

**TÜRK PRYSMIAN KABLO VE SİSTEMLERİ A.Ş.
AND SUBSIDIARIES**

**CONVENIENCE TRANSLATION INTO ENGLISH OF
THE CONSOLIDATED FINANCIAL STATEMENTS
AT 31 DECEMBER 2023
TOGETHER WITH INDEPENDENT AUDITOR'S REPORT
(ORIGINALLY ISSUED IN TURKISH)**

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

INDEPENDENT AUDITOR'S REPORT

To the General Assembly of Türk Prysmian Kablo ve Sistemleri A.Ş.

A. Audit of the consolidated financial statements

1. Our opinion

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

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

2. Basis for opinion

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

3. Key audit matters

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

Key Audit Matters	How the key audit matter was addressed in the audit
<p>Recoverability of trade receivables (Refer to Notes 2.5, 2.6, 4 and 27)</p>	
<p>Trade receivables from third parties amounting TRY1,819,612,585 as of 31 December 2023 are material to the consolidated financial statements.</p> <p>The Group management takes into account the customer risk base, guarantees received from its customers, past collection performances, maturity analysis and disputes or claims related to receivables when evaluating recoverability. The determination of doubtful receivables together with the respective provisions includes the Group management's estimations and assumptions. The outcome of such estimates is very sensitive to changes in market conditions.</p> <p>Therefore, recoverability of trade receivables is a key matter for our audit.</p>	<p>We performed the following procedures in relation to the audit of the recoverability of trade receivables:</p> <ul style="list-style-type: none"> • The Group's credit risk management policy, including credit limit and collection management, were reviewed and assessed. • Trade receivables from non-related parties were tested on a sample basis by sending confirmation letters. • The aging of trade receivable balances were tested on a sample basis. • The collections of trade receivables in the subsequent period were tested on a sample basis. • The guarantee letters received from customers were tested on a sample basis. • Inquiries with the Group management in relation to any disputes with customers or lawsuits regarding the collectability of trade receivables from non-related parties, and written inquiries with the Group's legal counsellors on outstanding litigation and disputes with customers in relation to trade receivables were assessed. • Based on the inquiries with the Group management, the reasonableness of Group management's assumptions and judgements underlying the calculations of impairment of trade receivables were assessed. • The adequacy and appropriateness of the disclosures of recoverability of trade receivables in the consolidated financial statements were assessed in accordance with TFRS.

Key Audit Matters	How the key audit matter was addressed in the audit
<p>Recognition of revenue from construction contracts (Refer to Notes 2.5, 2.6, 16 and 17)</p>	
<p>The amount of the consolidated revenue of the Group for the year ending on 31 December 2023 is TRY12,472,610,556 and TRY1,747,775,320 of the consolidated revenue was recognised in accordance with percentage of completion method and over a period of time as stated in TFRS 15 Revenue from Customer Contracts (“TFRS 15”). The Group accounted contractual assets amounting to TRY383,075,736 and contractual liabilities amounting to TRY117,208,780 in its consolidated financial statement of position as of 31 December 2023 in accordance with TFRS 15.</p> <p>Within the context of this method; amounts, which are recognised as revenue and cost of sales in relation to the ongoing construction projects, are based on the estimations and assumptions stated in construction project budgets. Revenue recognition and the determination of the results of construction projects including specific conditions to relevant projects, estimation of the cost to complete of the projects, the impact of the future incidents on the contract revenue and the recognition of changes in the project, depend on the estimations and judgements of the management. In addition, these estimations and assumptions mainly consist of compliance with the conditions specified in TFRS 15, the expected costs to be incurred for the completion of the project, the conclusion of the contracts and the estimation of the completion rate.</p> <p>Main risks determined by us regarding this matter are inaccurate estimations and assumptions by the management, not revising the budget as required and on time in line with the changing conditions and making inaccurate calculations according to percentage of completion method.</p>	<p>We performed the following procedures in relation to the audit of recognition of revenue from construction contracts:</p> <ul style="list-style-type: none"> • We understood and assessed the processes for determining the accuracy and timing of the revenue recognition in the consolidated financial statements and controls designed by the Group management. • We reviewed the significant project contracts on a sample basis. We assessed the contract clauses and conditions and tested whether the project conditions have been appropriately reflected to the accounting records when recognising revenue related with relevant contracts as per in line with TFRS 15. • We reviewed the cost budgets for significant construction projects and the historical accuracy and prudence of the budgets and estimations were evaluated. We discussed with the Group management, including project managers, about the progress and cost budgets of construction projects and tested if the changes in budgets can be justified by the incidents. • We tested actual cost budgets (personnel, material, sub-contractor, etc.) by reviewing the supporting documents on a sample basis.

Key Audit Matters	How the key audit matter was addressed in the audit
<p>Since contract terms and calculations are complex, they have significant impact on the consolidated financial statements and due to above-mentioned risk factors; we considered this matter as a key audit matter.</p>	<ul style="list-style-type: none"> • Percentage of completion worksheets prepared by the Group management were tested. Accordingly, existence and accuracy of the actual costs, additional cost to complete of the project, accuracy of the percentage of completion method and total calculations were tested by us using recalculation method. We questioned the expectations in the project schedule in the meetings with accounting and technical teams, and whether the provisions calculated for the projects falling behind the schedule (if any) are in line with the clauses of the contract. • We tested on a sample basis the sales invoices for identification of transfer of control and settlement of terms of contract with customers. • We assessed the appropriateness and adequacy of disclosures in the notes to the consolidated financial statements related to revenue from project contracts with customers in accordance with TFRS.

Key Audit Matters	How the key audit matter was addressed in the audit
<p>Application of TAS 29-Financial Reporting in Hyperinflationary Economies</p>	
<p>As described in Note 2.1, TAS 29 “Financial reporting in hyperinflationary economies” (“TAS 29”) is effective for the Group.</p> <p>TAS 29 requires consolidated financial statements to be restated into the current purchasing power at the end of the reporting period. Therefore, transactions in 2023 and non-monetary balances at the end of the period were restated to reflect a price index that is current at the balance sheet date as of 31 December 2023. The implementation of TAS 29 leads to a change in several of the Group’s control activities, pervasive and material effects on the consolidated financial statements and the impact of TAS 29 is reliant upon a number of key judgements of the Group management. The preparation of consolidated financial statements using a current purchasing power approach requires a complex series of procedures and reconciliations to ensure accurate results.</p> <p>We considered the application of TAS 29 to be a key audit matter due to the existence of judgements applied in the restatement, high degree of complexity in calculations and the existence of the risk of the data used in the restatement being incomplete or inaccurate.</p>	<p>We performed the following procedures in relation to the audit of the implementation of TAS 29 “Financial reporting in hyperinflationary economies”:</p> <ul style="list-style-type: none"> • We obtained an understanding of the Group’s processes and accounting policies for the implementation of TAS 29. • We gained an understanding and evaluated the relevant controls designed and implemented by management resulting from implementation of TAS 29. • We determined whether the segregation of monetary and non-monetary items made by the management is in accordance with TFRS. • We obtained detailed listings of non-monetary items and tested on a sample basis the original cost and dates of acquisition with supporting documentation. • We evaluated the reasonableness of judgements used by management by comparing them with recognised practices and applying our industry knowledge and experience. We also checked if the judgements were used consistently in all periods. • We tested the restatement of non-monetary items, the consolidated statement profit and loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows with recognition of inflationary effects by checking the methodology and general price index rates used. • We assessed the appropriateness and adequacy of disclosures in the notes to the consolidated financial statements related to the implementation of TAS 29 in accordance with TFRS.

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

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

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

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

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

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

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

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

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our independent auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion

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

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

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

B. Other responsibilities arising from regulatory requirements

1. No matter has come to our attention that is significant according to subparagraph 4 of Article 402 of Turkish Commercial Code (“TCC”) No. 6102 and that causes us to believe that the Company’s bookkeeping activities concerning the period from 1 January to 31 December 2023 period are not in compliance with the TCC and provisions of the Company’s articles of association related to financial reporting.
2. In accordance with subparagraph 4 of Article 402 of the TCC, the Board of Directors submitted the necessary explanations to us and provided the documents required within the context of our audit.
3. In accordance with subparagraph 4 of Article 398 of the TCC, the auditor’s report on the early risk identification system and committee was submitted to the Company’s Board of Directors on 22 February 2024.

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

Özgür Beşikçioğlu, SMMM
Independent Auditor

Istanbul, 22 February 2024

TÜRK PRYSMIAN KABLO VE SİSTEMLERİ A.Ş. AND ITS SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY AND 31 DECEMBER 2023

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TÜRK PRYSMIAN KABLO VE SİSTEMLERİ A.Ş. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AT 31 DECEMBER 2023 AND 2022

(Amounts expressed in TRY in terms of the purchasing power of TRY at 31 December 2023, unless otherwise indicated)

	Notes	31 December 2023	31 December 2022
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	3	544,461,080	462,020,957
Financial investments	3	59,075,600	-
Derivative instruments	12	65,161,925	25,292,882
Trade receivables		1,819,612,585	1,858,820,173
- Due from related parties	26	343,442,705	101,077,258
- Due from third parties	4	1,476,169,880	1,757,742,915
Other receivables		1,576,408	124,623
- Due from third parties	5	1,576,408	124,623
Contract assets		383,075,736	1,322,598,704
- Contract assets arising from ongoing construction and contracting business	16	383,075,736	1,322,598,704
Inventories	6	1,214,969,330	1,273,960,492
Prepaid expenses	7	176,122,855	294,337,152
Current income tax assets	24	283,505,935	136,222,722
Other current assets	10	358,057,152	216,306,963
TOTAL CURRENT ASSETS		4,905,618,606	5,589,684,668
NON-CURRENT ASSETS			
Property, plant and equipment	8	456,752,128	477,878,782
Right of use assets	28	27,554,234	13,350,352
Intangible assets other than goodwill	9	3,000,630	4,358,219
Prepaid expenses	7	1,000,000	-
Deferred tax assets	24	77,784,908	77,965,327
Other non-current assets	10	349,306,508	474,280,561
TOTAL NON-CURRENT ASSETS		915,398,408	1,047,833,241
TOTAL ASSETS		5,821,017,014	6,637,517,909

These consolidated financial statements as of and for the year ended 31 December 2023 have been examined by the Audit Committee and approved by the Board of Directors on 22 February 2024. The consolidated financial statements will be finalized upon the approval at the General Assembly.

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

TÜRK PRYSMIAN KABLO VE SİSTEMLERİ A.Ş. AND ITS SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AT 31 DECEMBER 2023 AND 2022**

(Amounts expressed in TRY in terms of the purchasing power of TRY at 31 December 2023, unless otherwise indicated)

	Notes	31 December 2023	31 December 2022
LIABILITIES			
Current liabilities			
Short-term borrowings	11	173,049,052	115,341,043
Liabilities arising from leasing transactions	11	7,310,057	4,896,331
Derivative instruments	12	53,406,200	24,262,155
Trade payables		3,445,005,503	3,380,440,387
- Due to related parties	26	1,861,147,945	1,805,601,243
- Due to third parties	4	1,583,857,558	1,574,839,144
Employee benefit obligations	13	18,631,251	18,493,783
Other payables		175,000,000	288,352,608
- Due to related parties	26	175,000,000	288,352,608
Contractual obligations		117,208,780	525,793,253
- Contractual obligations arising from ongoing construction and contracting business	7	117,208,780	525,793,253
Deferred income (excluding contractual obligations)	7	212,570,625	336,039,358
Short-term provisions		348,046,900	508,989,050
- Short-term provisions for employee benefits	13	92,630,003	34,638,256
- Other short-term provisions	14	255,416,897	474,350,794
Other current liabilities	10	55,515,837	78,833,163
Total Current Liabilities		4,605,744,205	5,281,441,131
Non-Current Liabilities:			
Liabilities arising from leasing transactions	11	10,375,615	4,812,966
Long-term provisions		141,207,149	75,277,976
- Long-term provisions for employee benefits	13	138,875,895	62,007,404
- Other long-term provisions	14	2,331,254	13,270,572
Total Non-Current Liabilities		151,582,764	80,090,942
Total Liabilities		4,757,326,969	5,361,532,073
EQUITY			
Paid in share capital	15	216,733,652	216,733,652
Adjustments to share capital		1,745,658,215	1,745,658,215
Repurchased shares (-)		(14,260,062)	(14,260,062)
Premiums related to shares		232,238,586	232,238,586
Other comprehensive expense		(133,445,403)	(31,571,803)
- That will not be reclassified to profit or loss		(133,445,403)	(31,571,803)
Restricted reserves	15	70,900,056	57,318,110
Retained earnings		(967,273,964)	(751,577,505)
Net profit/(loss) for the year		(86,861,035)	(178,553,357)
TOTAL LIABILITIES AND EQUITY		5,821,017,014	6,637,517,909

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

TÜRK PRYSMIAN KABLO VE SİSTEMLERİ A.Ş. AND ITS SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME
FOR THE YEARS ENDED 31 DECEMBER 2023 AND 2022**

(Amounts expressed in TRY in terms of the purchasing power of TRY at 31 December 2023, unless otherwise indicated)

	Notes	1 January - 31 December 2023	1 January - 31 December 2022
PROFIT OR LOSS			
Revenue	17	12,472,610,556	13,829,947,641
Cost of sales	17	(11,281,971,218)	(12,815,442,181)
Gross profit		1,190,639,338	1,014,505,460
General administrative expenses (-)	19	(294,332,003)	(316,777,088)
Marketing selling and distribution expenses (-)	19	(605,556,776)	(734,466,947)
Research and development expenses (-)	18	(22,673,970)	(18,786,553)
Other operating income	21	153,149,565	361,514,739
Other operating expense (-)	21	(394,171,656)	(522,948,775)
Operating profit/(loss)		27,054,498	(216,959,164)
Income from investment activities	22	5,709,820	11,892,011
Operating profit/(loss) before financial income / (expense)		32,764,318	(205,067,153)
Finance income	23	69,131,216	37,444,466
Financial expenses (-)	23	(501,096,015)	(220,879,950)
Monetary gain / (loss)	23	328,874,906	271,327,230
Profit/(loss) before taxation		(70,325,575)	(117,175,407)
Tax expenses		(16,535,460)	(61,377,950)
Taxation on expense	24	(21,502,270)	(176,801,425)
Deferred tax income	24	4,966,810	115,423,475
Net Profit/(Loss) for The Period		(86,861,035)	(178,553,357)
Loss per share	25	(0.4008)	(0.8238)
OTHER COMPREHENSIVE INCOME/ (EXPENSE)			
Items that will not be reclassified to profit or loss, before tax		(135,831,467)	(39,464,754)
Actuarial losses from defined benefit plans, before tax	13	(135,831,467)	(39,464,754)
Total other comprehensive (expense)/income, before tax		(135,831,467)	(39,464,754)
Total tax effect of other comprehensive income/expense		33,957,867	7,892,951
Total taxes related items that will not be reclassified to profit or loss			
Deferred tax (expenses)/income	24	33,957,867	7,892,951
Total other comprehensive income/(expenses)		(101,873,600)	(31,571,803)
Total comprehensive income/(expenses)		(188,734,635)	(210,125,160)

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

TÜRK PRYSMIAN KABLO VE SİSTEMLERİ A.Ş. AND ITS SUBSIDIARIES

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

(Amounts expressed in TRY in terms of the purchasing power of TRY at 31 December 2023, unless otherwise indicated)

	Paid in share capital	Adjustments to share capital	Repurchased shares (-)	Premiums related to shares	Other comprehensive income and expense not to be reclassified to (loss)/profit	Actuarial loss on post employment termination benefits	Restricted reserves	Retained earnings	Net profit/(loss) for the year	Total equity
Balances at 1 January 2022	216,733,652	1,745,658,215	(14,260,062)	232,238,586	-	-	52,495,005	(723,815,848)	-	1,509,049,548
Transfers	-	-	-	-	-	-	4,823,105	(4,823,105)	-	-
Dividends	-	-	-	-	-	-	-	(22,938,552)	-	(22,938,552)
Total comprehensive income/(expense)	-	-	-	-	(31,571,803)	-	-	-	(178,553,357)	(210,125,160)
- <i>Net profit/(loss) for the period</i>	-	-	-	-	-	-	-	-	(178,553,357)	(178,553,357)
- <i>Other comprehensive income/(expense)</i>	-	-	-	-	(31,571,803)	-	-	-	-	(31,571,803)
Balances at 31 December 2022	216,733,652	1,745,658,215	(14,260,062)	232,238,586	(31,571,803)	-	57,318,110	(751,577,505)	(178,553,357)	1,275,985,836
Balances at January 2023	216,733,652	1,745,658,215	(14,260,062)	232,238,586	(31,571,803)	-	57,318,110	(751,577,505)	(178,553,357)	1,275,985,836
Transfers	-	-	-	-	-	-	13,581,946	(192,135,303)	178,553,357	-
Dividends	-	-	-	-	-	-	-	(23,561,156)	-	(23,561,156)
Total comprehensive income/(expense)	-	-	-	-	(101,873,600)	-	-	-	(86,861,035)	(188,734,635)
- <i>Net profit/(loss) for the period</i>	-	-	-	-	-	-	-	-	(86,861,035)	(86,861,035)
- <i>Other comprehensive income/(expense)</i>	-	-	-	-	(101,873,600)	-	-	-	-	(101,873,600)
Balances at 31 December 2023	216,733,652	1,745,658,215	(14,260,062)	232,238,586	(133,445,403)	-	70,900,056	(967,273,964)	(86,861,035)	1,063,690,045

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

TÜRK PRYSMIAN KABLO VE SİSTEMLERİ A.Ş. AND ITS SUBSIDIARIES

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

(Amounts expressed in TRY in terms of the purchasing power of TRY at 31 December 2023, unless otherwise indicated)

	Notes	1 January - 31 December 2023	1 January - 31 December 2022
Cash flows from operating activities		256,958,066	(869,509,264)
Net profit / (loss) for the period		(86,861,035)	(178,553,357)
Adjustments to reconcile the profit/(loss) for the period			
Adjustments for tax expense	24	16,535,460	61,377,950
Adjustments for financial expense	23	168,935,874	203,366,121
Adjustments for interest income (-)	23	(69,131,216)	(37,444,466)
Adjustments for unrealized foreign currency conversion differences		8,349,847	-
Adjustments for increase in inventories		83,945,143	137,684,748
Adjustments for increase in trade receivables		(661,862,859)	(423,998,320)
Adjustments for increase(decrease) in other receivables arising from operations		(401,463,725)	(396,698,614)
Adjustments for increases in contract assets		402,772,648	(593,595,421)
Adjustments for decrease in trade payables		1,393,430,271	724,452,487
Adjustments for increase(decrease) in other payables arising from operations		130,525,180	345,132,829
Adjustments for increase in contract liabilities		(194,485,511)	6,944,268
Adjustments for depreciation and amortization expense	20	58,848,708	72,887,888
Adjustments for impairment		(54,593,464)	(39,678,347)
Adjustments for provisions		29,628,351	217,033,692
Total adjustments for the period net profit (loss) reconciliation (+/-)		911,434,707	277,464,815
Cash flows from operating activities		824,573,672	98,911,458
Taxes returns (payments)		(183,230,105)	(217,220,785)
Other cash outflows	13	(26,846,000)	(2,352,957)
Adjustments for monetary (loss)/gain		(357,539,501)	(748,846,980)
Net cash from operating activities		256,958,066	(869,509,264)
Cash flows from investing activities			
Cash inflows from the sale of property, plant and equipment		9,754	128,858
Cash outflows from the purchase of property, plant and equipment (-)	8	(29,184,175)	(29,956,958)
Other cash inflows (outflows)		(70,205,781)	113,187,175
Advances and debts given to other parties		-	20,511,913
Interest received		69,131,216	37,444,466
Adjustments for monetary (loss)/gain		405,183	193,841,045
Net cash from investing activities		(29,843,803)	335,156,499
Net cash from financing activities			
Proceeds from borrowings	11	1,255,116,245	1,265,481,578
Repayments of borrowings	11	(1,153,376,946)	(1,104,749,989)
Cash outflows related to lease obligations		488,958	(3,561,192)
Dividends paid (-)	15	(23,561,156)	(22,938,552)
Interest paid (-)		(181,333,401)	(208,924,296)
Adjustments for monetary (loss)/gain		(42,007,840)	(44,085,298)
Net cash from financing activities		(144,674,140)	(118,777,749)
Net increase/(decrease) in cash and cash equivalents		82,440,123	(653,130,514)
Cash and cash equivalents at the beginning of the period		462,020,957	1,115,151,471
Cash and cash equivalents at the end of the period	3	544,461,080	462,020,957

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

TÜRK PRYSMIAN KABLO VE SİSTEMLERİ A.Ş. AND ITS SUBSIDIARIES

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

(Amounts expressed in TRY in terms of the purchasing power of TRY at 31 December 2023, unless otherwise indicated)

NOTE 1 - ORGANIZATION AND NATURE OF OPERATIONS

Türk Prysmian Kablo ve Sistemleri A.Ş. (“Company”) and its subsidiaries (collectively referred to as the “Group”) were established and are operating in Turkey. The Group is engaged in the production, import, export and trade of all kinds of cables, conductors, machinery, apparatus, tools and equipment, and their spare parts and accessories. The Company was established in 1964 and continues its activities under the parent company of Draka Holding BV, which currently owns 83,75% of its shares. The Group’s shares have been traded in Borsa İstanbul A.Ş. (“BIST”) since 1986. The share of the Group that is traded in BIST is 16.25% (31 December 2022: 16.25%). The ultimate parent of the Group is Prysmian SpA, located in Italy.

The subsidiary of the Group is Türk Prysmian - Prysmian Powerlink DB. KAB. 19 İşi Adi Ortaklığı (Ordinary Partnership); is engaged in DB KAB19 referenced 400 kV Çanakkale Strait (Lapseki 3-Sütlüce 3) crossing and İzmit Körfez (Hersek-Dilovası) crossing Submarine Cable Connection works projects. It was established in 2021 in line with the opinion of the Revenue Administration. 99.99% of this subsidiary is owned by the Company and the remaining 0.01% of shares are owned by Prysmian Powerlink Srl.

The publicly traded Group operates in one line of business (cable manufacturing and sales) and in one geographic region. The Group's product range includes all energy cables up to 220 kV, communication cables with copper conductors up to 3,600 pairs and fiber optic cables. The Group's factory is located in Bursa Mudanya, and this factory also includes thermal, mechanical, chemistry and electrical scientific research and test laboratories with TSE qualification, with the high technological level in the cable sector.

The registered address of the Company in the commercial registry is Ömerbey Mahallesi, Bursa Asfaltı Caddesi, No:51, 16941, Mudanya, Bursa and registered on 20 December 2012 at Ömer Avni Mah. İnebolu Sok. Haktan İş Merkezi No:39 K:2 Setüstü Kabataş Beyoğlu İstanbul has its registered office in Istanbul. The average number of personnel employed by the Group in the period ending as of 31 December 2023 is 589 (31 December 2022: 598).

The details of the Group's subsidiaries are as follows:

Subsidiary	Types of activities	Main fields of activity
Türk Prysmian - Prysmian Powerlink DB. KAB. 19 Business Ordinary Partnership	Sales	Energy cables sales

Approval of the consolidated financial statements:

The consolidated financial statements were approved by the Board of Directors on 22 February 2024 and authorized for publication. The General Assembly and some other regulatory institutions and organizations have the authority to change the consolidated financial statements.

TÜRK PRYSMIAN KABLO VE SİSTEMLERİ A.Ş. AND ITS SUBSIDIARIES

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

(Amounts expressed in TRY in terms of the purchasing power of TRY at 31 December 2023, unless otherwise indicated)

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

2.1 Basis of presentation

Declaration of conformity with TFRS

The Company and its subsidiaries located in Turkey keep and prepare their legal books and statutory financial statements in accordance with the accounting principles determined by the Turkish Commercial Code (“TCC”) and tax legislation.

The consolidated financial statements have been prepared in accordance with the provisions of the Capital Markets Board (“CMB”), Serial II, No. 14.1 “Communiqué on the Principles of Financial Reporting in the Capital Markets” (“Communiqué”) published in the Official Gazette dated 13 June 2013 and numbered 28676. and Turkish Accounting Standards and their annexes and comments (“TFRS”), which were put into effect by the Public Oversight Accounting and Auditing Standards Authority (“KGK”), pursuant to Article 5 of the Communiqué.

The consolidated financial statements have been presented in accordance with the formats determined in the “Announcement on TMS Taxonomy” published by POA on October 4, 2022 and the Financial Statement Examples and User Guide published by the CMB.

The consolidated financial statements are prepared on the historical cost basis, except for derivative financial instruments measured at fair value. In determining the historical cost, the fair value of the amount paid for the assets is generally taken as the basis.

Financial reporting in hyperinflationary economy

The Group has prepared the consolidated financial statements as of 31 December 2023 and for the annual reporting period ending on the same date by applying TAS 29 “Financial Reporting in Hyperinflation Economies” Standard according to the announcement made and “Implementation Guide on Financial Reporting in Hyperinflation Economies” published by the Public Oversight Accounting and Auditing Standards Authority (POA) on 23 November 2023. In accordance with the standard, financial statements prepared in the currency of a hyperinflationary economy have to be prepared on purchasing power on reporting date and comparative period information is expressed in terms of current measurement unit at the end of the reporting period. Therefore, the Group has presented the consolidated financial statements as of 31 December 2022 on the basis of purchasing power as of 31 December 2023.

In accordance with CMB’s decision dated 28 December 2023 and numbered 81/1820, it is decided that issuers and capital market institutions subject to financial reporting regulations implementing TAS to apply inflation accounting starting from the annual financial statements for the period ended as of 31 December 2023.

Adjustments have been made in accordance with the requirements of TAS 29 (“Financial Reporting in Hyperinflation Economies”) regarding the changes in the general purchasing power of the Turkish Lira. TAS29 Standard requires that financial statements prepared in the currency in circulation in the economy with high inflation be presented at the purchasing power of this currency at the balance sheet date and that the amounts in previous periods be rearranged in the same way. One of the requirements to apply TAS 29 is a three-year compound inflation rate approaching or exceeding 100%.

Restatements made in accordance with TAS 29, is made by using the conversion coefficient derived from the Customer Price Indexes (CPI) published by Turkish Statistical Institute. Indexes and the conversion coefficients used in restatements of the consolidated financial statements of the current period and previous periods since 1 January 2005 are as follow:

TÜRK PRYSMIAN KABLO VE SİSTEMLERİ A.Ş. AND ITS SUBSIDIARIES

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

(Amounts expressed in TRY in terms of the purchasing power of TRY at 31 December 2023, unless otherwise indicated)

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

2.1 Basis of presentation (Continued)

Date	Index	Conversion Coefficient	3-Year Compound Inflation Rate
31 December 2023	1,859.38	1.00000	268%
31 December 2022	1,128.45	1.64773	156%
31 December 2021	686.95	2.70672	74%

The main procedures that the Group has applied for the purpose of financial reporting in hyperinflationary economy are as follows:

- Current period financial statements prepared Turkish Lira denominated, are stated in terms of purchasing power as of balance sheet date. Prior reporting period figures are also stated in terms of purchasing power as of reporting period end date by restating.
- Monetary assets and liabilities are not restated because they are already expressed in terms of purchasing power at the balance sheet date. In the cases that value of inflation-adjusted non-monetary items exceed recoverable amount or net realizable value, TAS 36 and TAS 2 has applied, respectively.
- Non-monetary items and monetary items, that are not stated in terms of purchasing power at the balance sheet date and components of shareholders' equity are restated by applying the relevant conversion coefficient.
- All the statement of comprehensive income items except the ones that non-monetary items in the balance sheet that have an impact on the statement of comprehensive income, are indexed with the conversion coefficient calculated over the periods that profit and loss accounts reflected in financial statements.
- The effect of inflation in the net monetary assets/liabilities position of the Group in the current period, amounting to TRY328,874,906 in 2023, has recorded as net monetary position gain in the consolidated statement of profit and loss(2022: TRY271,327,230).

Comparative information

The relevant figures for the previous reporting period are restated by applying the general price index so that comparative financial statements are presented in the unit of measurement valid at the end of the reporting period. Information disclosed for previous periods is also presented in the measurement unit valid at the end of the reporting period.

In order to allow the determination of financial position and performance, the Group's consolidated financial statements are prepared in comparison with the previous period. The Company presented the consolidated statement of financial position at 31 December 2023 comparatively with the statement of consolidated financial position at 31 December 2022. The Group presented the statements of consolidated profit or loss and other comprehensive income, cash flows and changes in equity for the period 1 January 2023 - 31 December 2023 comparatively with the consolidated statements of profit or loss and comprehensive income, cash flows and changes in equity for the period 1 January 2022 - 31 December 2022. Comparative information for the previous reporting period is expressed in purchasing power as of 31 December 2023.

TÜRK PRYSMIAN KABLO VE SİSTEMLERİ A.Ş. AND ITS SUBSIDIARIES

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

(Amounts expressed in TRY in terms of the purchasing power of TRY at 31 December 2023, unless otherwise indicated)

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

2.1 Basis of presentation (Continued)

Functional and reporting currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates (“the functional currency”). The financial statements are presented in TRY, which is the Company’s functional and presentation currency.

Going Concern

The Group has prepared its consolidated financial statements according to the going concern principle.

Consolidation principles

The Company and its Subsidiaries registered in Turkey comply with the principles and conditions issued by the CMB, the Turkish Commercial Code (“TCC”), tax legislation and the Uniform Chart of Accounts issued by the Ministry of Finance in keeping accounting records and preparing legal financial statements.

The consolidated financial statements are prepared based on the legal records of the Group and expressed in TRY and have been prepared by reflecting the necessary adjustments and classifications, including those related to changes in the purchasing power of TRY, in order to present the Group’s situation in accordance with TFRS.

Consolidated financial statements include the financial statements of the Company and its subsidiaries, Control is provided by the Company’s fulfillment of the following conditions:

- Having power over the invested group;
- Being open to or entitled to variable returns to be obtained by the investee group;
- Ability to use power to have an impact on returns.

In the event that a situation or event arises that may cause any change in at least one of the criteria listed above, the Group re-evaluates whether it has control over its investment. In cases where the company does not have majority voting rights on the investee company, it has control power over the investee company, provided that it has sufficient voting rights to direct/manage the activities of the relevant investment. The Group considers all relevant events and circumstances in assessing whether the majority of the votes in the relevant investment is sufficient to exercise control, including the following:

- Comparison of the voting rights of the Group with the voting rights of other shareholders;
- Potential voting rights held by the Group and other shareholders;
- Rights arising from other contractual agreements; and
- Other events and conditions that may indicate whether the Group has the current power to manage the relevant activities (including voting at previous general assembly meetings) in cases where a decision is required.

TÜRK PRYSMIAN KABLO VE SİSTEMLERİ A.Ş. AND ITS SUBSIDIARIES

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

(Amounts expressed in TRY in terms of the purchasing power of TRY at 31 December 2023, unless otherwise indicated)

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

2.1 Basis of presentation (Continued)

Consolidation of a subsidiary begins when the Group has control over the subsidiary and ends when it loses control. Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date of acquisition to the date of disposal. Each item of profit or loss and other comprehensive income belongs to the parent shareholders and non-controlling interests. Even if the non-controlling interests result in a reverse balance, the total comprehensive income of the subsidiaries is transferred to the parent shareholders and non-controlling interests. Since non-controlling interests do not have a significant share in the net assets, current period consolidated profit or loss and other comprehensive income or expenses of the subsidiary, they are named as “non-controlling interests” in the consolidated statements of profit or loss and other comprehensive income and expense and changes in consolidated equity, also not classified. All intragroup assets and liabilities, equity, income and expenses, and cash flows from transactions between Group companies are eliminated on consolidation.

2.2 Changes in accounting policies

The accounting policies used in the preparation of the consolidated financial statements for the accounting period 1 January - 31 December 2023 have been applied in a consistent manner with the consolidated financial statements prepared as of 31 December 2022. Accounting policy changes resulting from the first application of a new standard, if any, are applied retrospectively or prospectively in accordance with the transitional provisions. Changes that do not include any transitional provisions, optional significant changes in accounting policy or accounting errors detected are applied retrospectively and prior period financial statements are restated.

2.3 Changes in accounting estimates and errors

Changes in accounting estimates are applied prospectively in the current period if the change is made, if it relates to only one period, and in both the period in which the change is made and in future periods if it relates to future periods. There has been no significant change in the accounting estimates of the Group in the current year.

2.4 Amendments in Turkish Financial Reporting Standards

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

- **Narrow scope amendments to TAS 1, Practice Statement 2 and TAS 8;** effective from annual periods beginning on or after 1 January 2023. The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies.
- **Amendment to TAS 12 – Deferred tax related to assets and liabilities arising from a single transaction;** effective from annual periods beginning on or after 1 January 2023. These amendments require companies to recognise deferred tax on transactions that, on initial recognition give rise to equal amounts of taxable and deductible temporary differences.
- **TFRS 17, ‘Insurance Contracts’;** effective from annual periods beginning on or after 1 January 2023. This standard replaces TFRS 4, which permitted a wide variety of practices in accounting for insurance contracts. TFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts.

TÜRK PRYSMIAN KABLO VE SİSTEMLERİ A.Ş. AND ITS SUBSIDIARIES

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

(Amounts expressed in TRY in terms of the purchasing power of TRY at 31 December 2023, unless otherwise indicated)

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

2.4 Amendments in Turkish Financial Reporting Standards (Continued)

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

The above changes did not have a material impact on the financial position or performance of the Group.

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

- **Amendment to TAS 1 – Non-current liabilities with covenants;** effective from annual periods beginning on or after 1 January 2024. These amendments clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. The amendments also aim to improve information an entity provides related to liabilities subject to these conditions.
- **Amendment to TFRS 16 – Leases on sale and leaseback;** effective from annual periods beginning on or after 1 January 2024. These amendments include requirements for sale and leaseback transactions in TFRS 16 to explain how an entity accounts for a sale and leaseback after the date of the transaction. Sale and leaseback transactions where some or all the lease payments are variable lease payments that do not depend on an index or rate are most likely to be impacted.
- **Amendments to TAS 7 and TFRS 7 on Supplier finance arrangements;** effective from annual periods beginning on or after 1 January 2024. These amendments require disclosures to enhance the transparency of supplier finance arrangements and their effects on a company’s liabilities, cash flows and exposure to liquidity risk. The disclosure requirements are the IASB’s response to investors’ concerns that some companies’ supplier finance arrangements are not sufficiently visible, hindering investors’ analysis.
- **Amendments to TAS 21 - Lack of Exchangeability;** effective from annual periods beginning on or after 1 January 2025. An entity is impacted by the amendments when it has a transaction or an operation in a foreign currency that is not exchangeable into another currency at a measurement date for a specified purpose. A currency is exchangeable when there is an ability to obtain the other currency (with a normal administrative delay), and the transaction would take place through a market or exchange mechanism that creates enforceable rights and obligations.
- **TFRS S1, ‘General requirements for disclosure of sustainability-related financial information;** effective from annual periods beginning on or after 1 January 2024. This standard includes the core framework for the disclosure of material information about sustainability-related risks and opportunities across an entity’s value chain.
- **TFRS S2, ‘Climate-related disclosures’;** effective from annual periods beginning on or after 1 January 2024. This is the first thematic standard issued that sets out requirements for entities to disclose information about climate-related risks and opportunities.

The Group will evaluate the effects of the above changes on its operations and implement them from the effective date.

TÜRK PRYSMIAN KABLO VE SİSTEMLERİ A.Ş. AND ITS SUBSIDIARIES

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

(Amounts expressed in TRY in terms of the purchasing power of TRY at 31 December 2023, unless otherwise indicated)

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

2.5 Summary of significant accounting policies

Related parties

Related parties are people or businesses that are related to the entity that prepared its consolidated financial statements (the reporting entity).

- a) directly, or indirectly through one or more intermediaries, the party:
- (i) controls, is controlled by, or is under common control with the Company (this includes parent, subsidiaries and fellow subsidiaries);
 - (ii) Has significant impact on the Company,
 - (iii) The Company or a parent of the Company is a member of the key management personnel.
- (b) An entity is related to a reporting entity if any of the following conditions exist:
- (i) The entity and the reporting entity are members of the same group (ie, each parent, subsidiary, and other subsidiary is related to the others).
 - (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) If both entities are joint ventures of the same third party.
 - (iv) If one of the entities is a joint venture of a third entity and the other entity is an associate of that third entity.
 - (v) If the entity has post-employment benefit plans for employees of the reporting entity or an entity associated with the reporting entity.
- (c) An entity is associated with the reporting entity if any of the following conditions exist:
- (i) The sponsoring employers are also related to the reporting entity if the reporting entity itself has such a plan.
 - (ii) The entity is controlled or jointly controlled by a person identified in (a).
 - (iii) 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 its parent).
 - (iv) A related party transaction is a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

Revenue

The accrual basis is applied in the determination of income and expense items. Accordingly, revenue, income and profits are accounted for in comparison with costs, expenses and losses for the same period.

Goods and services sales

The Group adopted TFRS 15, “Revenue From Contracts with Customers”; which proposes a five step model framework mentioned below for recognizing the revenue

- Identify the contact with customers,
- Identify separate performance obligations in the contract,
- Determine the transaction price in contract,
- Allocate the transaction price to the performance obligations in the contract,
- Recognise revenue.

TÜRK PRYSMIAN KABLO VE SİSTEMLERİ A.Ş. AND ITS SUBSIDIARIES

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

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

2.5 Summary of significant accounting policies (Continued)

Revenue (Continued)

The Group recognise revenue when the entity satisfies a performance obligation by transferring a promised good or service to the customer. An asset is transferred when the customer obtains control of that asset or service.

According to this model, the goods or services undertaken in each contract with the customers are evaluated and each commitment to transfer the goods or services is determined as a separate performance obligation. Then, it is determined whether the performance obligations will be fulfilled in time or at a certain time. If the company transfers the control of a good or service over time and thus fulfils the performance obligations related to the sales in time, it measures the progress of the fulfilment of the performance obligations in full and takes the proceeds to the financial statements. Revenue related to performance obligations, such as goods or service transfer commitments, is recognized when customers are in control of the goods or services.

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

- a) The parties to the convention have ratified the contract (in accordance with written, oral or other commercial practices) and undertakes to perform their acts,
- b) The Group may define rights related to the goods or services to be transferred by each party,
- c) The Group may define payment terms for the goods or services to be transferred,
- d) The contract is essentially commercial,
- e) It is probable that the Group will be charged for the goods or services to be transferred to the customer. When evaluating whether the collectability of a price is probable, the entity shall consider only the customer's ability to pay the price at the due date and its intent.

The Group generates revenue from the production and sale of energy cables, copper conductor communication cables and fiber optic cables. Revenue is recognized when control of the products is transferred to the customer.

The Group evaluates the transfer of control of the goods sold to the customer,

- Ownership of the right to collect goods or services
- Ownership of the right of the customer
- The transfer of the physical possession of the goods
- Ownership of significant risks and benefits of property ownership
- Takes into account the conditions of the customer's acceptance of the goods.

For each performance obligation, the Group determines whether it has fulfilled its performance obligation at the beginning of the contract or whether the performance obligation fulfilled at a certain point in time. The Group records revenue from product sales in the financial statements following the transfer of control to the customer.

In the event that the Company has the right to collect a price directly corresponding to the value of its customer (from the delivery of products), the Group pays the revenue to the financial statements for the amount that it has the right to invoice.

TÜRK PRYSMIAN KABLO VE SİSTEMLERİ A.Ş. AND ITS SUBSIDIARIES

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

2.5 Summary of significant accounting policies (Continued)

Revenue (Continued)

If the group expects to pay back some or all of the amount collected from a customer to that customer, it reflects a refund liability in the financial statements. The refund obligation is calculated over the part of the amount that the business collects (or will be paid) that it does not expect to receive. The return obligation is updated at the end of each reporting period, taking into account changes in conditions.

Interest income

Interest income is calculated over the effective interest rate and accrued. In case of accruing unpaid interest prior to the acquisition of an interest-bearing security; subsequently collected interest is divided into pre-acquisition and post-acquisition periods, and only the post-acquisition portion is reflected in the financial statements as income.

Construction contracts

In case the results of construction contracts cannot be estimated reliably, the income to be obtained from the contract is accounted for as much as the recoverable portion of the realized contract expenses. Contract expenses are recognized when incurred.

Contract revenue is recognized over the contract period when the outcome of construction contracts can be estimated reliably, and the contract is likely to yield a profit. Changes to contracts, requested payments and incentive payments are added to contract revenues at the rate accepted by the customer and as long as they can be measured reliably.

Where it is probable that total contract expenses will exceed total contract revenue, the expected loss is recognized as an expense immediately.

The Group uses the “percentage of completion method” to determine the appropriate amount of revenue to be recognized for the relevant period. The completion stage is measured according to the contract expenses incurred in the period up to the balance sheet date as a percentage of the total costs estimated for each contract. Expenses incurred during the period related to a future activity within the scope of the contract are presented to the contract expenses in determining the stage of completion. Progress payments that have not been paid by the customers and the amounts retained as collateral over the progress payments are included in the “trade receivables” account.

The Group presents the gross receivables from customers regarding the ongoing contractual works as a liability if the progress payment amount exceeds the amount obtained as a result of adding the profit reflected to the results accounts to the costs incurred (deducting the loss).

TÜRK PRYSMIAN KABLO VE SİSTEMLERİ A.Ş. AND ITS SUBSIDIARIES

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

(Amounts expressed in TRY in terms of the purchasing power of TRY at 31 December 2023, unless otherwise indicated)

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

2.5 Summary of significant accounting policies (Continued)

Inventories

Inventories are valued at the lower of cost or net realizable value. Cost elements in inventories; It consists of all purchase costs. Net realizable value is calculated by deducting the estimated sales expenses required to make the sale from the estimated selling price in normal market conditions (Note 7). Cost of inventories is calculated according to the weighted average cost method. When the net realizable value of the inventory falls below its cost, the inventories are reduced to their net realizable value and the expense is reflected in the income statement in the year in which the impairment occurred. In cases where the conditions that previously caused the inventories to be reduced to net realizable value lose their validity or there is an increase in the net realizable value due to changing economic conditions, the provision for the impairment allocated is cancelled. The cancelled amount is limited to the previously reserved impairment amount.

Property, plant and equipment

Property, plant and equipment are presented at their net value after deducting accumulated depreciation and accumulated impairment losses from their acquisition cost. Land and lands are not subject to depreciation and are shown at cost less accumulated impairment losses.

Assets under construction for administrative purposes or for other purposes that have not yet been determined are shown at cost less any impairment loss, if any. Legal fees are also included in the cost. When these assets are completed and ready for use, they are classified into the relevant property, plant and equipment. Such assets are depreciated when they are ready for use, as is the depreciation method used for other fixed assets.

Cost amounts of property, plant and equipment, excluding land and ongoing investments, are depreciated over their expected useful lives using the straight-line method. The expected useful life, residual value and depreciation method are reviewed annually for the possible effects of changes in estimates, and if there is a change in estimates, they are accounted for prospectively.

Buildings, underground and surface improvements, machinery, facilities and devices are capitalized and depreciated as soon as they are brought to the necessary condition and location in order to be able to operate in line with the management's purposes. It is estimated that the salvage value of tangible fixed assets is not significant. In each reporting period, the salvage value and approximate useful lives of tangible fixed assets are reviewed and necessary adjustments are reflected prospectively.

A property, plant and equipment is derecognised when it is disposed of or when future economic benefits are not expected from its use or sale. The gain or loss resulting from the disposal of tangible fixed assets or the retirement of a tangible asset is determined as the difference between the sales revenue and the book value of the asset and is included in the income statement.

The depreciation periods of tangible fixed assets are as follows:

<u>Useful life</u>	
Buildings	4-50 years
Machinery, plant and equipment	5-20 years
Motor vehicles	5 years
Fixtures	2-10 years
Leasehold improvements	4-10 years

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

2.5 Summary of significant accounting policies (Continued)

Property, plant and equipment (Continued)

Subsequent costs are included in the asset's carrying value recognised as separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Property, plant and equipment are reviewed for impairment losses, whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. For the purpose of assessing impairment, property plant and equipment assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). An impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of fair value less cost to sell or value in use. If the property, plant and equipment that are impaired, are revalued, the impairment is charged to the revaluation reserves to the extent that the amount offsetting previous increases of the same asset charged in the revaluation reserves and all other decreases are recognised in the consolidated statement of comprehensive income.

Repairs and maintenance are charged to the consolidated statement of comprehensive income during the financial period in which they are incurred. The Group derecognises the carrying amounts of the replaced parts related to renovations regardless of whether the replaced parts were depreciated separately. Major overhauls are depreciated over shorter of their useful lives or the remaining useful life of the related assets.

Gains or losses on disposals of property, plant and equipment are determined by reference to their carrying amounts and are included in income/expense as appropriate.

Intangible assets

Purchased intangible assets

Purchased intangible assets with finite lives are reported at cost less accumulated amortization and accumulated impairment losses. These assets are amortized using the straight-line method over their expected useful lives. The expected useful life and depreciation method are reviewed every year in order to determine the possible effects of the changes in the estimates and the changes in the estimates are accounted for prospectively. Purchased intangible assets with indefinite lives are reported at cost less accumulated impairment losses.

Computer software

Purchased computer software is capitalized over the costs incurred during its purchase and during the period from purchase until it is ready for use. These costs are amortized over their useful lives.

The amortization periods used for intangible assets are as follows:

Useful life

Rights

3-10 years

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

2.5 Summary of significant accounting policies (Continued)

Impairment of intangible assets other than tangible assets and goodwill

At each reporting date, the Group examines the book value of its tangible and intangible assets to determine whether the assets are impaired. In case of impairment of assets, the recoverable amount of assets, if any, is measured in order to determine the amount of impairment. Where the recoverable amount of an asset cannot be measured, the Group measures the recoverable amount of the cash-generating unit associated with the asset. If a reasonable and consistent allocation basis is determined, Group assets are allocated to cash-generating units. Where this is not possible, Group assets are allocated to the smallest cash-generating units to determine a reasonable and consistent basis of allocation.

The recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use. Value in use is the present value of the expected future cash flows from an asset or cash-generating unit. In calculating value in use, a pre-tax discount rate is used, which reflects the value in use of money according to the market assessment in the current period and the risks specific to the asset that are not taken into account in estimating future cash flows.

When the recoverable amount of an asset (or cash-generating unit) is less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized directly in profit or loss. If the impairment loss is reversed in subsequent periods, the carrying amount of the asset (or related cash-generating unit) is increased to correspond to the estimated amount re-updated for the recoverable amount. The increased carrying amount should not exceed the carrying amount of the asset (or related cash-generating unit) that it would have had had no impairment loss been recognized for the asset in prior periods. The reversal of an impairment loss is recognized directly in profit or loss.

Financial instruments

Financial assets

Classification

The Group accounts its financial assets in two classes as “financial assets at amortized cost” and “financial assets at fair value through profit or loss”. The classification is made on the basis of the business model used by the entity for the management of financial assets and the characteristics of the contractual cash flows of the financial asset. The Group classifies its financial assets on the date of purchase. Financial assets are not reclassified after initial recognition, except when the Group's business model in the management of financial assets changes. In case of business model change, financial assets are reclassified on the first day of the following reporting period after the change.

Classification and measurement

Financial assets that are not traded in an active market and are not derivative instruments, which the Group management has adopted the "contractual cash flow collection business model" and the terms of the contract include only the principal and interest payments arising from the principal balance on certain dates, are "amortized". are classified as “assets accounted for at cost”. If their maturities are less than 12 months from the date of the consolidated statement of financial position, they are classified as current assets, and if they are longer than 12 months, they are classified as non-current assets. Assets accounted for at amortized cost include “trade receivables”, “other receivables” and “cash and cash equivalents” items in the consolidated statement of financial position.

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

2.5 Summary of significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets at fair value through profit or loss; “derivative instruments” items in the consolidated statement of financial position and “financial instruments” held for trading purposes, which are obtained for the purpose of benefiting from the fluctuations in prices and similar factors in the short-term in the market, or which are part of a portfolio aimed at making a profit in the short-term, regardless of the reason for the acquisition, consists of “assets”. Derivative instruments are recognized as an asset if the fair value is positive and as a liability if the fair value is negative. Derivative instruments of the Group consist of transactions related to forward foreign currency purchase and sale contracts. Financial assets measured at fair value and associated with the profit or loss statement are initially reflected in the consolidated statement of financial position with their cost values, including transaction costs. These financial assets are valued over their fair values in the periods following their recording. Realized or unrealized gains and losses are accounted for in “income/expenses from main operations”. Financial assets that constitute derivative products that have not been determined as an effective hedging instrument against financial risk are also classified as financial assets at fair value through profit or loss.

Derecognition

The Group derecognises the financial asset when the contractual rights to the cash flows related to the financial asset expire or when it transfers the related rights and ownership of all the risks and rewards related to the financial asset in a trading transaction. Any rights created or held in financial assets transferred by the Group are accounted for as a separate asset or liability.

Derecognition

The Group derecognises the financial asset when the contractual rights to the cash flows on the financial asset expire or when it transfers the related rights and ownership of all the risks and rewards related to the financial asset in a trading transaction. Any rights created or held in financial assets transferred by the Group are accounted for as a separate asset or liability.

Impairment of financial assets and contract assets is calculated using the "Expected Credit Loss" (EXP) model. The impairment model is applied to amortized cost financial assets and contract assets.

Loss provisions are measured on the following basis;

- 12-month ECLs: ECLs resulting from possible default events within 12 months of the reporting date.
- Lifetime ECLs: ECLs resulting from all possible default events over the expected life of a financial instrument.

The lifetime ECL measurement is applied if, at the reporting date, the credit risk associated with a financial asset increases significantly after initial recognition. In all other cases where the relevant increase was not experienced, the 12-month ECL calculation was applied.

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

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

2.5 Summary of significant accounting policies (Continued)

Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand accounts and bank deposits with maturities less than 3 months. Cash and cash equivalents are stated at their fair values in the consolidated financial statements.

Trade receivables

Trade receivables consist of current account receivables, forward notes and checks. Trade receivables are reflected from the invoiced amount with their carrying values after the provision for impairment in accordance with the ECL model, and are measured at their amortized cost using the effective interest method in cases where the effect is significant.

The “simplified approach” is applied within the scope of the impairment calculations of trade receivables accounted at amortized cost in the financial statements. With this approach, allowances for losses on trade receivables are measured at an amount equal to “lifetime expected credit losses”, in cases where trade receivables are not impaired for specific reasons (other than realized impairment losses). Under the simplified approach, the Company accounts for the provision for impairment in accordance with the ECL model, taking into account the guarantees it has received from its customers.

In the event that all or part of the amount of the impaired receivable is collected following the provision for impairment, the collected amount is deducted from the provision for impairment and recorded in the “Other income (expenses) from main operations” accounts (Note 21).

Trade receivables (Continued)

Foreign exchange gains (losses) on commercial transactions are recognized in the consolidated statement of profit or loss under the “other operating income (expenses)” account (Note 21).

It is assumed that the amortized cost values of trade receivables, after the provision for impairment, are close to the fair value of the assets.

Financial liabilities

A financial liability is measured at fair value at initial recognition. During the initial recognition of financial liabilities whose fair value difference is not recognized in profit or loss, the transaction costs directly attributable to the underwriting of the related financial liability are added to the said fair value. Financial liabilities are accounted for at amortized cost using the effective interest method, together with the interest expense calculated over the effective interest rate in the following periods.

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

2.5 Summary of significant accounting policies (Continued)

Leases

The Group – as a lessee

At inception of a contract, the Group assesses whether a contract is, or contains a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, The Group assess whether:

- The contract involved the use of an identified asset – this may be specified explicitly or implicitly.
- The asset should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, the asset is not identified.
- The Group has the right to obtain substantially all of the economic benefits from the use of an asset throughout the period of use; and
- The Group has the right to direct use of the asset. The Group concludes to have the right of use, when it is predetermined how and for what purpose the Group will use the asset. The Group has the right to direct use of asset if either:
 - i. The Group has the right to operate (or to have the right to direct others to operate) the asset over its useful life and the lessor does not have the rights to change the terms to operate or;
 - ii. The Group designed the asset (or the specific features) in a way that predetermines how and for what purpose it is used

The Group reflects a right-of-use asset and a lease liability in its financial statements at the commencement date of the lease.

Right of use asset

The right of use asset is initially recognized at cost comprising of:

- Amount of the initial measurement of the lease liability;
 - Any lease payments made at or before the commencement date, less any lease incentives received;
 - Any initial direct costs incurred by the Group; and
- An estimate of costs to be incurred by the lessee for restoring the underlying asset to the condition required by the terms and conditions of the lease (unless those costs are incurred to produce inventories).

The Group re-measure the right of use asset:

- a) After netting-off depreciation and reducing impairment losses from right of use asset.
- b) Adjusted for certain re-measurements of the lease liability recognized at the present value.

The Group applies TAS16 “Property, Plant and Equipment” to amortize the right of use asset and to assess for any impairment.

Applies TAS 36 Impairment of Assets to determine whether a right-of-use asset is impaired and to recognize any identified impairment losses.

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

2.5 Summary of significant accounting policies (Continued)

Lease liability

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date. Lease liabilities are discounted to present value by using the interest rate implicit in the lease if readily determined or with the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise the following:

- Fixed payments, including in-substance fixed payments;
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as the commencement date.
- The exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewable period if the Group is reasonably certain to exercise an extension option and penalties for early termination of a lease unless the Group is reasonably certain to terminate early.

After initial recognition, the lease liability is measured:

- Increasing the carrying amount to reflect interest on lease liability,
- Reducing the carrying amount to reflect the lease payments made and
- Remeasuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in-substance fixed lease payments.

The duration of the contract that make up the Group's lease liabilities varies between 1 and 5 years.

Trade payables

Trade payables represent the payments to be made for the goods and services provided from the suppliers in the ordinary course of operations. Trade payables are measured initially at their fair value and subsequently at amortized cost using the effective interest method (Note 4).

Derivative financial instruments

The Group's activities expose the entity to financial risks, mainly due to changes in exchange rates and interest rates. The Group uses derivative financial instruments (mainly exchange rate forward contracts) to hedge financial risks associated with exchange rate fluctuations due to certain binding commitments and forecasted future transactions.

Financial assets at fair value through profit or loss; "derivative instruments" items in the consolidated statement of financial position and "financial instruments" held for trading purposes, which are obtained for the purpose of benefiting from the fluctuations in prices and similar factors in the short-term in the market, or which are part of a portfolio aimed at making a profit in the short-term, regardless of the reason for the acquisition, consists of "assets". Derivative instruments are recognized as an asset if the fair value is positive and as a liability if the fair value is negative. Derivative instruments of the Group consist of transactions related to forward foreign currency purchase and sale contracts. Financial assets measured at fair value and associated with the profit or loss statement are initially reflected in the consolidated statement of financial position with their cost values, including transaction costs. These financial assets are valued over their fair values in the periods following their recording. Realized or unrealized gains and losses are accounted for in "income/expenses from main operations". Financial assets that constitute derivative products that have not been determined as an effective hedging instrument against financial risk are also classified as financial assets at fair value through profit or loss.

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

2.5 Summary of significant accounting policies (Continued)

Derivative financial instruments (Continued)

Derivative financial instruments are calculated with their fair value at the contract date and recalculated with their fair value in subsequent reporting periods.

The effective interest method

It is the method of valuing the financial asset at amortized cost and allocating the related interest income to the related period.

Effective interest rate; It is the rate that exactly discounts the estimated future cash received over the expected life of the financial instrument or, where appropriate, a shorter period of time, to the net present value of the financial asset.

Effects of currency changes

Foreign currency transactions and balances

The financial statements of each enterprise of the Group are presented in the currency of the main economic environment in which they operate (the functional currency). The financial position and operating results of each business are expressed in TRY, which is the functional currency of the Group and the presentation unit for the consolidated financial statements.

During the preparation of the financial statements of each enterprise, transactions in foreign currencies (currencies other than TRY) are recorded based on the exchange rates on the date of the transaction. Monetary assets and liabilities indexed to foreign currency in the statement of financial position are translated into Turkish Lira using the exchange rates prevailing on the balance sheet date. Among the non-monetary items that are followed at fair value, those recorded in foreign currency are translated into TRY based on the exchange rates at the date of determination of the fair value. Foreign currency non-monetary items measured at historical cost are not reconverted.

Earnings per share

Earnings per share presented in the consolidated statements of profit or loss are determined by dividing consolidated net income attributable to that class of shares by the weighted average number of such shares outstanding during the year concerned.

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

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

2.5 Summary of significant accounting policies (Continued)

Subsequent events

Subsequent events consist of all events between balance sheet date and date of authorization for validity, even if they have been existed after public explanation of an announcement about profit or other financial information.

The Group adjusts the amounts included in the consolidated financial statements in accordance with this new situation, in case of occurrence of events requiring adjustment after the balance sheet date.

Contingent assets and liabilities

A provision is made in the financial statements if there is a present obligation as a result of past events, it is probable that the obligation will be settled and the amount of the obligation can be estimated reliably.

The amount recognized as a provision is calculated by estimating in the most reliable way the expense to settle the obligation as of the balance sheet date, taking into account the risks and uncertainties associated with the obligation. If the provision is measured using the estimated cash flows required to settle the present obligation, the carrying amount of the provision is equal to the present value of the relevant cash flows.

Where it is expected that some or all of the economic benefits required to settle the provision are expected to be met by third parties, the amount to be collected is recognized as an asset if it is almost certain that the amount will be collected and can be measured reliably.

Contracts that will cause loss

Existing liabilities arising from contracts that will cause loss are calculated and accounted for as provisions. If the Group has a contract that exceeds the unavoidable costs to be incurred in order to fulfill its contractual obligations, the economic benefits expected to be obtained in relation to the contract in question, the contract that will cause loss is deemed to exist.

Warranty provisions

Provisions for warranty costs are recognized at the date of sale of the related products, according to the most appropriate expenditure estimated by the management to meet the obligations of the Group.

Government incentives and aids

Government incentives are not reflected in the financial statements without reasonable assurance that the enterprise will fulfill the conditions necessary to obtain the incentive and that the incentive will be obtained.

Government grants are systematically recognized in profit or loss during the periods in which the costs intended to be covered by these incentives are recognized as an expense. Government incentives, which are a financing instrument, should be associated with the statement of financial position as deferred income and systematically reflected in profit or loss over the economic life of the relevant assets, rather than being recognized in profit or loss to clarify the expenditure item they finance.

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

2.5 Summary of significant accounting policies (Continued)

Government incentives and aids (Continued)

Government grants given to cover previously incurred expenses or losses or to provide emergency financing support to the business without incurring any future costs are recognized in profit or loss in the period they become collectible.

Taxes calculated on corporate income

Since Turkish Tax Legislation does not allow the parent company and its subsidiary to prepare a consolidated tax return, 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. Tax is included in the income statement unless it relates to a transaction accounted for directly under equity. Otherwise, the tax is accounted for under equity along with the related transaction.

Current corporate tax

Current year tax liability is calculated over the taxable portion of the profit for the period. Taxable profit differs from profit reported in the income statement because it excludes items that are taxable or deductible in other years and items that are not taxable or deductible. The Group's current tax liability has been calculated using the tax rate that has been enacted or substantially enacted as of the balance sheet date.

In Turkey, the corporate tax rate is 25% for 2023 (2022: 23%). The corporate tax rate is applied to the net income, which will be found as a result of adding the expenses that are not deductible in accordance with the tax laws to the commercial income of the institutions and deducting the exemptions and deductions in the tax laws. Corporate tax is declared by the evening of the thirtieth day of the fourth month following the end of the relevant year and is paid in a single installment until the end of the relevant month.

Companies calculate a provisional tax of 25% on their quarterly financial profits and declare it by the 17th day of the second month following that period and pay it by the evening of the seventeenth day. The provisional tax paid during the year belongs to that year and is deducted from the corporate tax to be calculated on the corporate tax return to be submitted in the following year. If the amount of advance tax paid remains despite the offset, this amount can be refunded in cash or offset against any other financial debt to the state.

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

Dividend payments made to resident companies in Turkey, to those who are not liable and exempt from corporate tax and income tax, and to real persons and non-resident legal entities in Turkey are subject to 10% income tax.

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

2.5 Summary of significant accounting policies (Continued)

Current corporate tax (Continued)

Dividend payments from companies residing in Turkey to joint stock companies residing in Turkey are not subject to income tax. In addition, if the profit is not distributed or added to the capital, income tax is not calculated.

Turkish tax legislation does not allow the parent company to file a tax return on the consolidated financial statements of its subsidiaries. For this reason, tax liabilities reflected in the consolidated financial statements of the Group have been calculated separately for all companies included in the scope of consolidation. In the statements of financial position dated 31 December 2023 and 31 December 2022, the tax amounts to be paid are netted for each subsidiary and are classified as gross in the consolidated financial statements.

Deferred tax

Deferred tax liability or assets are determined by calculating the tax effects of the temporary differences between the amounts of assets and liabilities shown in the financial statements and the amounts taken into account in the calculation of the legal tax base, according to the balance sheet method, taking into account the enacted tax rates. While deferred tax liabilities are calculated for all taxable temporary differences, deferred tax assets consisting of deductible temporary differences are calculated provided that it is highly probable to benefit from these differences by generating taxable profit in the future. The mentioned assets and liabilities are not recognized if they arise from the initial recognition of the temporary difference, goodwill or other assets and liabilities (other than business combinations) related to the transaction that does not affect the commercial or financial profit/loss.

Deferred tax liabilities are calculated for all taxable temporary differences associated with investments in subsidiaries and associates and interests in joint ventures, except when the Group is able to control the temporary differences and it is unlikely that the temporary differences will disappear in the near future/ Deferred tax assets arising from taxable temporary differences associated with such investments and interests are calculated on the condition that it is highly probable that the said differences will be benefited from by earning sufficient taxable profit in the near future and it is probable that the related differences will disappear in the future.

The carrying amount of the deferred tax asset is reviewed at each balance sheet date. The carrying amount of the deferred tax asset is reduced to the extent that it is not probable that a financial profit will be obtained to allow some or all of the benefits to be obtained.

Deferred tax assets and liabilities are calculated over tax rates (tax regulations) that are expected to be valid in the period when the assets will be realized or the liabilities will be fulfilled and that have been enacted or substantially enacted as of the balance sheet date. During the calculation of deferred tax assets and liabilities, the tax results of the methods estimated by the Group to recover the book value of its assets or fulfill its liabilities as of the balance sheet date are taken into account.

Deferred tax assets and liabilities, if there is a legal right to set off current tax assets and current tax liabilities, or if such assets and liabilities are associated with income tax collected by the in-kind tax authority, or if the Group intends to settle current tax assets and liabilities on a net basis. is deducted.

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

2.5 Summary of significant accounting policies (Continued)

Deferred tax (Continued)

Current period tax expense and deferred tax

Tax expense includes current period tax expense and deferred tax expense. Tax is included in the income statement unless it relates to a transaction accounted for directly under equity. Otherwise, the tax is accounted for under equity along with the related transaction.

Period tax expense is calculated considering the tax laws in force in the countries where the Group's subsidiaries and investments accounted for using the equity method operate as of the date of the statement of financial position.

In the Turkish tax system, financial losses can be offset against financial profits within the following five years, but it is not possible to offset (retrospectively) against previous years' earnings. In addition, a provisional tax of 25% is paid on the bases declared in the interim periods during the year, to be offset against the corporate tax in 2023 (31 December 2022: 23%). As of 31 December 2023, and 31 December 2022, tax provisions have been allocated within the framework of the applicable tax legislation.

75% of the profits arising from the sale of participation shares held in the Group's assets for more than two years, as well as founding shares, usufruct shares and preemptive rights held for the same period, and 25% of the profits arising from the sale of immovable properties included in the Group's assets for the same period, are subject to Corporate Tax. It is exempt from tax, provided that it is added to the capital as stipulated in the Law or kept in a special passive fund account for 5 years.

Deferred tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Deferred tax is calculated using tax rates enacted or substantively enacted at the statement of financial position date.

Deferred tax liabilities are recognized for all taxable temporary differences, whereas deferred tax assets resulting from deductible temporary differences are recognized to the extent that it is probable that future taxable profit will be available against which the deductible temporary difference can be utilized.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority on the same taxable entity.

Employee benefits

Severance pay:

According to the provisions of current laws and collective bargaining agreements in Turkey, severance pay is paid in case of retirement or dismissal. In accordance with the updated TAS 19 Employee Benefits Standard ("TAS 19"), such payments are considered as defined retirement benefit plans.

Severance pay liability recognized in the statement of financial position is calculated according to the net present value of the expected future liability amounts due to the retirement of all employees and reflected in the consolidated financial statements. All calculated actuarial gains and losses are accounted for under other comprehensive income.

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

2.5 Summary of significant accounting policies (Continued)

Employee benefits (Continued)

Accumulated leave provisions:

Liabilities arising from unused leave rights, which are defined as long-term provisions provided to employees, are accounted for by accruing in the periods in which they are vested.

Statement of cash flows

In the consolidated statement of cash flows, cash flows for the period are classified and reported based on operating, investing and financing activities.

Cash flows from operating (core) operations represent the cash flows from the Group's core business transactions.

Cash flows from investing activities represent the cash flows that the Group uses and receives from its investing activities (tangible and intangible assets).

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

Capital and dividends

Ordinary shares are classified as equity. Dividends distributed over ordinary shares are recorded by deducting from the accumulated profit in the period when the dividend decision is taken.

Repurchased shares

Repurchased shares are presented as "Repurchased shares" by deducting the cost values, including the parts exceeding the nominal value of these shares, in case the Group buys its own shares. Gains or losses from the Group's repurchased shares are also accounted for under equity.

Issue premiums related to shares

Share premiums represent the difference between the nominal values and fair values of the shares issued by the Group.

2.6 Significant accounting evaluations, estimates and assumptions

The preparation of the consolidated financial statements requires the disclosure of the amounts of assets and liabilities reported as of the balance sheet date, the disclosure of contingent assets and liabilities, and the use of estimates and assumptions that may affect the amounts of income and expenses reported during the accounting period. The Group makes predictions and assumptions about the future. Accounting estimates may not result in exactly the same amounts as the actual results due to their nature. Some estimates and assumptions that may cause significant adjustments in the carrying value of assets and liabilities in the next financial reporting period are as follows:

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

2.6 Significant accounting evaluations, estimates and assumptions (Continued)

a) *Accounting for construction contracts*

The Group uses the percentage of completion rate method in accounting for construction contracts. According to this method, the ratio of the contract expense incurred until a certain date to the estimated total cost of the contract is calculated. The Group uses the "percentage of completion" method in accounting for fixed price contracts to account revenue related to long term contractual construction projects. The percentage of completion method requires estimating the service performed in proportion to the total service to be delivered (Note 16).

b) *Deferred taxes*

The Group recognizes deferred tax assets and liabilities for temporary timing differences arising from the differences between its legal taxable financial statements and its financial statements prepared in accordance with TFRS. The Group has unused tax losses that can be deducted from future profits and 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. During the evaluation, future profit projections, expiry dates of unused losses and other tax assets, and tax planning strategies that can be used when necessary are considered. 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 (Note 24).

c) *Impairment of trade receivables*

Provision for impairment of trade receivables is calculated under the simplified approach in accordance with the ECL model. Pursuant to the said model, the Group monitors its customers in terms of past payment performances and receivables aging. In calculating the provision for impairment, it calculates the net risk by taking into account the guarantees it has received on the basis of customers in the relevant groups, and uses the expected loan loss rates that it has determined based on past experience (Note 4).

d) *Impairment of inventory*

Inventories are physically inspected for impairment of inventory, their availability is determined in line with the opinions of technical personnel, and a provision is made for items that are not expected to be used. As a result of these studies, a provision is made for inventories with a net realizable value below the cost value (Note 6).

2.7 Statement of Compliance with TFRS and Policy Decisions Issued by KGK

Company management is responsible for the preparation and fair presentation of financial statements in accordance with TFRSs published by KGK and KGK policy decisions. The company management declares that the current and previous period financial statements, the summary of important accounting policies and footnotes are prepared and presented in accordance with TFRS.

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

2.8 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision makers. The chief operating decision-makers, who are responsible for allocating resources and assessing performance of the operating segments, have been identified as the key management that takes strategic decisions.

The chief operating decision makers regularly monitor and review the operational results based on the main products' performances and domestic/ foreign market basis. Main products and domestic/ foreign markets can be separately defined as operating segments. On the other hand, considering that the production process of each product type, the processed products obtained as a result of this process, the raw materials in the production process, the customer portfolio together with the domestic/foreign sales channels, and the legislation and laws affecting the Group's activities are significantly similar. In accordance with the relevant provisions in the TFRS 8 "Operating Segments", the financial information is not reported according to the operating segments, since the Group has only one reportable operating segment.

NOTE 3 - CASH AND CASH EQUIVALENTS

	31 December 2023	31 December 2022
Cash	6,763	9,430
Bank	412,070,857	179,541,561
- Time deposit	404,147,662	88,534,124
- Demand deposit	7,923,195	91,007,437
Credit card receivables	83,051,090	208,216,645
Cheques and notes	49,332,370	74,253,321
	544,461,080	462,020,957

The Group's time deposits are in TRY, USD and EUR with average maturities less than one week and annual weighted average effective interest rates are 41.10%, 2% and 2% respectively. (31 December 2022: Time deposits are in TRY and EUR and annual weighted average effective interest rates are 23% and 2.50%, respectively). Checks and credit card receivables have a maturity of less than 3 months.

The maturity of foreign-currency-linked deposit is 6 months amounting to TRY59,075,600 which shown in financial investments as of 31 December 2023. (31 December 2022: None)

Credit risks of banks with group deposits are evaluated by taking into account independent data and no credit risk is expected.

The market values of cash and cash equivalents approximate their carrying values including the accrued interest income at the balance sheet date. As of 31 December 2023 and 2022, the Group has blocked deposits for POS receivables amounting to TRY83,051,090 (31 December 2022: TRY208,216,645).

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NOTE 3 - CASH AND CASH EQUIVALENTS (Continued)

As of 31 December 2023 and 2022, the details of the Group's demand deposits are as follows:

Currency	31 December 2023	31 December 2022
TRY	1,153,094	1,458,755
EUR	6,770,101	55,015,707
USD	-	34,532,975
	7,923,195	91,007,437

As of 31 December 2023 and 2022, the details of the Group's time deposits are as follows:

Currency	31 December 2023	31 December 2022
TRY	326,194,642	61,211,492
USD	52,636,258	-
EUR	25,316,762	27,322,632
	404,147,662	88,534,124

NOTE 4- TRADE RECEIVABLES AND PAYABLES

Short-term trade receivables	31 December 2023	31 December 2023
Trade receivables	1,399,280,113	1,450,036,627
Notes receivables	225,031,517	485,487,521
Trade receivables from related parties	343,442,705	101,077,258
Less: Provision for impairment	(148,141,750)	(177,781,233)
	1,819,612,585	1,858,820,173

The average maturity period of the Group's trade receivables is 3 months (31 December 2022: 3 months). The carrying value of trade receivables approximates their amortized costs, Details of trade receivable balances in foreign currency are shown in Note 27.

The movement table of the provision for impairment in trade receivables is as follows:

	2023	2022
At the beginning of the period - 1 January	(177,781,233)	(282,040,963)
Provisions made during the period	(83,113,503)	(9,770,960)
Provisions no longer required	42,866,445	2,702,295
Monetary (loss)/gain, net	69,886,541	111,328,395
At the end of the period - 31 December	(148,141,750)	(177,781,233)

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 4 - TRADE RECEIVABLES AND PAYABLES (Continued)

The allowance for doubtful receivables for trade receivables has been determined by estimating expected credit losses based on past experience of uncollectibility. The aging of trade receivables is as follows:

Overdue:	31 December 2023	31 December 2022
Overdue	349,886,090	184,398,537
0 - 30 days	491,855,063	938,089,349
31 - 60 days	456,551,822	600,197,536
61 - 90 days	501,839,335	69,122,493
91 and more days	19,480,276	67,012,258
	1,819,612,585	1,858,820,173

Time past due:	31 December 2023	31 December 2022
0 - 30 days	235,771,416	149,352,772
31 - 90 days	31,075,989	12,831,657
91 and more days	83,038,685	22,214,108
	349,886,090	184,398,537

The collection risk of trade receivables is limited due to the Group's wide and dispersed customer base, which covers production and distribution. The Group's experience in the collection of trade receivables in the past years shows that the provisions set aside are sufficient. For this reason, the Group management believes that there is no additional trade receivable risk other than the provision for possible collection losses. Credit risk assessment related to trade receivables is disclosed in Note 27.

Short-term trade payables	31 December 2023	31 December 2022
Trade payables to related parties	1,861,147,945	1,805,601,243
Trade payables	1,582,171,287	1,486,500,245
Expense accruals (*)	1,686,271	88,338,899
	3,445,005,503	3,380,440,387

(*) Expense accruals consist of amounts that have been finalized and have not yet been invoiced.

Average payment term of the Group's trade payables is 3 months (31 December 2022: 3 months).

The Group has financial risk management policies implemented to ensure that all its debts are paid within the lending period.

As of 31 December 2023, the Group has commercial debt of TRY10,457,615 (USD354,600) with letter of credit (31 December 2022: TRY3,743,316 (USD121,500)).

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

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NOTE 5 - OTHER RECEIVABLES AND PAYABLES

	31 December 2023	31 December 2022
Other receivables from unrelated parties		
Deposits and guarantees given	1,576,408	124,623
	1,576,408	124,623

	31 December 2023	31 December 2022
Other short-term payables		
Other payables to related parties (Note 26)	175,000,000	288,352,608
	175,000,000	288,352,608

NOTE 6 - INVENTORIES

	31 December 2023	31 December 2022
Raw materials	565,569,734	368,585,312
Semi products	76,598,434	213,715,361
Finished product	354,594,325	614,293,759
Trade goods	239,761,451	123,874,655
Less: Provision for inventory impairment	(21,554,614)	(46,508,595)
	1,214,969,330	1,273,960,492

In the accounting period of 1 January - 31 December 2023, the cost of first materials and materials associated with the cost of sales is TRY7,642,214,022 (31 December 2022: TRY9,181,832,732) (Note 17).

The movement of inventory impairment during the year is as follows:

	2023	2022
At the beginning of the period - 1 January	(46,508,595)	(126,433,999)
Increase during the period	(21,554,614)	(46,508,595)
Used during the period	46,508,595	126,433,999
At the end of the period - 31 December	(21,554,614)	(46,508,595)

TRY14,234,514 of inventory impairment provisions consists of finished goods, TRY5,979,820 of raw materials and TRY1,340,280 of commercial goods.

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

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NOTE 7 - PREPAID EXPENSES AND DEFERRED TAX

	31 December 2023	31 December 2022
Short-term prepaid expenses		
Order advances for projects (*)	170,261,227	255,036,387
Expenses for incoming months (**)	5,861,628	39,300,765
	176,122,855	294,337,152

(*) It consists of the order advances given to the suppliers for the construction projects of the Group over the years.

(**) Expenses for the next months consist of insurance policies.

	31 December 2023	31 December 2022
Long-term prepaid expenses		
Expenses for incoming years	1,000,000	-
	1,000,000	-

	31 December 2023	31 December 2022
Short-term contractual obligations and deferred income		
Order advances received (except for contractual obligations)	212,570,625	336,039,358
Contractual obligations (*)	117,208,780	525,793,253
	329,779,405	861,832,611

(*) Cash advances received from customers for construction projects included in contractual obligations. A significant portion of the advances coming from the advance received from TEİAŞ for the submarine project. In addition, contractual obligations include project-based obligations based on the percentage of completion of contract activities in the transfer of income and expenses related to construction works to financial statements. The contracts by the Group regarding completed or ongoing projects are stated in Note 16.

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NOTE 8 - PROPERTY, PLANT AND EQUIPMENT

	1 January 2023	Additions	Disposals	31 December 2023
Cost				
Land	71,314,234	-	-	71,314,234
Buildings	869,217,485	-	-	869,217,485
Machinery and equipment	3,621,597,680	27,051,151	-	3,648,648,831
Vehicles	97,436,398	-	(2,241,468)	95,194,930
Fixtures	263,014,428	2,133,024	-	265,147,452
Leasehold improvements	1,299,980	-	-	1,299,980
Construction in progress	1,067,518	-	-	1,067,518
	4,924,947,723	29,184,175	(2,241,468)	4,951,890,430
Less: Accumulated depreciation				
Buildings (-)	(665,594,769)	(20,025,403)	-	(685,620,172)
Machinery and equipment (-)	(3,440,042,388)	(26,050,488)	-	(3,466,092,876)
Vehicles (-)	(86,342,498)	(2,149,444)	2,231,714	(86,260,228)
Fixtures (-)	(253,789,306)	(2,075,740)	-	(255,865,046)
Leasehold improvements (-)	(1,299,980)	-	-	(1,299,980)
	(4,447,068,941)	(50,301,075)	2,231,714	(4,495,138,302)
Net book value	477,878,782			456,752,128

As of 31 December 2023, the Group has depreciation and amortization expenses amounting to TRY58,848,708 (31 December 2022: TRY72,887,88) which consists of TRY50,301,075 (31 December 2022: TRY67,152,664) for tangible assets, TRY7,190,044 (31 December 2022: TRY3,916,416) for right-of-use assets and TRY1,357,589 (31 December 2022: TRY1,818,808) for intangible assets. Of the current period depreciation and amortization expenses, TRY31,081,120 (31 December 2022: TRY48,038,864) is reflected to the cost of sales, TRY27,445,504 (31 December 2022: TRY24,665,830) to general administrative expenses, TRY309,151 (31 December 2022: TRY158,873) to marketing expenses and TRY12,933 (31 December 2022: TRY24,321) to research and development expenses. An important part of the plant, machine and device additions in 2023 consists of the purchase of cable outer sheath and insulation spraying machine.

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NOTE 8 - PROPERTY, PLANT AND EQUIPMENT (Continued)

	1 January 2022	Additions	Disposals	31 December 2022
Cost				
Land	71,314,234	-	-	71,314,234
Buildings	868,762,081	455,404	-	869,217,485
Machinery and equipment	3,600,427,008	21,170,672	-	3,621,597,680
Vehicles	98,912,503	2,793,015	(4,269,120)	97,436,398
Fixtures	257,476,561	5,537,867	-	263,014,428
Leasehold improvements	1,299,980	-	-	1,299,980
Construction in progress	1,067,518	-	-	1,067,518
	4,899,259,885	29,956,958	(4,269,120)	4,924,947,723
Less: Accumulated depreciation				
Buildings (-)	(645,597,196)	(19,997,573)	-	(665,594,769)
Machinery and equipment (-)	(3,402,510,894)	(37,531,494)	-	(3,440,042,388)
Vehicles (-)	(85,386,184)	(5,096,576)	4,140,262	(86,342,498)
Fixtures (-)	(249,262,285)	(4,527,021)	-	(253,789,306)
Leasehold improvements (-)	(1,299,980)	-	-	(1,299,980)
	(4,384,056,539)	(67,152,664)	4,140,262	(4,447,068,941)
Net book value	515,203,346			477,878,782

NOTE 9 - INTANGIBLE ASSETS

	1 January 2023	Additions	31 December 2023
Cost			
Rights	26,760,855	-	26,760,855
	26,760,855	-	26,760,855
Accumulated amortisation			
Rights (-)	(22,402,636)	(1,357,589)	(23,760,225)
	(22,402,636)	(1,357,589)	(23,760,225)
Net book value	4,358,219	-	3,000,630
	1 January 2022	Additions	31 December 2022
Cost			
Rights	26,760,855	-	26,760,855
	26,760,855	-	26,760,855
Accumulated amortisation			
Rights (-)	(20,583,828)	(1,818,808)	(22,402,636)
	(20,583,828)	(1,818,808)	(22,402,636)
Net book value	6,177,027		4,358,219

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NOTE 10 - OTHER ASSETS AND LIABILITIES

	31 December 2023	31 December 2022
Other non-current assets		
Deferred VAT (*)	334,312,429	134,586,847
Receivables from tax office (**)	23,744,723	81,720,116
	358,057,152	216,306,963

(*) It consists of the short-term part of the value added taxes that have not been deducted due to the change in the communiqué regarding export registered sales, and the refund process has started.

(**) It consists of SCT and other VAT receivables from the tax office.

	31 December 2023	31 December 2022
Other non-current assets		
Deferred VAT (*)	349,306,508	474,280,561
	349,306,508	474,280,561

(*) It consists of long-term part of the value added taxes that have not been deducted due to the change in the communiqué regarding export registered sales. The refund process is ongoing and VAT receivables, which are expected to take more than one year to be refunded, have been classified as non-current assets by the Group management.

	31 December 2023	31 December 2022
Other short-term current liabilities		
Taxes and funds payable	55,248,002	78,391,841
Other	267,835	441,322
	55,515,837	78,833,163

NOTE 11 - BORROWINGS

	31 December 2023	31 December 2022
Short-term borrowings		
Short-term bank borrowings	173,049,052	115,341,043
Short-term liabilities arising from lease transactions	7,310,057	4,896,331
	180,359,109	120,237,374
Long-term borrowings		
Long-term liabilities arising from lease transactions	10,375,615	4,812,966
	10,375,615	4,812,966

Carrying values of short-term financial borrowings and liabilities arising from lease transactions approximate to their fair values.

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NOTE 11 - BORROWINGS (Continued)

As of 31 December 2023, the repayment details of the Group's bank loans are as follows:

31 December 2023

Currency	Maturity	Effective interest rate (%)	Short-term	Long-term
TRY	3-12 months	27.08	124,104,182	-
EUR	3-12 months	8.42	48,944,870	-
			173,049,052	-

31 December 2022

Currency	Maturity	Effective interest rate (%)	Short-term	Long-term
TRY	1 year	14.30	115,341,043	-
			115,341,043	-

The repayment schedule of borrowings is as follows:

	31 December 2023	31 December 2022
In 1 year	173,049,052	115,341,043
	173,049,052	115,341,043

The movement table of financial borrowings as of 1 January - 31 December 2023 and 2022 is as follows:

	2023	2022
At the beginning of the period - 1 January		
New financial debts received	1,255,116,245	1,265,481,578
Principal payments	(1,134,224,960)	(1,104,749,989)
Change in foreign exchange	(8,349,847)	-
Change in interest accruals	(10,802,138)	(49,504)
Monetary gain	(44,031,291)	(45,341,042)
At the end of the period - 31 December	173,049,052	115,341,043

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NOTE 12 - DERIVATIVE INSTRUMENTS

31 December 2023	Contract amount	Fair value	Contract EUR	Contract USD
Derivative assets				
Foreign currency forward transactions	871,351,825	11,755,725	29,000,000	-
		11,755,725		

31 December 2022	Contract amount	Fair value	Contract EUR	Contract USD
Derivative liabilities				
Foreign currency forward transactions	507,870,427	1,030,727	32,740,379	7,744,327
		1,030,727		

The Group uses foreign currency derivatives to hedge significant future transactions and cash flows from financial risk. The Group is a party to various forward foreign currency contracts, depending on the management of exchange rate fluctuations. Derivative instruments purchased are mainly in foreign currencies in the market in which the Group operates.

These contracts are related to foreign exchange risks in 2023 and 2022 and are renewed when necessary.

The change in the fair value of foreign currency derivative transactions for hedging purposes is recorded in the profit or loss statement during the period.

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NOTE 13 - EMPLOYEE BENEFITS

	31 December 2023	31 December 2022
Employee benefits payables		
Social security deductions to be paid (“SGK”)	11,147,371	6,583,115
Taxes and funds payable	3,979,088	6,145,567
Payables to personnel	3,504,792	5,765,101
	18,631,251	18,493,783

	31 December 2023	31 December 2022
Short-term provisions for employee benefits		
Collective labour agreement provisions	68,000,000	8,849,804
Personnel provisions	16,017,462	15,466,041
Provision for unused vacation	8,612,541	6,038,201
Provision for personnel premium	-	4,284,210
	92,630,003	34,638,256

The movement tables regarding personnel premium provisions as of 31 December 2023 and 2022 are as follows:

	2023	2022
At the beginning of the period - 1 January	4,284,210	6,105,212
Paid during the year	(4,284,210)	(6,105,212)
Provisions during the year	-	4,284,210
At the end of the period - 31 December	-	4,284,210

	31 December 2023	31 December 2022
Long-term provisions due to employee benefits		
Provisions for employee termination benefits	138,875,895	62,007,404
	138,875,895	62,007,404

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

The compensation to be paid is equal to one month's salary for each year of service, and this amount is limited to TRY23,489.83 as of 31 December 2023 (31 December 2022: TRY25,327.90). The provision for severance pay is not legally subject to any funding and there are no funding requirements. The provision for severance pay is calculated by estimating the present value of the probable obligation to be paid in case of retirement of the employees, taking into account actuarial assumptions.

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NOTE 13 - EMPLOYEE BENEFITS (Continued)

TAS 19, "Employee Benefits"; It envisages the development of actuarial valuation methods to estimate the severance pay provision of the Company. Accordingly, the following actuarial assumptions were used in the calculation of the provision:

The following actuarial assumptions were used in the calculation of the total liability:

	31 December 2023	31 December 2022
Inflation rate (%)	25.10	18.40
Discount rate (%)	21.90	0.50

The basic assumption is that the ceiling provision for each year of service will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the expected effects of inflation. The severance pay provision of the Company is calculated over TRY35,058.58 (1 January 2023: TRY32,926.29), effective as of 1 January 2024, since the severance pay ceiling is adjusted semi-annually.

Movements of the provision for employment termination benefits were as follows:

	2023	2022
At the beginning of the period - 1 January	62,007,404	51,842,898
Current service cost	3,391,000	3,027,900
Interest costs	3,949,000	5,781,882
Defined benefit plans remeasurement gains/(losses)	135,831,467	39,464,754
Payments	(26,846,000)	(2,352,957)
Monetary (gain)/loss, net	(39,456,976)	(35,757,072)
At the end of the period - 31 December	138,875,895	62,007,404

NOTE 14 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

	31 December 2023	31 December 2022
Other short-term provisions		
Various provisions for ongoing projects (*)	222,279,874	251,377,787
Expense accruals related to overseas service agreements	20,484,470	67,085,259
Provisions for copper incentive (**)	11,232,648	21,602,817
Provision for maintenance and repair expenses	-	23,034,529
Provisions for commission expenses	-	13,492,206
Other	1,419,905	97,758,196
	255,416,897	474,350,794

(*) Provisions arising from the purchase agreements made by the Group for the projects that are at the order stage.

(**) The copper incentive provision is a record taken against the risk of withdrawal of the copper incentive for not being able to sell the copper with incentives to third world countries.

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NOTE 14 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Continued)

	31 December 2023	31 December 2022
Other long-term provisions		
Provisions related to litigations	2,331,254	3,841,275
Warranty provisions	-	9,429,297
	2,331,254	13,270,572

The amount in question represents the provisions for the lawsuits brought against the Group by various parties. The provision amount is recognized as general administrative expense in the profit or loss statement.

The balance dated 31 December 2023 is not expected to be paid within one year. In the opinion of the management, with the appropriate legal opinion, these lawsuits will not result in a significant loss beyond the amount of the provision as at 31 December 2023.

As of 31 December 2023 and 2022, the movements in the provision for lawsuits during the period are as follows:

	2023	2022
At the beginning of the period - 1 January	3,841,275	1,460,946
Monetary gain/(loss), net	(1,510,021)	2,380,329
At the end of the period - 31 December	2,331,254	3,841,275

	31 December 2023	31 December 2022
Guarantees received		
Guarantee letters	1,129,364,681	1,186,296,328
Credit insurance	659,378,822	936,330,943
Bails	118,316,258	122,862,134
Letters of credit	22,078,650	23,107,301
At the end of the period - 31 December	1,929,138,411	2,268,596,706

A significant portion of the Group's collaterals received consist of the assurance collaterals received from customers regarding their trade receivables.

	31 December 2023	31 December 2022
Guarantees given		
Guarantee letters	1,625,846,294	3,018,635,527
At the end of the period - 31 December	1,625,846,294	3,018,635,527

A significant portion of the letters of guarantee given were given to customers, customs directorates and tax offices regarding the projects the Group.

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NOTE 14 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Continued)

The Group's collateral/pledge/mortgage/guarantee ("CPM") position is as follows:

	31 December 2023	31 December 2022
A. Total amount of CPM given for the Group's own legal personality	980,149,749	1,000,999,124
B. Total amount of CPM given on behalf of fully consolidated companies	637,393,828	2,017,636,403
C. Total amount of CPM given for continuity of its economic activities on behalf of third parties	-	-
D. Total amount of other CPM	-	-
i) Total amount of CPM given behalf of the majority shareholder	-	-
ii) Total amount of CPM given to on behalf of other third parties which are not in scope of B and C	-	-
iii) Total amount of CPM given on behalf of third parties which are not in scope of C,	-	-
The ratio of total amount of other CPM to Equity (%)	0%	0%

NOTE 15 - SHARE CAPITAL, RESERVES AND OTHER EQUITY COMPONENTS

Compositions of the Group's paid-in share capital at 31 December 2023 and 2022 are as follows:

	31 December 2023		31 December 2022	
	Share ratio (%)	Amount	Share ratio (%)	Amount
Draka Holding B.V.	83.75	181,506,654	83.75	181,506,654
Public (*)	16.25	35,226,998	16.25	35,226,998
Paid in share capital		216,733,652		216,733,652

(*) As of 31 December 2023 and 2022, the share ratio of repurchased shares is 0.73%,

As of 31 December 2023, the Group's capital consists of 216,733,652 shares (31 December 2022: 216,733,652 shares). The nominal value of the shares is TRY1 per share (31 December 2022: TRY1 per share), All issued shares were paid in cash. Capital adjustment differences are TRY1,745,658,215 and represent the difference between the inflation-adjusted total amounts of cash and cash equivalent additions to paid-in-capital and their amounts before inflation adjustment.

According to the Communiqué on Principles of Financial Reporting in the Capital Markets (Series: II-14.1) and the CMB announcements explaining it, "Paid-in Capital", "Restricted Reserves Allocation from Profit" and "Share Issuance Premiums" must be shown at their amounts in the legal records. Differences in valuations that occur during the implementation of the said communiqué (such as differences resulting from inflation adjustment):

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NOTE 15 - SHARE CAPITAL, RESERVES AND OTHER EQUITY COMPONENTS (Continued)

- If it arises from "Paid-in Capital" and has not been added to the capital yet, with the "Capital Adjustment Differences" item to be opened after the "Paid-in Capital" item;
- If the difference is arising from "Restricted Reserves" and "Share Premium" and the amount has not been utilized in dividend distribution or capital increase yet, should be associated with "Retained Earnings". Other equity items are carried at the amounts valued in accordance with TAS and CMB announcements.

Adjustment to share capital has no other use except to be added to share capital.

The details of the Restricted Reserves are as follows:

	31 December 2023	31 December 2022
Legal reserves	70,900,056	57,318,110
	70,900,056	57,318,110

According to the Turkish Commercial Code, the general legal reserve is appropriated at the rate of 5% per annum, until the total reserve reaches 20% of the Group's paid-in share capital. After paying five percent dividend to the shareholders, 10% of the total amount to be distributed to the shareholders reserved as other legal reserves. According to the Turkish Commercial Code, if the general legal reserve does not exceed half of the issued capital or the capital, it can be used only to cover the losses, to continue the business when the works are not going well or to prevent unemployment and to mitigate the results.

Distribution of dividend

Publicly traded companies make their dividend distributions in accordance with the CMB's Dividend Communiqué No. II-19 19.1, which came into force as of 1 February 2014.

Partnerships distribute their profits within the framework of the profit distribution policies to be determined by their general assembly and in accordance with the provisions of the relevant legislation. Within the scope of the said communiqué, a minimum distribution rate has not been determined. Companies pay dividends as determined in their articles of association or dividend policy.

On 25 May 2023, the management decided to pay dividends from the profit of 2022 to the shareholders. In 2023, the amount of TRY23,561,156 (2022: TRY22,938,552) dividends distributed per share is TRY0.0763 in gross (2022: TRY0,0530) is and TRY0,0687 (2022: TRY0,0473) in net.

Premiums Related to Shares

Share premiums represent the positive or negative differences between the nominal amount of the shares offered to the public and the purchase amount.

Repurchased shares:

Consists of the Group's repurchased shares within the scope of liquidity provider transactions carried out within the framework of CMB legislation. The Company's repurchased shares are realized at the market prices in Borsa Istanbul on the date of the transaction; Repurchased shares are accounted for in "Repurchased Shares" accounts, including the parts exceeding their nominal value.

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

(Amounts expressed in TRY in terms of the purchasing power of TRY at 31 December 2023, unless otherwise indicated)

NOTE 16 - CONTRACTUAL ASSETS AND LIABILITIES

	31 December 2023	31 December 2022
Costs on work-in-progress	3,642,495,491	3,618,853,875
Recognized profits less/losses (net)	823,270,654	555,681,740
Minus: Realized progress payments (-)	(4,082,690,409)	(2,851,936,911)
	383,075,736	1,322,598,704

The Group takes the completion percentage of the contract activities as a basis in the transfer of the income and expenses of the mentioned construction works to the financial statements. Contracts regarding the works signed / completed or in progress by the Group are as follows:

a) Çanakkale Strait_Lapseki3-Sütlüce3_Lot1

The Group has signed the contract for the construction works in question on 30 June 2021. The income and expenses calculated according to the completion percentage related to the mentioned construction work are reflected in the consolidated financial statements with a completion rate of 95% as of the current period.

b) İzmit Gulf_Hersek-Dilovası_Lot2

The Group has signed the contract for the construction works in question on 30 June 2021. The income and expenses calculated according to the completion percentage related to the mentioned construction work are reflected in the consolidated financial statements with a completion rate of 85% as of the current period.

c) Sultanmurat-İstanbul DG Fuel Oil B) Brş. N. - Halkalı GIS TM

The Group signed the contract for the mentioned construction works on 31 March 2022. The income and expenses calculated according to the completion percentage related to the mentioned construction work are reflected in the consolidated financial statements with a completion rate of 80% as of the current period.

d) ITM 362 Halkalı 154Kv

The Group signed the contract for the mentioned construction works on 11 May 2022. The income and expenses calculated according to the completion percentage related to the mentioned construction work are reflected in the consolidated financial statements with a completion rate of 100% as of the current period.

e) ITM.368 Silahtar GIS TM

The Group signed the contract for the mentioned construction works on 21 January 2022. The income and expenses calculated according to the completion percentage related to the mentioned construction work are reflected in the consolidated financial statements with a completion rate of 29% as of the current period.

f) HKABY.8 - Çerkezköy OSB-Kemberburgaz RES

The Group signed the contract for the mentioned construction works on 27 October 2022. The income and expenses calculated according to the completion percentage related to the mentioned construction work are reflected in the consolidated financial statements with a completion rate of 51% as of the current period.

g) ITM 360 Bağlica 154Kv

The Group signed the contract for the mentioned construction works on 8 August 2022. The income and expenses calculated according to the completion percentage related to the mentioned construction work are reflected in the consolidated financial statements with a completion rate of 54% as of the current period.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 16 - CONTRACTUAL ASSETS AND LIABILITIES (Continued)

h) Mersin Akbelen

The Group signed the contract for the mentioned construction works on 13 March 2023. The income and expenses calculated according to the completion percentage related to the mentioned construction work are reflected in the consolidated financial statements with a completion rate of 64% as of the current period.

i) HKABY12 Side GIS TM-Manavgat TM BrşN 154

The Group signed the contract for the mentioned construction works on 15 September 2023. The income and expenses calculated according to the completion percentage related to the mentioned construction work are reflected in the consolidated financial statements with a completion rate of 2% as of the current period.

NOTE 17 - REVENUE AND COST OF SALES

	1 January - 31 December 2023	1 January - 31 December 2022
Domestic sales	18,196,257,812	14,521,072,079
Export sales	2,515,580,177	2,451,974,479
Other revenues	118,694,815	94,328,292
Minus: Discounts	(8,326,301,019)	(3,217,970,386)
Minus: Returns	(31,621,229)	(48,939,268)
Net sales	12,472,610,556	13,829,947,641
Cost of sales (-)	(11,281,971,218)	(12,815,442,181)
Gross profit from operations	1,190,639,338	1,014,505,460

The breakdown of net revenue according to the fulfillment times of performance obligations is as follows:

	1 January - 31 December 2023	1 January - 31 December 2022
At a certain moment in time	10,724,835,236	11,267,248,578
Pervasive in time (As part of construction contracts)	1,747,775,320	2,562,699,063
	12,472,610,556	13,829,947,641

The breakdown of cost of sales is as follows:

	1 January - 31 December 2023	1 January - 31 December 2022
Raw material expenses	7,642,214,022	9,156,636,740
Cost of merchandise sold	2,040,384,135	1,445,210,417
Cost of service sold	770,674,341	1,652,636,536
General production expense	507,594,112	341,777,533
Personnel expenses	290,023,488	171,142,091
Depreciation and amortization expenses	31,081,120	48,038,864
	11,281,971,218	12,815,442,181

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 18 - RESEARCH AND DEVELOPMENT EXPENSES

	1 January - 31 December 2023	1 January - 31 December 2022
Research and development expenses		
Personnel expenses	14,670,530	11,859,234
Test, measurement and document expenses	5,362,878	4,937,219
Depreciation and amortization	12,933	24,321
Other	2,627,629	1,965,779
	22,673,970	18,786,553

**NOTE 19 - MARKETING EXPENSES, SELLING AND DISTRIBUTION EXPENSES,
GENERAL ADMINISTRATIVE EXPENSES**

	1 January - 31 December 2023	1 January - 31 December 2022
Marketing, selling and distribution expenses		
Logistics and freight costs	516,896,432	651,679,554
Personnel expenses	74,439,606	61,437,262
External service expenses	642,306	636,178
Depreciation and amortization	309,151	158,873
Other	13,269,281	20,555,080
	605,556,776	734,466,947

	1 January - 31 December 2023	1 January - 31 December 2022
General administrative expenses:		
License and service expenses	162,921,470	170,557,431
Personnel expenses	79,078,201	96,041,491
Depreciation and amortization	27,445,504	24,665,830
Litigation, consultancy and audit expenses	6,295,048	4,437,529
Donations and membership dues	3,082,753	2,407,505
Insurance expense	2,143,419	2,554,977
External service expenses	1,348,711	1,012,954
Other	12,016,897	15,099,371
	294,332,003	316,777,088

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NOTE 20 - EXPENSES BY NATURE

	1 January- 31 December 2023	1 January - 31 December 2022
Expenses by Nature		
Raw material expenses	7,642,214,022	9,181,832,732
Cost of merchandise sold	2,040,384,135	1,445,210,417
Cost of services sold	770,674,341	1,652,636,536
Logistics expenses, sales and letter of guarantee commissions	516,896,432	651,679,554
Production costs	507,594,112	341,777,533
Labor expense	458,211,825	345,529,789
License and service expenses	162,921,470	170,557,431
Depreciation and amortization	58,848,708	72,887,888
Litigation, consultancy and audit expenses	6,295,048	4,437,529
Other	40,493,874	18,923,360
	12,204,533,967	13,885,472,769

Fees for Services Received from Independent Auditor/Independent Audit Firm

The Group's explanation regarding the fees for services rendered by independent audit firms, which is prepared by the KGK pursuant to the Board Decision published in the Official Gazette on 30 March 2021, and the preparation principles of which are based on the letter of the KGK dated 19 August 2021 are as follows:

	1 January- 31 December 2023	1 January- 31 December 2022
Independent audit fee for the reporting period	1,072,686	1,035,879
Fees for tax consultancy services	550,870	250,465
	1,623,556	1,286,344

NOTE 21 - OTHER OPERATING INCOME AND EXPENSE

Details of other income from main operations are as follows:

	1 January- 31 December 2023	1 January - 31 December 2022
Realized income from derivative financial instruments	68,126,751	282,422,011
Provisions for trade receivables no longer required	42,866,445	2,953,595
Cost reflection revenues	23,768,347	11,917,583
Interest income of trade receivables	-	3,545,809
Other	18,388,022	60,675,741
	153,149,565	361,514,739

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NOTE 21 - OTHER OPERATING INCOME AND EXPENSE (Continued)

Details of other expense from main operations are as follows:

	1 January - 31 December 2023	1 January - 31 December 2022
Realized expenses from derivative financial instruments	(204,728,207)	(193,556,676)
Foreign exchange losses from commercial activities, net	(80,795,949)	(311,761,756)
Provision expense for impairment of trade receivables	(83,113,503)	(9,770,960)
Other	(25,533,997)	(7,859,383)
	(394,171,656)	(522,948,775)

NOTE 22 - INVESTMENT ACTIVITIES INCOME AND EXPENSES

Details of income from investment activities are as follows:

	1 January - 31 December 2023	1 January - 31 December 2022
Gain on sales of tangible and intangible assets	5,709,820	11,892,013
	5,709,820	11,892,013

NOTE 23 - FINANCIAL INCOME AND EXPENSES

Financial income:

	1 January - 31 December 2023	1 January - 31 December 2022
Interest income	69,131,216	37,444,466
Monetary gain (Note 2.1)	328,874,906	271,327,230
	398,006,122	308,771,696

Financial expense:

	1 January - 31 December 2023	1 January - 31 December 2022
Foreign exchange losses on financing activities	(293,808,293)	-
Interest expenses on bank loans	(168,935,874)	(203,366,121)
Severance pay interest expenses	(5,712,640)	(8,522,493)
Interest expenses related to leasing transactions	(3,054,692)	(2,833,644)
Other	(29,584,516)	(6,157,692)
	(501,096,015)	(220,879,950)

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NOTE 24 - INCOME TAXES

The income tax payable as of 31 December 2023 and 31 December 2022 is summarized below:

	31 December 2023	31 December 2022
Corporate tax provision	21,502,270	176,801,425
Loss: Prepaid taxes	(262,003,667)	(284,635,255)
Monetary gain/(loss)	(43,004,538)	(28,388,892)
Current income tax liability/(assets)	(283,505,935)	(136,222,722)

In Turkey, the corporation tax rate is 25% for 2023 (2022: 23%). The corporate tax rate is applied to the tax base that will be found as a result of the deduction of the expenses that are not allowed to be deducted in accordance with the tax laws to the commercial income of the corporations, the exception to the tax law (except for the participation earnings exemption, investment allowance exception etc.) and the reduction of discounts (such as R & D discount). No further tax is payable unless the profit is distributed calculated on an exemption amount if an investment allowance is granted in the scope of Income Tax Law temporary article 61.

Companies calculate a provisional tax of 25% on their quarterly financial profits and declare it by the 17th day of the second month following that period and pay it by the evening of the seventeenth day. The provisional tax paid during the year belongs to that year and is deducted from the corporate tax to be calculated on the corporate tax return to be submitted in the following year. If the amount of advance tax paid remains despite the offset, this amount can be refunded in cash or offset against any other financial debt to the state.

According to the Corporate Tax Law, financial losses shown on the declaration can be deducted from the corporate tax base of the period, provided that it does not exceed 5 years. Declarations and relevant accounting records can be examined by the tax office within five years. Dividend payments made from companies resident in Turkey to companies other than those who are not liable for corporate tax and income tax and those who are exempt, as well as dividend payments made to natural persons who are resident and non-resident of Turkey and legal entities who are not resident in Turkey, are subject to 10% income tax. Dividend payments made from companies resident in Turkey to joint stock companies resident in Turkey are not subject to income tax. In addition, if the profit is not distributed or added to the capital, income tax is not calculated.

Turkish tax legislation does not allow the parent company to file tax returns based on the financial statements in which the subsidiaries are consolidated. For this reason, the tax liabilities reflected in the Group's consolidated financial statements are calculated separately for all companies included in the scope of consolidation. Tax amounts to be paid in the statements of financial position dated 31 December 2023 and 31 December 2022 are netted for each Subsidiary and are classified separately in the consolidated financial statements.

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NOTE 24 - INCOME TAXES (Continued)

For the period ended 31 December 2023 and 2022, tax expense in the profit or loss comprised the following:

	1 January - 31 December 2023	1 January - 31 December 2022
Corporate tax expense current period	(21,502,270)	(176,801,425)
Deferred tax assets/(liabilities)	4,966,810	115,423,475
Total tax income/(expense)	(16,535,460)	(61,377,950)

The reconciliation between the corporate tax expense with the legal tax rate applied to the profit before tax and the tax income/(expense) shown in the profit or loss statement for the one-year accounting periods ending on 31 December 2023 and 31 December 2022 is as follows:

	1 January - 31 December 2023	1 January - 31 December 2022
Profit before tax	(70,325,575)	(117,175,407)
The current legal corporate tax rate	25%	23%
Tax calculated over the tax rate	17,581,394	26,950,344
Expenses and additions that are not legally accepted	(17,883,281)	(55,366,128)
Used investment contribution	7,814,682	7,814,682
Impact of investment contribution with deferred tax	1,406,511	10,382,030
Discounts	43,768,582	7,903,840
Monetary gain/loss	(82,218,727)	(62,405,263)
Other	12,995,379	3,342,545
Tax income/(expense)	(16,535,460)	(61,377,950)

The breakdown of cumulative temporary differences and the resulting deferred income tax assets/(liabilities) provided at 31 December 2023 and 2022 are as follows:

	Cumulative temporary differences		Deferred income tax assets/(liabilities)	
	31 December 2023	31 December 2022	31 December 2023	31 December 2022
Deferred tax assets/(liabilities)				
Long-term construction projects	552,045,856	(124,619,134)	(138,011,464)	28,662,401
Inventory impairment	86,183,183	27,325,427	(21,545,796)	(6,284,848)
Derivative instruments	11,755,725	1,030,727	(2,938,931)	(237,067)
Investment incentive discount	-	(33,976,879)	-	7,814,682
Litigation provision	(2,331,253)	(3,841,275)	582,813	883,493
Trade receivables	(17,665,609)	10,040,224	4,416,402	(2,309,251)
Unused leave allowances	(24,630,003)	(34,638,256)	6,157,501	7,966,799
Trade payables	(55,899,817)	(173,556,885)	13,974,954	40,215,394
Provision for severance pay	(138,840,413)	(62,007,404)	34,710,103	12,397,384
Provisions	(180,387,999)	(266,990,410)	45,097,000	61,407,794
Tangible and intangible assets	(255,066,235)	312,463,017	63,766,559	(72,551,454)
Carryforward tax losses	(283,041,929)	-	70,760,482	-
Other	3,261,137	-	815,285	-
Deferred tax assets/(liabilities), net			77,784,908	77,965,327

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NOTE 24 - INCOME TAXES (Continued)

A deferred tax asset of TRY70,760,482 was recognized related with the carryforward tax losses amounting to TRY283,041,929 for financial year 2023, as the Group foresees that they can be utilised in the tax base in the foreseeable future. The expiry year for the utilization of these tax losses carried forward is 2028.

Movements of deferred tax assets and liabilities are as follows:

	2023	2022
At the beginning of the period - 1 January	77,965,327	(27,189,435)
Associated with the profit or loss	4,966,810	115,423,475
Associated with other comprehensive income	33,957,867	7,892,951
Monetary gain/loss	(39,105,096)	(18,161,664)
At the end of the period - 31 December	77,784,908	77,965,327

NOTE 25 – EARNINGS/(LOSSES) PER SHARE

Earnings/(losses) per share is calculated by dividing the net profit/(loss) for the period attributed to the parent company shares by the weighted average number of shares of the Company during the period.

There are no ordinary shares issued or to be issued as of the date of preparation of the financial statements and prior to the completion of these consolidated financial statements.

	31 December 2023	31 December 2022
Net profit/(loss) per share of the parent	(86,861,035)	(178,553,357)
Weighted average number of ordinary shares issued	216,733,652	216,733,652
Earnings/(losses) per share	(0.4008)	(0.8238)
Diluted earnings/(losses) per share	(0.4008)	(0.8238)

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NOTE 26 - RELATED PARTY DISCLOSURES

Short-term trade receivables from related parties are as follows:

	31 December 2023	31 December 2022
	Trade receivables	Trade receivables
Prysmian Power Link Srl	94,923,868	-
Prysmian Kabel und Systeme GmbH	65,608,557	4,933,486
LLC Rybinskelektrokabel	46,549,322	7,643,775
Singapore Cables Manufacturers Pte	28,789,832	-
Prysmian Cavi e Sistemi Italia S.r.l.	25,722,967	22,668,786
Conducen SRL	16,621,653	-
Prysmian Group Baltics AS	15,397,024	-
Prysmian MKM Magyar Kabel Muve	8,218,649	5,260,496
Prysmian Cabluri Si Sisteme S.	7,619,312	2,697,267
General Cable Celcat, Energia	7,596,367	-
Prysmian Finland Oy	6,821,331	5,009,673
Prysmian S.P.A.	2,922,505	2,997,916
Oman Cables Industry (SAOG)	2,433,825	14,002,754
Prysmian Australia Pty Ltd	1,991,251	1,378,810
Draka Comteq UK Limited	1,589,315	1,462,821
Prysmian Cables & Systems Limited	802,309	414,064
Prysmian Spain, S.A.	334,359	738,356
Prysmian Cables et Systèmes Fr	215,871	334,929
Prysmian Group Norge AS	190,351	29,598,746
Other	9,094,037	1,935,379
	343,442,705	101,077,258

TÜRK PRYSMIAN KABLO VE SİSTEMLERİ A.Ş. AND ITS SUBSIDIARIES

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

(Amounts expressed in TRY in terms of the purchasing power of TRY at 31 December 2023, unless otherwise indicated)

NOTE 26 - RELATED PARTY DISCLOSURES (Continued)

	31 December 2023		31 December 2022	
	Trade payables	Other payables	Trade payables	Other payables
Prysmian S.P.A.	1,294,962,392	-	595,646,979	-
Prysmian Power Link Srl	377,890,470	-	-	-
Prysmian Powerli	81,019,490	-	-	-
Prysmian Wuxi Cable Company Lt	36,369,786	-	-	-
Prysmian Cavi e Sistemi Italia S.r.l.	29,875,914	-	86,734,484	-
Prysmian Netherlands B.V.	14,757,349	-	24,824,472	-
Oman Aluminium Processing Industrie	9,249,739	-	8,523,754	-
Prysmian Cavi e Sistemi S.r.l	4,553,909	-	-	-
Prysmian MKM Magyar Kabel Muve	2,257,537	-	-	-
Prysmian Cables et Systèmes Fr	904,253	-	7,753,983	-
Draka Comteq UK Limited	713,928	-	121,363	-
Prysmian Cables and Systems OY/Finland	286,188	-	1,041,654,309	-
Prysmian Kabel und Systeme GmbH	-	-	30,390,425	-
Draka Kabely SRO	-	-	1,472,429	-
Draka Holding BV (*)	-	175,000,000	-	288,352,608
Other	8,306,990	-	8,479,045	-
	1,861,147,945	175,000,000	1,805,601,243	288,352,608

(*) It consists of short-term financial debts that the Group receives from its partners for its operational activities. As of 31 December 2023, the effective weighted interest rate of other debts in TL currency is 38.70% and their maturity is less than one year.

Sales transactions with related parties are as follows:

	31 December 2023	31 December 2022
Prysmian Kabel und Systeme GmbH	183,770,115	61,002,935
Prysmian Group Norge AS	102,004,232	182,384,562
Prysmian Cavi e Sistemi Italia S.R.L	100,859,184	313,548,283
Prysmian Power Link Srl	96,259,946	-
Draka Denmark Optical Cable AS	67,627,554	97,366,481
Prysmian Cables et Systemes France SAS	62,911,481	2,231,444
Prysmian Group Baltics AS	62,142,270	10,330,240
Singapore Cables Manufacturers Pte Ltd	56,551,228	4,376,117
Prysmian Spain, S.A.	54,345,460	1,093,278
LLC Rybinskelektrokabel	44,409,962	33,711,430
Prysmian Finland Oy	34,195,523	23,755,595
Oman Cables Industry SAOG	28,973,757	29,731,335
Prysmian Cabluri si Sisteme S.A.	27,705,724	49,615,736
Prysmian MKM Magyar Kabel Muve	23,092,251	-
Draka Comteq UK Ltd	14,503,048	11,969,597
Prysmian Australia Pty Ltd	9,490,003	6,238,491
General Cable de Mexico, S.A d	8,021,080	-
Prysmian Cables & Systems Ltd.	6,173,243	18,532,420
Prysmian Spa	4,123,672	3,878,115
Draka Kabel Sverige AB	950,239	6,574,003
Other	32,863,693	33,275,940
	1,020,973,665	889,616,002

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

(Amounts expressed in TRY in terms of the purchasing power of TRY at 31 December 2023, unless otherwise indicated)

NOTE 26 - RELATED PARTY DISCLOSURES (Continued)

Purchase transactions with related parties are as follows:

	1 January – 31 December 2023	1 January – 31 December 2022
	Purchases	Purchases
Prysmian S.P.A.	920,277,706	593,853,731
Prysmian Power Link Srl	544,655,687	-
Prysmian Kabel und System GmbH	348,365,412	311,023,689
Prysmian MKM Magyar Kabel Muve	249,755,350	68,572,053
Prysmian Cavi e Sistemi Italia S.r.l.	201,570,182	211,362,677
Prysmian Wuxi Cable Company Lt	110,156,117	-
Oman Aluminium Processing Industrie	54,666,567	44,967,910
Draka Comteq UK Ltd	33,674,467	50,731,351
Oman Cables Industry (SAOG)	26,673,484	-
Prysmian Cables & Systems Limited	25,457,619	10,182,597
Prysmian Cabluri Si Sisteme S.	22,473,940	23,395,036
Prysmian Netherlands B.V.	19,930,386	37,087,767
Draka Comteq Germany GmbH	16,101,232	-
Prysmian Finland Oy	15,668,930	627,118,809
Prysmian Cables et Systemes France SAS	14,166,202	113,819,995
Draka Kabely SRO	14,120,780	-
Prysmian Cables (Shangai) Trad	14,055,625	-
Prysmian Group Specialty	12,368,399	-
Norddeutsche Seekabelwerke GmbH	8,015,249	-
Fibre Ottiche Sud - F.O.S. S.r.l.	1,163,157	16,224,782
Draka Comteq Fibre BV	502,905	-
SILEC Cable, S.A.S.	-	297,969,543
Draka Kabel Sverige AB	-	12,867,244
Prysmian Spain, S.A.	-	5,989,420
Singapore Cables Manufacturers Pte Ltd	-	4,364,172
Prysmian Group Norge AS	-	1,006,280
Other	19,830,386	54,999,750
	2,673,649,782	2,485,536,806

Key management personnel include consists of senior executives in the board of directors, executive board and other important management levels. Benefits provided to senior executives during the period are as follows:

	1 January - 31 December 2023	1 January - 31 December 2022
Paid to board members	8,545,545	12,848,376
Other	68,252	12,734
	8,613,797	12,861,110

TÜRK PRYSMIAN KABLO VE SİSTEMLERİ A.Ş. AND ITS SUBSIDIARIES

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

(Amounts expressed in TRY in terms of the purchasing power of TRY at 31 December 2023, unless otherwise indicated)

NOTE 26 - RELATED PARTY DISCLOSURES (Continued)

Service purchases made with related parties are as follows:

	31 December 2023	31 December 2022
Prysmian S,P,A,	106,042,695	111,012,806
Prysmian Cavi e Sistemi S,r,l,	56,878,775	59,544,625
	162,921,470	170,557,431

Service purchases from group companies cover three types of service fees. These are;

TAF (Technical Assistance Fees) license agreement:

License fee; It is calculated as 1,25% over net production sales and invoiced by the relevant companies.

SAG (Service Agreement)

Service agreement: made for all group companies at the Prysmian Group Holding headquarters; Cost allocations are invoiced according to various distribution keys on a company basis, such as legal, sales support, R&D, consultancy.

IT (IT Service Agreement) IT service agreement:

All IT expenses incurred on behalf of group companies are calculated at the Prysmian Group Holding headquarters. Cost allocations are determined according to various distribution keys, and the amount of their shares is invoiced to the group companies.

The IT service fee received from Prysmian SPA is related to the SAP system, which was revised in 2011. It covers all of the technical assistance, consultancy and expenses incurred in line with the system revision.

With the statement made on 26 July 2019, the Group was announced by the Prysmian Group central management; Provided that the 3-year targets committed within the framework of Prysmian Turkey R&D center activities are achieved, it has been decided to revise the license rate from 2% to 1,25% (effective from 1 January 2019).

TÜRK PRYSMIAN KABLO VE SİSTEMLERİ A.Ş. AND ITS SUBSIDIARIES

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

(Amounts expressed in TRY in terms of the purchasing power of TRY at 31 December 2023, unless otherwise indicated)

NOTE 27 - NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

In managing the capital, the Company's objectives are to ensure the continuity of the Company's activities by maintaining the most appropriate capital structure in order to provide returns to its shareholders and to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may change the amount of dividends paid to shareholders, return capital to shareholders, issue new shares and sell assets to reduce debt.

The Company monitors the capital using the financial liability/equity ratio. The Company has not determined a specific target for these ratios and determines its periodical strategies by evaluating the needs and market conditions.

Capital risk management

	31 December 2023	31 December 2022
Total Financial liabilities	173,049,052	115,341,043
Less: Cash and cash equivalents	(544,461,080)	(462,020,957)
Net financial debt	(371,412,028)	(346,679,914)
Equity	1,063,690,045	1,275,985,836
Net debt/equity	(35%)	(27%)

TÜRK PRYSMIAN KABLO VE SİSTEMLERİ A.Ş. AND ITS SUBSIDIARIES

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

(Amounts expressed in TRY in terms of the purchasing power of TRY at 31 December 2023, unless otherwise indicated)

NOTE 27 - NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Continued)

Credit risk

Credit risk arises from deposits in banks, receivables from related parties and other trade receivables, and holding the financial assets also carries the risk that counterparties may be unable to meet the requirements of the agreement. Credit risk arises from deposits in banks, receivables from related parties and other trade receivables, and holding the financial assets also carries the risk that counterparties may be unable to meet the requirements of the agreement. The Company management meets these risks by limiting the average risk for the counterparty (excluding related parties) in each agreement and obtaining collateral if necessary. Trade receivables are evaluated by the Company management based on past experiences and current economic conditions and are presented in the statement of financial position net of provision for doubtful receivables. The Company considers that it manages the receivables risk effectively. The following tables present an analysis of the credit risk of the Company as of 31 December 2023 and 2022.

	Trade receivables	Trade receivables	Other receivables		
31 December 2023	Related party	Other	Other	Bank deposits	Derivative instruments
Maximum credit risk as of reporting date A + B + C + D + E	343,442,705	1,474,414,268	1,576,408	412,070,857	11,755,725
- <i>Guaranteed portion of maximum risk</i>	-	530,774,501	-	-	-
A. Net book value of the assets that are not due or that are not impaired	262,440,008	1,050,156,399	1,576,408	412,070,857	11,755,725
B. Value of the financial assets whose terms have been renegotiated otherwise considered as overdue or impaired	-	-	-	-	-
C. Book value of the overdue but not impaired assets	81,002,697	426,013,481	-	-	-
- <i>Guaranteed portion of the maximum risk</i>	-	-	-	-	-
D. Net book value of the assets impaired	-	-	-	-	-
- <i>Overdue (net book value)</i>	-	148,141,750	-	-	-
- <i>Impairment (-)</i>	-	(148,141,750)	-	-	-
- <i>The portion of the net worth secured by collateral, etc,</i>	-	-	-	-	-
E. Off balance sheet items with credit risk	-	(1,755,612)	-	-	-

TÜRK PRYSMIAN KABLO VE SİSTEMLERİ A.Ş. AND ITS SUBSIDIARIES

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

(Amounts expressed in TRY in terms of the purchasing power of TRY at 31 December 2023, unless otherwise indicated)

NOTE 27 - NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Continued)

Credit risk (Continued)

	Trade	Trade	Other	Bank deposits	Derivative instruments
	receivables	receivables	receivables		
31 December 2022	Related party	Other	Other		
Maximum credit risk as of reporting date A + B + C + D + E	101,077,258	1,757,742,915	124,623	179,541,561	1,030,727
- <i>Guaranteed portion of the maximum risk</i>	-	980,534,777	-	-	-
A. Net book value of the assets that are not due or that are not impaired	85,634,868	1,573,344,378	124,623	179,541,561	1,030,727
B. Value of the financial assets whose terms have been renegotiated otherwise considered as overdue or impaired	-	-	-	-	-
C. Book value of the overdue but not impaired assets	15,442,389	184,398,537	-	-	-
- <i>Guaranteed portion of the maximum risk</i>	-	-	-	-	-
D. Net book value of the assets impaired	-	-	-	-	-
- <i>Overdue (net book value)</i>	-	177,781,233	-	-	-
- <i>Impairment (-)</i>	-	(177,781,233)	-	-	-
- <i>The portion of the net worth secured by collateral, etc,</i>	-	-	-	-	-
E. Off balance sheet items with credit risk	-	(2,333,526)	-	-	-

TÜRK PRYSMIAN KABLO VE SİSTEMLERİ A.Ş. AND ITS SUBSIDIARIES

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

(Amounts expressed in TRY in terms of the purchasing power of TRY at 31 December 2023, unless otherwise indicated)

NOTE 27 - NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Continued)

Liquidity risk

Prudent liquidity risk management consists of providing sufficient cash, enabling funding through adequate credit facilities and the ability to close open positions. Due to the dynamic nature of the business environment, the Company aimed for flexibility in funding through borrowing from related parties.

Due to the dynamic nature of the business environment, the Company sought flexibility in funding by borrowing from related parties.

The breakdown of the liabilities of the Company, which include interest to be paid on the Company's liabilities, on the remaining maturities is as follows:

31 December 2023	Net book value	Total contractual cash outflow	Up to 3 months	3 - 12 months	1 - 5 years
Bank borrowings	173,049,052	195,170,867	-	195,170,867	-
Trade payables	3,445,005,503	3,445,005,503	3,405,710,827	39,294,676	-
Leasing liabilities	17,685,672	17,685,672	1,827,514	5,482,543	10,375,615
Other debts	175,000,000	208,862,500	-	208,862,500	-
Total	3,810,740,226	3,866,724,542	3,407,538,341	448,810,586	10,375,615

31 December 2022	Net book value	Total contractual cash outflow	Up to 3 months	3 - 12 months	1 - 5 years
Bank borrowings	115,341,043	-	-	-	-
Trade payables	3,380,440,387	3,380,440,387	2,340,519,677	1,039,920,710	-
Leasing liabilities	9,709,297	3,803,104	621,633	1,864,896	1,316,575
Other debts	288,352,608	288,352,608	288,352,608	-	-
Total	3,793,843,335	3,672,596,099	2,629,493,918	1,041,785,606	1,316,575

TÜRK PRYSMIAN KABLO VE SİSTEMLERİ A.Ş. AND ITS SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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(Amounts expressed in TRY unless otherwise indicated)

NOTE 27 - NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Continued)

	31 December 2022				31 December 2021			
	TRY Equivalent	USD	EUR	GBP	TRY Equivalent	USD	EUR	GBP
1. Trade Receivables	1,418,475,503	16,455,940	28,674,560	-	941,023,721	22,130,494	26,447,141	-
2a. Monetary Financial Assets (including cash bank accounts)	80,017,756	1,628,133	985,097	-	116,872,912	1,846,851	4,130,442	-
2b. Non-monetary Financial Assets	-	-	-	-	-	-	-	-
3. Other	110,596,940	27,960	3,369,994	-	196,611,620	-	9,862,684	-
4. Current Assets (1+2+3)	1,609,090,199	18,112,033	33,029,651	-	1,254,508,269	23,977,345	40,440,267	-
5. Trade Receivables	-	-	-	-	-	-	-	-
6a. Monetary Financial Assets	-	-	-	-	-	-	-	-
6b. Non-monetary Financial Assets	-	-	-	-	-	-	-	-
7. Other	-	-	-	-	-	-	-	-
8. Non-Current Assets (5+6+7)	-	-	-	-	-	-	-	-
9. Total Assets (4+8)	1,609,090,199	18,112,033	33,029,651	-	1,254,508,269	23,977,345	40,440,267	-
10. Trade Payables	(2,199,684,820)	(3,998,873)	(63,740,130)	(46,409)	(964,896,127)	(5,671,382)	(42,993,484)	(2,014)
11. Financial Liabilities	(55,475,420)	-	(1,700,000)	-	-	-	-	-
12a. Other Monetary Liabilities	(507,234,641)	(7,964,882)	(8,345,455)	(160)	(878,645,957)	(12,543,159)	(32,231,433)	-
12b. Other Non-monetary Liabilities	(61,208,610)	-	(1,875,689)	-	(1,163,713,211)	-	(58,270,437)	(264)
13. Short-term Liabilities (10+11+12)	(2,823,603,491)	(11,963,755)	(75,661,274)	(46,569)	(3,007,255,255)	(18,214,541)	(133,495,354)	(2,278)
14. Trade Payables	-	-	-	-	-	-	-	-
15. Financial Liabilities	-	-	-	-	-	-	-	-
16a. Other Monetary Liabilities	-	-	-	-	-	-	-	-
16b. Other Non-monetary Liabilities	-	-	-	-	-	-	-	-
17. Long-term Liabilities (14+15+16)	-	-	-	-	-	-	-	-
18. Total Liabilities (13+17)	(2,823,603,491)	(11,963,755)	(75,661,274)	(46,569)	(3,007,255,255)	(18,214,541)	(133,495,354)	(2,278)
19. Net Asset/(Liability) Position of the Off-Balance Sheet								
Foreign Exchange Based Derivatives (19a-19b)	944,643,100	-	29,000,000	-	797,481,931	7,744,327	32,740,379	-
19a. The Amount of the Asset Type Off Balance	944,643,100	-	29,000,000	-	797,481,931	7,744,327	32,740,379	-
19b. The Amount of the Liability Type Off Balance	-	-	-	-	-	-	-	-
20. Net Foreign Exchange Asset/(Liability) Position (9+18+19)	(265,593,776)	6,148,278	(13,631,623)	(46,569)	(952,024,081)	13,507,131	(60,314,708)	(2,278)
21. Net Foreign Currency Asset/ (Liability) Position of (UFRS 7,B23) (=1+2a+5+6a+10+11+12a+14+15+16)	(1,261,525,326)	6,120,318	(44,125,928)	(46,569)	(783,933,869)	5,762,804	(44,647,334)	(2,014)
22. Total Fair Value of Financial Instruments Used for - Foreign Currency Hedging	944,643,100	-	29,000,000	-	797,481,931	7,744,327	32,740,379	-
23. Hedged Foreign Exchange Assets	-	-	-	-	-	-	-	-
24. Hedged Foreign Exchange Liabilities	944,643,100	-	29,000,000	-	797,481,931	7,744,327	32,740,379	-
25. Export	2,515,580,177	41,236,007	41,156,867	-	2,474,304,000	55,134,022	69,784,885	1,300,536
26. Import	8,508,289,908	349,298,737	-	-	864,805,681	598,503	43,716,791	-

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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**NOTE 27 - NATURE AND LEVEL RISKS ARISING FROM FINANCIAL INSTRUMENTS
(Continued)**

Exchange rate risk

The table below shows the effect of a 10% depreciation in TRY on the profit before tax level:

Table of Sensitivity Analysis for Foreign Currency Risk	31 December 2023	
	Profit/(Loss) Depreciation of foreign currency	Profit/(Loss) Appreciation of foreign currency
10% change in USD against TRY:		
USD net assets/liabilities	18,017,115	(18,017,115)
USD net effect	18,017,115	(18,017,115)
10% change in EUR against TRY:		
EUR net assets/liabilities	(143,994,376)	143,994,376
EUR net effect	(143,994,376)	143,994,376
10% change in Others against TRY:		
Others net assets/liabilities	(175,271)	175,271
Others net effect	(175,271)	175,271
Total	(126,152,532)	126,152,532

Exchange rate sensitivity analysis table	31 December 2022	
	Profit/(Loss) Depreciation of foreign currency	Profit/(Loss) Appreciation of foreign currency
Change of USD against TRY by 10%:		
USD net assets/liabilities	10,775,464	(10,775,464)
USD net effect	10,775,464	(10,775,464)
Change of EUR against TRY by 10%:		
EUR net assets/liabilities	(89,164,298)	89,164,298
EUR net effect	(89,164,298)	89,164,298
Change of Others against TRY by 10%:		
Others net assets/liabilities	(4,553)	4,553
Others net effect	(4,553)	4,553
Total	(78,393,387)	78,393,387

The Group evaluates its foreign currency assets at the "buying" rate, while valuing its foreign currency liabilities at the "sales" rate.

TÜRK PRYSMIAN KABLO VE SİSTEMLERİ A.Ş. AND ITS SUBSIDIARIES

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NOTE 28 - RIGHT OF USE ASSETS

	Buildings	Vehicles, floors and fixtures	Total
As of 1 January 2023	841,723	12,508,629	13,350,352
Additions	9,811,218	11,582,709	21,393,927
Disposals	(3,571,373)	(89,975)	(3,661,348)
Depreciation expense	(2,126,619)	(5,063,425)	(7,190,044)
Depreciation disposals	3,571,372	89,975	3,661,347
As of 31 December 2023	8,526,321	19,027,913	27,554,234

	Buildings	Vehicles, floors and fixtures	Total
As of 1 January 2022	1,511,142	5,323,881	6,835,023
Additions	1,708,026	8,929,876	10,637,902
Disposals	-	(1,115,605)	(1,115,605)
Depreciation expense	(1,572,927)	(2,343,489)	(3,916,416)
Depreciation disposals	-	909,448	909,448
As of 31 December 2022	1,646,241	11,704,112	13,350,352

NOTE 29 - FAIR VALUE DISCLOSURES AND EXPLANATIONS IN THE FRAMEWORK OF HEDGE ACCOUNTING

Classification of financial instruments

The Group has classified its financial assets and liabilities as financial investments, loans and receivables. The Group's financial assets are classified as cash and cash equivalents, trade receivables and other receivables, loans and derivative instruments and are presented at amortized cost using the effective interest method. The Group's financial liabilities consist of financial liabilities, trade payables, derivative instruments payables and other payables and are classified as financial liabilities carried at discounted cost and presented at amortized cost using the effective interest method.

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between voluntary parties, other than in a forced sale or liquidation, and is best determined by an established market price, if any.

The estimated fair values of financial instruments have been determined by the Company using available market information and appropriate valuation methods. However, judgment is used in interpreting market data for the purpose of estimating fair value. Accordingly, the estimates presented here may not be indicative of the values that the Group could realize in a current market transaction.

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NOTE 29 - FAIR VALUE DISCLOSURES AND EXPLANATIONS IN THE FRAMEWORK OF HEDGE ACCOUNTING (Continued)

The following methods and assumptions have been used in estimating the fair values of financial instruments whose fair value can be determined:

Financial assets

The fair values of the balances denominated in foreign currency translated at period-end rates are considered to approximate their book values. Cash and cash equivalents are presented at their fair values. It is assumed that the fair values of trade receivables and receivables from related parties approximate their book values due to their short-term nature. Derivative instruments are shown at their fair values.

Financial liabilities

Trade payables, payables to related parties and other monetary liabilities are estimated to be approximated to their fair values together with their discounted book values, and it is accepted that the fair values of the foreign currency balances translated with year-end rates approximate their book values. Liabilities from derivative instruments are shown at their fair values.

The table below contains the analysis of financial instruments whose fair value is determined by valuation method. Fair value calculations are based on the stages described below:

- Quoted prices (unadjusted) in active markets for certain assets and liabilities (Level 1).
- Observable inputs, either directly (as prices) or indirectly (derived from prices), for assets or liabilities other than quoted prices within Level 1 (Level 2).
- Inputs (unobservable inputs) for assets and liabilities that cannot be determined on the basis of observable market data (Level 3).

The table below consists of the Group's assets calculated at fair value as of 31 December 2023 and 2022.

Financial assets / liabilities	Reasonable value		Reasonable value level	Valuation technique
	31 December 2023	31 December 2022		
Financial assets/ (liabilities) from foreign currency forward contracts	11,755,725	1,030,727	Level 2	Future cash flows estimated using forward exchange rates (observable forward exchange rates at maturity) and contract rates are discounted using a rate that reflects the credit risk of the various parties.

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NOTE 30 – SUBSEQUENT EVENTS

The Turkish Metal Industrialists' Union (“MESS”) notified the Group management on 17 January 2024 that Collective Labor Agreement covering the period between 1 September 2023 and 31 August 2025 was signed between the MESS and the Turkish Metal Union.

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