4
Trade receivables	3,034,963,794	-	-	-	8a
Financial investments	-	-	970,858,747	-	5
<u>Financial liabilities</u>					
Financial liabilities	-	-	-	14,436,062,776	7
Trade payables	-	-	-	1,400,078,976	8b
Payables related to employee benefits	-	-	-	81,300,469	9
Derivative instruments	-	-	1,787,136	-	6
Other payables	-	-	-	870,696,215	10b
	Financial assets at amortized cost	Financial assets at fair value through other comprehensive income	Financial assets at fair value through profit or loss	Financial liabilities at amortized cost	Note
31 December 2022					
<u>Financial assets</u>					
Cash and cash equivalents	2,523,329,279	-	-	-	4
Trade receivables	6,738,432,654	-	-	-	8a
Financial investments	-	-	268,026	-	5
Derivative instruments	-	48,039,917	-	-	6
<u>Financial liabilities</u>					
Financial liabilities	-	-	-	12,021,059,726	7
Trade payables	-	-	-	1,576,102,206	8b
Payables related to employee benefits	-	-	-	136,243,514	9
Derivative instruments	-	-	7,527,677	-	6
Other payables	-	-	-	160,616,924	10b

The Group is of the opinion that the booked values of financial instruments reflect their fair values.

As of the reporting date, the fair value of derivative instruments is at Level 2.

HEKTAŞ GROUP

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2023 AND FOR THE PERIOD THEN ENDED

(Amounts expressed in thousands of Turkish Lira (“TL”) in terms of the purchasing power of the TL at 31 January 2024, unless otherwise indicated.)

36. FINANCIAL INSTRUMENTS (cont’d)

Fair value measurements hierarchy table (cont’d)

Fair values of financial instruments

Fair values of financial assets and liabilities are determined as follows:

- The fair value of financial assets and liabilities traded in an active liquid market is determined over the quoted market price, under standard terms and conditions.
- The fair value of financial assets and liabilities other than derivatives are determined within the framework of generally accepted pricing models. These models are based on discounted cash flows based on prices from observable data market transactions.
- The fair value of derivative instruments is calculated using their quoted prices. Option pricing model is used for derivative instruments that contain options.

37. FEES FOR SERVICES RECEIVED FROM THE INDEPENDENT AUDIT FIRM

The fees related to the services received by the Group from the Independent Audit Firm (IAF) for the periods 1 January - 31 December 2023 and 2022 are as follows:

	2023			2022		
	IAF	Other IAF	Total	IAF	Other IAF	Total
Independent audit fee for the reporting period	5,489,796	-	5,489,796	1,588,055	-	1,588,055
	<u>5,489,796</u>	<u>-</u>	<u>5,489,796</u>	<u>1,588,055</u>	<u>-</u>	<u>1,588,055</u>

HEKTAŞ GROUP

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2023 AND FOR THE PERIOD THEN ENDED

(Amounts expressed in thousands of Turkish Lira (“TL”) in terms of the purchasing power of the TL at 31 January 2024, unless otherwise indicated.)

38. DISPOSAL OF SUBSIDIARY

During the period, the Group sold its subsidiary Arma İlaç Sanayi ve Ticaret A.Ş. to Oyak Gıda Tarım Holding.

Less: Amount of cash and cash equivalents of the subsidiary sold

	(4,567,429)
	<u>451,467,171</u>

Book value of disposed assets	Total
Cash and Cash Equivalents	4,567,429
Trade and Other Receivables	1,414,610
Inventories	58,060,274
Prepaid Expenses	3,650,180
Other Current Assets	83,737,207
Current Assets	<u>151,429,700</u>
Other Receivables	41,195
Property, Plant and Equipment	408,811,067
Intangible Assets	101,688,424
Deferred Tax Asset	0
Non-Current Assets	<u>510,540,686</u>
Trade and Other Payables	734,375,263
Financial Debts	38,062,394
Payables Related to Employee Benefits	12,333,100
Other Non-Current Liabilities	646,136
Non-Current Liabilities	<u>785,416,893</u>
Other Current Liabilities	4,019,462
Deferred Tax Liability	12,290,044
Current Liabilities	<u>16,309,506</u>
Net Asset Value	<u>(139,756,013)</u>
Profit on sale of subsidiary	
Amount Received	456,034,600
Registered Value of Net Assets	139,756,013
Goodwill	(149,157,440)
Sales Profit	<u>446,633,173</u>
Net amount from sale of subsidiary	
Cash and cash equivalents received	456,034,600
Less: Amount of cash and cash equivalents of the subsidiary sold	(4,567,429)
	<u>451,467,171</u>

HEKTAŞ GROUP

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2023 AND FOR THE PERIOD THEN ENDED

(Amounts expressed in thousands of Turkish Lira (“TL”) in terms of the purchasing power of the TL at 31 January 2024, unless otherwise indicated.)

39. EVENTS AFTER THE REPORTING PERIOD

According to the Special Situation Disclosure made by the Group on the Public Disclosure Platform on 19 February 2024;

“The amendment to the articles of association was approved at the Extraordinary General Assembly meeting held within the scope of public offering of FERBİS Tarım Ticaret ve Sanayi A.Ş., our 100% subsidiary, and the new articles of association was registered in the trade registry.”

According to the Special Situation Disclosure made by the Group on the Public Disclosure Platform on 21 February 2024;

“The application made by our HEKTAŞ Ticaret Türk A.Ş. Orhangazi Branch, operating in Bursa, to obtain an R&D Center Certificate within the scope of Law No. 5746, has been approved by the Ministry of Industry and Technology and it has been decided to grant an R&D Center Certificate to our Orhangazi Branch and to allow the business to benefit from the incentives and exemptions provided within the scope of Law No. 5746, based on the periods determined by the legislation.”

Content | Design | Digital

CROSSCOM CREATIVE

www.crosscomcreative.com

info@crosscom.biz | +90 (212) 225 61 31

